TONÉ RESOURCES LIMITED

FORM 51-102F3

Material Change Report

1. **Name and Address of Company**

Toné Resources Limited (the "Company")
3374 West 19th Street
Vancouver, British Columbia, V6S 1C2

2. **Date of Material Change**

May 17, 2007

3. **News Release**

The Company issued a press release on May 17, 2007, a copy of which has been filed on SEDAR.

4. **Summary of Material Change**

The Company announced it will be holding a special meeting of its shareholders, optionholders and warrantholders on Monday, June 25, 2007, at which they will be asked to pass a special resolution approving a statutory plan of arrangement pursuant to which US Gold Canadian Acquisition Corporation would acquire the shares of the Company which it does not currently own.

5.1 **Full Description of Material Change**

For a full description of the material change, please refer to the petition and affidavit which have been filed with the Supreme Court of British Columbia in connection with the plan of arrangement, copies of which are attached as Appendix A and B hereto, respectively.

5.2 **Disclosure for Restructuring Transactions**

Not applicable

6. **Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**

N/A

7. **Omitted Information**

N/A

8. **Executive Officer**

Mr. William Pass
Telephone No.: (303) 238-1438

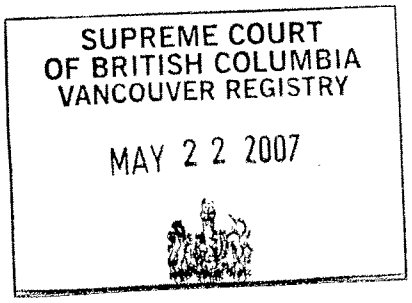
9. **Date of Report**

May 23, 2007
Toné Resources Limited

ON BEHALF OF THE BOARD OF DIRECTORS

"Signed"

William Pass, Vice-President and Corporate Secretary



NO. S-073477
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTIONS 288 TO 299
OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, C.57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT AMONG
TONE RESOURCES LIMITED AND ITS SECURITYHOLDERS

TONE RESOURCES LIMITED

PETITIONER

PETITION TO THE COURT

THIS IS THE PETITION OF:
TONE RESOURCES LIMITED
c/o Davis LLP
2800 Park Place
666 Burrard Street
Vancouver, BC V6C 2Z7

ON NOTICE TO:
The shareholders, directors and holders of options, warrants and other rights to acquire securities of the Petitioner in the manner, and to the extent, provided by the *ex parte* Interim Order sought herein.

Let all persons whose interests may be affected by the order sought TAKE NOTICE that the petitioner applies to court for the relief set out in this petition.

APPEARANCE REQUIRED

IF YOU WISH TO BE NOTIFIED of any further proceedings, YOU MUST GIVE NOTICE of your intention by filing a form entitled "Appearance" in the above registry of

this court within the Time for Appearance and YOU MUST ALSO DELIVER a copy of the "Appearance" to the petitioner's address for delivery, which is set out in this petition.

YOU OR YOUR SOLICITOR may file the "Appearance". You may obtain a form of "Appearance" at the registry.

IF YOU FAIL to file the "Appearance" within the proper Time for Appearance, the petitioner may continue this application without further notice.

TIME FOR APPEARANCE*

Where this Petition is served on a person in British Columbia, the time for appearance by that person is 7 days from the date of service (not including the day of service).

Where this petition is served on a person outside British Columbia, the time for appearance by that person after service, is 21 days in the case of a person residing anywhere within Canada, 28 days in the case of a person residing in the United States of America, and 42 days in the case of a person residing elsewhere.

TIME FOR RESPONSE*

IF YOU WISH TO RESPOND to the application, you must, on or before the 8th day after you have entered an appearance,

(a) deliver to the petitioner
  (i) 2 copies of a response in Form 124, and
  (ii) 2 copies of each affidavit on which you intend to rely at the hearing, and

(b) deliver to every other party of record
  (i) one copy of a response in Form 124, and
  (ii) one copy of each affidavit on which you intend to rely at the hearing.

* or, where the time for appearance or time for response has been set by order of the court, within that time.

(1)	The address of the registry is: 800 Smithe Street Vancouver, B.C. V6Z 2E1
(2)	The ADDRESS FOR DELIVERY is: Davis LLP 2800 Park Place 666 Burrard Street Vancouver, BC V6C 2Z7 Attn: Stuart B. Morrow Fax number for delivery (if any): (604) 687-1612
(3)	The name and office address of the Petitioner's solicitor is: Same as address for delivery.

The Petitioner applies to this Court for the following orders:

1. an *ex parte* interim order for directions in the terms of the draft Order attached as Schedule "A" to this Petition (the "Interim Order"). The Interim Order will:

   (a) give directions for the convening of a special meeting (the "Meeting") of the Petitioner's holders of shares (the "Shareholders"), holders of options (the "Optionholders"), and holders of warrants (the "Warrantholders") (collectively, the "Securityholders") to consider a Plan of Arrangement (the "Arrangement") among the Petitioner, the Securityholders, US Gold Corporation and US Gold Canadian Acquisition Corporation; and

   (b) provide for the manner and form of service of notice of these proceedings to the persons specified therein;

2. a final Order approving the Arrangement and the means of implementation thereof and ordering that the Arrangement be binding on the Petitioner and its Securityholders (the "Final Order"); and

3. such further or other orders as this Honourable Court may deem appropriate.

The Petitioner will rely on sections 288 to 299 of the *Business Corporations Act* (British Columbia), and Rules 3, 10, 12, 13, 44 and 51A of the *Rules of Court*.

At the hearing of this Petition will be read the Affidavit #1 of William F. Pass sworn the 19th day of May, 2007, and such other materials as counsel may advise.

The facts upon which this petition is based are as follows:

I. BACKGROUND OF THE COMPANIES

1. The Petitioner is a company incorporated under the laws of the Province of British Columbia. Its registered and records offices are located at 1040 West Georgia Street, 15th Floor, Vancouver, British Columbia, V6E 4H8.

2. The Petitioner is a gold exploration company.

3. The Petitioner's authorized capital consists of an unlimited number of common shares.

4. The issued and outstanding share capital of the Petitioner as of May 18, 2007, consisted of a total of 21,282,152 common shares (the "Shares").

5. As of May 18, 2007, the Petitioner had 12 registered Shareholders.

6. As of May 18, 2007, there were 710,500 outstanding options to purchase shares of the Petitioner (the "Options"). The Options are held by 5 Optionholders.

7. As of May 18, 2007, there were warrants outstanding, exercisable to acquire a total of approximately 2,710,000 shares of the Petitioner (the "Warrants"). The Warrants are held by two Warrantholders.

8. The Petitioner is a reporting issuer in the Provinces of British Columbia, Alberta, and Ontario, and in the Yukon Territory. The Petitioner's shares are listed and posted for trading on the TSX Venture Exchange.

9. US Gold Canadian Acquisition Corporation ("Canadian Exchange Co.") is a company incorporated under the laws of Alberta and its registered and records offices are located at 2900 Manulife Place, 10180 – 101 Street, Edmonton, Alberta, T5J 3V5.

10. Canadian Exchange Co. is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland. Its shares are listed and posted for trading on the Toronto Stock Exchange.

11. US Gold Corporation ("US Gold") is a company organized under the laws of the State of Colorado. It is engaged in the exploration for gold and other precious metals.

12. US Gold's authorized capital consists of 250,000,000 shares of common stock, no par value per share. As of May 11, 2007, US Gold had 59,411,319 shares of common stock issued and outstanding.

13. US Gold is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland. Its shares are listed and posted for trading on the Toronto Stock Exchange and the American Stock Exchange.

14. US Gold holds 100% of the voting shares of Canadian Exchange Co.. Canadian Exchange Co. was incorporated solely for the purpose of making an offer for the shares of the Petitioner, as well as concurrent offers for the shares of Nevada Pacific Gold Ltd. ("Nevada Pacific") and White Knight Resources Ltd ("White Knight").

II. BACKGROUND TO THE ARRANGEMENT

15. On March 5, 2006, US Gold announced its intention to make an offer to Shareholders (the "Offer") to acquire all of the outstanding Shares of the Petitioner on the basis of 0.26 of a share of US Gold common stock per share. US Gold subsequently decided that the consideration in the Offer would be in the form of exchangeable shares in the capital of Canadian Exchange Co. (the "Exchangeable Shares").

16. US Gold and Canadian Exchange Co. mailed their Offer to Shareholders on February 12, 2007. On the same date, concurrent offers were made to the shareholders of Nevada Pacific and White Knight to acquire all of the outstanding shares of those two companies.

17. Exchangeable Shares are exchangeable on a one-for-one basis at any time at the option of the holder of the Exchangeable Shares into shares of US Gold common stock. Exchangeable Shares were issued in lieu of US Gold common stock to enable, to the extent permissible and applicable, the Shareholders to take advantage of a full or partial tax deferral available under the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp).

18. A special committee of the Board of Directors of the Petitioner (the "Special Committee") was appointed on March 27, 2006 to consider the Offer. The Special Committee selected Northern Securities Inc. of Vancouver, British Columbia ("Northern Securities") to act as financial advisor and to assist in responding to the Offer.

19. Northern Securities delivered a fairness opinion dated December 5, 2006 (the "Fairness Opinion") to the Special Committee. Northern Securities concluded that based on its review, the Offer was fair to the Shareholders of the Petitioner from a financial point of view. The Fairness Opinion was attached as Schedule A to the Tone Resources Limited Directors' Circular dated February 20, 2007 (the "Directors' Circular").

20. On February 20, 2007, after considering the terms of the Offer and the Fairness Opinion, the Special Committee unanimously recommended to the Board of Directors of the Petitioner that the Offer be accepted and that the Board recommend that Shareholders tender their Shares to the Offer.

21. On February 20, 2007, based on the Special Committee's report, the Fairness Opinion and the advice of legal and financial advisors, the Board of Directors of the Petitioner concluded that the Offer was in the best interests of Shareholders and was fair to them from a financial point of view. The Board of Directors concluded that it would recommend to the Shareholders that they accept the Offer and tender their Shares under the Offer. These conclusions and recommendations were set out in the Directors' Circular.

22. On March 23, 2007, Canadian Exchange Co. took up 18,792,726 Shares validly tendered to the Offer and not withdrawn, being approximately 76% of the outstanding Shares on a fully diluted basis and 89.4% of the outstanding Shares on a non-diluted basis as at such date. ("Fully diluted basis" means the number of outstanding Shares calculated on the assumption that all Options and Warrants are exercised in full. "Non-diluted basis" means the number of outstanding Shares only.) These shares were paid for on or about March 28, 2007.

III. THE ARRANGEMENT

23. In April 2007, US Gold and Canadian Exchange Co. advised the Petitioner's directors that they intended to implement, by way of the Arrangement, the subsequent acquisition transaction disclosed in the Offer by way of the Arrangement.

24. On May 17, 2007, the Petitioner, US Gold and Canadian Exchange Co. entered into an arrangement agreement that outlines the terms of the proposed Arrangement (the "Arrangement Agreement"). The proposed Plan of Arrangement is attached to the Arrangement Agreement, and is attached as Schedule "B" to this Petition.

25. Under the Arrangement:

(a) Shareholders (other than Canadian Exchange Co. and Shareholders who have exercised their right of dissent) will receive, in consideration for the transfer of their Shares to Canadian Exchange Co., 0.26 of an Exchangeable Share for each Share;

(b) each Option will be exchanged for an option (the "Replacement Option") to purchase that number of shares of common stock of US Gold equal to 0.26 times the number of Shares subject to the Option and each Replacement Option will have an exercise price per share of common stock of US Gold equal to the exercise price of the Share under the related Option immediately prior to the effective time of the Plan of Arrangement divided by 0.26; and

(c) each Warrant will either:

(i) be exchanged for a warrant (the "Replacement Warrant") to purchase that number of Exchangeable Shares equal to 0.26 times

the number of Shares subject to the Warrant and each Replacement Warrant will have an exercise per Exchangeable Share equal to the exercise price of the Share under the related Warrant immediately prior to the effective time of the Plan of Arrangement divided by 0.26; or

(ii) be subject to a Warrant Exchange Agreement, substantially in the form attached as Appendix A to the Plan of Arrangement, whereby the Warrantholder will continue to hold his or her Warrants, but upon exercise of such Warrants, the Shares received would be automatically be exchanged for Exchangeable Shares on the basis of 0.26 of an Exchangeable Share for each Share;

and if a Warrantholder fails to enter into a Warrant Exchange Agreement prior to the effective time of the Plan of Arrangement, such Warrantholder's Warrants will automatically be exchanged for Replacement Warrants.

26. Pursuant to the Plan of Arrangement, upon the effective time of the Arrangement:

(a) each Share (other than those already held by Canadian Exchange Co. and those in respect of which the Shareholder has validly exercised his or her right of dissent) shall be deemed to be transferred to Canadian Exchange Co. in consideration for Exchangeable Shares;

(b) each Share in respect of which the Shareholder has validly exercised his or her right of dissent shall be deemed to be transferred to the Petitioner for cancellation;

(c) each Option shall be exchanged for a Replacement Option; and

(d) each Warrant, unless the Warrantholder enters into the Warrant Exchange Agreement, shall be exchanged for a Replacement Warrant.

IV. FAIRNESS

27. The Board of Directors of the Petitioner is not aware of any material changes since the Fairness Opinion was provided which would impact either positively or negatively upon the Fairness Opinion.

28. On May 17, 2007, the Board of Directors met to consider the proposed Arrangement and, with those directors interested in the transaction abstaining, concluded that it was fair to Securityholders. The Board of Directors excluded from its consideration US Gold, Canadian Exchange Co. and their affiliates and associates.

29. The Board of Directors concluded that it would be in the best interests of the Securityholders to proceed with the Arrangement and therefore approved the Arrangement Agreement.

30. The Board of Directors is recommending that the Securityholders of the Petitioner vote in favour of the Arrangement.

V. CONDITIONS PRECEDENT TO THE ARRANGEMENT:

31. In accordance with the terms of the Arrangement Agreement, a number of conditions must be fulfilled in order for the Arrangement to become effective. These conditions include but are not limited to:

(a) the approval by the Securityholders of the Arrangement at the Meeting in accordance with the requirements of the Interim Order;

(b) the number of the Petitioner's Shares held by Shareholders that have validly exercised their dissent rights in respect of the Arrangement not exceeding 5% of the number of the Petitioner's securities outstanding on May 18, 2007;

(c) there not existing any prohibition under applicable law which shall prevent the completion of the Arrangement;

(d) there not being in force any order or decree restraining or enjoining or materially modifying or imposing material conditions on the consummation of the Arrangement or under the Plan of Arrangement and

there being no proceeding, whether of a judicial or administrative nature or otherwise brought by a governmental entity that relates to or results from the Arrangement that would, if successful, result in an order or ruling that would preclude completion of, or materially modify or impose material conditions on, the Arrangement or under the Plan of Arrangement; and

(e) the granting by this Honourable Court of the Final Order approving the Arrangement.

VI. VOTING AT MEETINGS

32. The Arrangement Agreement requires that the Arrangement be approved by:

(a) at least two-thirds of the votes cast by Securityholders present in person or by proxy at the Meeting and entitled to vote at the Meeting (the "Securityholder Vote"); and

(b) at least two-thirds of the votes cast by Shareholders present in person or by proxy at the Meeting and entitled to vote at the Meeting (the "Shareholder Vote").

33. Ontario Securities Commission Rule 61-50, entitled "Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions," ("OSC Rule 61-501") requires that, unless exempted, in addition to any other required Securityholder approval, the approval of a majority of the votes cast by "minority" holders of the affected Securities be obtained.

34. In relation to the Arrangement, the "minority" holders will be all holders of Shares, other than Canadian Exchange Co. and US Gold, any related parties of Canadian Exchange Co. or US Gold who would not be equally treated, and any person or company acting jointly or in concert with the foregoing.

35. OSC Rule 61-501 provides that the Shares acquired pursuant to the Offer may be treated as "minority" Shares and may be voted or considered voted in favour of the Arrangement if the consideration per Share under the Arrangement is at least equal in value to and of the same type as the consideration per Share paid under the Offer and certain other conditions are met.

36. Canadian Exchange Co. has advised the Petitioner that all of the Shares acquired by it under the Offer, representing approximately 76% of the total outstanding Securities and 89.4% of the total outstanding Shares on a non-diluted basis as of May 18, 2007, qualify as "minority shares" under OSC Rule 61-501 and will be voted in favour of the Arrangement.

37. For each of the Securityholder Vote and the Shareholder Vote, each Shareholder is entitled to one vote for each Share held. For the Securityholder Vote, each Warrantholder or Optionholder is entitled to one vote for each Share such Warrantholder or Optionholder is entitled to receive upon exercise of such Warrants or Options, respectively.

VII. RIGHTS OF DISSENT OF SHAREHOLDERS

38. The Plan of Arrangement provides that, subject to orders of this Court, Shareholders of the Petitioner will have the right to dissent from the Arrangement and require the Petitioner to purchase their Shares for their fair value in the manner set forth in the draft Interim Order attached as Schedule "A" to this Petition.

The Petitioner estimates that the application will take 10 minutes.

DATED: May 22, 2007

Davis LLP

Solicitor for the Petitioner

SCHEDULE A

NO.
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTIONS 288 TO 299
OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, C.57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT AMONG
TONE RESOURCES LIMITED AND ITS SECURITYHOLDERS

TONE RESOURCES LIMITED

PETITIONER

INTERIM ORDER

BEFORE	TUESDAY, THE 22ND DAY OF MAY, 2007

THE APPLICATION of the Petitioner, coming on for hearing without notice at Vancouver, British Columbia on the 22nd day of May, 2007; and on hearing Stuart B. Morrow, counsel for the Petitioner and Susan A. Griffin, Q.C., counsel for US Gold Corporation and US Gold Canadian Acquisition Corporation; and on reading the Affidavit #1 of William F. Pass, sworn May 19, 2007:

THIS COURT ORDERS THAT:

DEFINITIONS

1. As used in this Interim Order, unless otherwise defined, terms beginning with capital letters shall have the respective meanings set out in the Notice of Special Meeting of Securityholders (the "**Notice**") and accompanying Management Information Circular of the Petitioner (the "**Circular**"), attached as Exhibit "A" to the Affidavit #1 of William F. Pass,

sworn May 19, 2007 (the "**Pass Affidavit #1**"), and the Plan of Arrangement that is attached as Schedule "B" to the Petition herein.

MEETING

2. The Petitioner is directed, subject to paragraph 4 and 18 of this Interim Order, to call, hold and conduct on June 25, 2007 a special meeting (the "**Meeting**") of the holders (the "**Shareholders**") of its issued and outstanding common shares (the "**Shares**"), the holders (the "**Optionholders**") of its options to purchase its common shares (the "**Options**") and the holders (the "**Warrantholders**") of its warrants (the "**Warrants**") (the Shareholders, Optionholders and Warrantholders collectively referred to as the "**Securityholders**" and the Shares, Options, and Warrants collectively referred to as the "**Securities**") for the purpose, *inter alia*, of considering and, if deemed advisable, approving with or without modification, a special resolution (the "**Arrangement Resolution**") authorizing, approving and agreeing to adopt a Plan of Arrangement (the "**Arrangement**") substantially in the form attached as Schedule "B" to the Petition herein, and to transact such other business as may properly come before the Meeting or any adjournment thereof.

AMENDMENTS

3. The Petitioner is authorized to make, in the manner contemplated by and subject to the Arrangement Agreement, such amendments, revisions or supplements to the Arrangement as it may determine without any additional notice to the Securityholders. The Arrangement as so amended, revised or supplemented, shall be the Arrangement to be submitted to the Meeting and the subject of the Arrangement Resolution.

ADJOURNMENTS AND POSTPONEMENTS

4. Notwithstanding the provisions of the *Business Corporations Act*, S.B.C. 2002, c. 57, as amended (the "**BCBCA**") and the articles of the Petitioner, the Board by resolution shall be entitled to adjourn or postpone the Meeting on one or more occasions without the necessity of first convening the Meeting or first obtaining any vote of the Securityholders respecting the adjournment or postponement, subject to the Arrangement Agreement.

5. Notice of any such adjournment shall be given by press release, news release, newspaper advertisement, or by notice sent to the Securityholders by one of the methods specified in paragraph 7 of this Interim Order, as determined to be the most appropriate method of communication by the Board.

RECORD DATE

6. The record date (the "**Record Date**") for determining Securityholders entitled to receive notice of and attend and vote at the Meeting is the close of business on May 18, 2007 as previously approved by the Board and published by the Petitioner.

NOTICE OF MEETING

7. The Notice, Circular, letter of transmittal and form of proxy for use by the Securityholders (collectively, the "**Meeting Materials**"), including this Interim Order and the Petition herein attached as Appendices "C" and "D" to the Circular, in substantially the form contained in Exhibits "A" through "C" to the Pass Affidavit #1, with such amendments and inclusions thereto as counsel for the Petitioner may deem necessary or desirable, provided that such amendments and inclusions are not inconsistent with the terms of this Interim Order, shall be sent by the Petitioner to:

(a) the Securityholders determined as at the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing and the date of the Meeting by one or more of the following methods:

(i) by prepaid ordinary mail, addressed to the Securityholder at his, her or its address as it appears on the applicable security registers of the Petitioner as at the Record Date; or

(ii) in the case of Non-Registered Holders, by providing, at least four business days before the twenty-first (21^{st}) day prior to the Meeting, the requisite number of copies of the Meeting Materials to intermediaries and registered nominees to facilitate the broad distribution of the Meeting Materials to Non-Registered Holders;

(iii) by email or facsimile transmission to any Securityholder who identifies himself, herself or itself to the satisfaction of the Petitioner (acting through its representatives), who requests such email or facsimile transmission and, if required by the Petitioner, agrees to pay the charges, if any, for such transmission; or

(iv) by delivery, in person or by recognized courier service, to the addresses specified in paragraph 7(a)(i) above;

(b) to the directors of the Petitioner by mailing the Meeting Materials by prepaid ordinary mail, or by email or facsimile transmission, to such persons at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing or transmission and the date of the Meeting;

and that substantial compliance with this paragraph shall constitute good and sufficient notice of the Meeting upon all who may wish to appear in these proceedings, and no other service need be made.

8. The sending of the Meeting Materials as ordered herein shall constitute compliance with the requirements of section 290(1)(a) of the BCBCA.

9. The Meeting Materials shall not be sent to Registered Shareholders where mail previously sent to such holders by the Petitioner or its registrar and transfer agent has been returned to the Petitioner or its registrar and transfer agent on at least two previous consecutive occasions.

10. The accidental failure of or omission by the Petitioner to give notice of the Meeting to, or the non-receipt of such notice by one or more of the persons specified herein, or any failure or omission to give such notice as a result of events beyond the reasonable control of the Petitioner (including, without limitation, any inability to use postal services) shall not constitute a breach of this Interim Order or, in relation to notice to Securityholders, a defect in the calling of the Meeting and shall not invalidate any resolution passed or proceeding taken at the Meeting.

DEEMED RECEIPT OF NOTICE

11. The Meeting Materials and any amendments, updates or supplements to the Meeting Materials and any notice of adjournment or postponement of the Meeting, shall be deemed to have been received,

(a) in the case of mailing, three (3) days after delivery thereof to the post office or public letter box;

(b) in the case of delivery in person, upon receipt thereof at the intended recipient's address or, in the case of delivery by courier, one (1) business day after receipt by the courier;

(c) in the case of transmission by email or facsimile, upon the transmission thereof;

(d) in the case of advertisement, at the time of publication of the press release, news release or newspaper advertisement;

(e) in the case of electronic filing on SEDAR, upon the transmission thereof; and

(f) in the case of Non-Registered Holders, three (3) days after delivery thereof to intermediaries and registered nominees.

UPDATING MEETING MATERIALS

12. Notice of any amendments, updates or supplements to any of the information provided in the Meeting Materials may be communicated to the Securityholders by press release, news release, newspaper advertisement or by notice sent to the Securityholders by any of the means set forth in paragraph 7(a), as determined to be the most appropriate method of communication by the Board.

PERMITTED ATTENDEES

13. The only persons entitled to attend the Meeting shall be:

(a) the Registered Securityholders or their respective proxyholders as of the Record Date;

(b) directors, officers, auditors and advisors of the Petitioner;

(c) representatives of US Gold Corporation and US Gold Canadian Acquisition Corporation, and any of their subsidiaries or affiliates and advisors; and

(d) other persons with the prior permission of the Chair of the Meeting;

and that the only persons entitled to vote at the Meeting in respect of the Arrangement Resolution shall be the Securityholders as at the close of business on the Record Date, or their respective proxyholders.

SOLICITATION OF PROXIES

14. The Petitioner is authorized to use the form of proxy for Securityholders, in substantially the same form as is attached as Exhibit "C" to the Pass Affidavit #1, subject to the Petitioner's ability to insert dates and other relevant information in the final form of proxy and to make other non-substantive changes and changes legal counsel advise are necessary or appropriate. The Petitioner is authorized, at its expense, to solicit proxies directly and through its officers, directors and employees, and through such agents or representatives as it may retain for the purpose and by mail, telephone or such other form of personal or electronic communication as it may determine.

15. The procedures for the use of proxies at the Meeting shall be as set out in the Circular.

CONDUCT OF THE MEETING

16. The Chair of the Meeting shall be an officer or director of the Petitioner or such other person as may be appointed by the Securityholders for that purpose.

17. The Chair of the Meeting is at liberty to call on the assistance of legal counsel to the Petitioner at any time and from time to time, as the Chair of the Meeting may deem necessary or appropriate, during the Meeting, and such legal counsel is entitled to attend the Meeting for this purpose.

18. The Meeting may be adjourned for any reason upon the approval of the Chair of the Meeting, and if the Meeting is adjourned, it shall be reconvened at a place and time to be designated by the Chair of the Meeting to a date which is not more than 30 days thereafter except for the reason of a lack of quorum.

19. If no quorum of Securityholders is present within one-half hour from the time set for the holding of the Meeting, the Meeting shall stand adjourned to the same day in the next week if a business day and, if such day is a non-business day, the Meeting shall be adjourned to the next business day following one week after the day appointed for the Meeting at the same

time and place, and if at such adjourned meeting a quorum is not present within one-half hour of the time set for the Meeting, the Securityholders present, and being, or represented by proxy, one or more Securityholders entitled to attend and vote at the Meeting shall constitute a quorum.

20. The Meeting shall be called, held and conducted in accordance with the BCBCA, the notice of articles and articles of incorporation of the Petitioner and applicable securities laws, subject to the terms of this Interim Order and any further Order of this Court, and the rulings and directions of the Chair of the Meeting, such rulings and directions not to be inconsistent with this Interim Order, and to the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating or governing or collateral to the Securities or to which the Securities are collateral, or the articles of the Petitioner, this Interim Order shall govern.

QUORUM AND VOTING

21. The quorum required at the Meeting shall be the presence, in person or by proxy, of any one Shareholder.

22. The failure of any Securityholder to receive notice of the Meeting does not deprive the Securityholder of the right to vote at the Meeting.

23. Each Shareholder shall be entitled to one vote for each Share held by that Shareholder and each Warrantholder or Optionholder shall be entitled to one vote for each Share such Warrantholder or Optionholder is entitled to receive upon exercise of such Warrants or Options, respectively.

24. The Arrangement Resolution shall be effective if passed by:

(a) at least two-thirds of the votes cast by Securityholders present in person or by proxy at the Meeting and entitled to vote at the Meeting; and

(b) at least two-thirds of the votes cast by Shareholders present in person or by proxy at the Meeting and entitled to vote at the Meeting.

SCRUTINEERS

25. The scrutineers for the Meeting shall be Computershare Investor Services Inc., acting through its representatives for that purpose. The duties of the scrutineers shall include:

(a) invigilating and reporting to the Chair on the deposit and validity of proxies;

(b) reporting to the Chair on the quorum of the Meeting;

(c) reporting to the Chair on the polls taken or ballots cast, if any, at the Meeting; and

(d) providing to the Petitioner and to the Chair written reports on matters related to their duties.

DISSENT RIGHTS

26. Each Registered Shareholder is granted the following right to dissent (the "**Dissent Rights**") in respect of the Arrangement Resolution:

(a) a Registered Shareholder intending to exercise the Dissent Rights must deliver a written notice of dissent (a "**Dissent Notice**") to the Petitioner at 165 South Union Blvd., Suite 565, Lakewood, Colorado, U.S.A. 80228, Attention: William Pass, Corporate Secretary, to be received by the Petitioner no later than 5:00 p.m. (Vancouver time) on the date which is two (2) business days prior to the date of the Meeting and must not vote any of his, her or its Shares in favour of the Arrangement and must otherwise comply with this paragraph 26.

(b) a Dissent Notice must specify the name and address of the Registered Shareholder (the "**Dissenting Shareholder**"), the number of Shares in respect of which the Dissent Notice is being given (the "**Dissent Shares**") and:

(i) if the Dissent Notice is being given by the Dissenting Shareholder on its own behalf, the Dissent Notice must specify that either:

A. the Dissenting Shares constitute all of the Shares of which the Dissenting Shareholder is the registered and beneficial owner; or

B. the Dissenting Shares constitute all of the Shares of which the Dissenting Shareholder is the registered owner and the number of Shares of which the Dissenting Shareholder is the beneficial owner but not the registered owner, and in respect of such shares, the names of the registered owners of such shares, the number of such shares held by each of them and confirmation that notices of dissent are being, or have been sent, in respect of all such Shares;

(ii) if the Dissent Notice is being given by the Dissenting Shareholder on behalf of another person who is the beneficial owner of the Dissenting Shares, the Dissent Notice must:

A. specify the name and address of the beneficial owner;

B. state that the Dissenting Shares represent all of the shares beneficially owned by the beneficial owner for which the Dissenting Shareholder is the registered owner; and

C. include a statement from the beneficial owner of the Dissenting Shares identifying the number of Shares of which the beneficial owner is either the registered owner or the beneficial owner and, in respect of any such shares which are not Dissenting Shares, the names of the registered owners of such shares, the number of such shares held by each of them and confirmation that notices of dissent are being, or have been sent, in respect of all such shares;

(c) if the Arrangement Resolution is passed at the Meeting, the Petitioner must send by registered mail to every Dissenting Shareholder, prior to the date set for the hearing of the Final Order, a notice (a "**Notice of Intention**") stating that, subject to receipt of the Final Order and satisfaction of the other conditions set out in the Arrangement Agreement, the Petitioner intends to complete the Arrangement and advising the Dissenting Shareholder that if the Dissenting Shareholder wishes to

proceed with its dissent it must comply with the requirements of paragraph 26(d);

(d) a Dissenting Shareholder that wishes to proceed with its dissent must deliver to the Petitioner at 165 South Union Blvd., Suite 565, Lakewood, Colorado, U.S.A. 80228, Attention: William Pass, Corporate Secretary, to be received by the Petitioner no later than 5:00 p.m. (Vancouver time) on the date which is fourteen (14) days after the date of mailing of the Notice of Intention:

(i) a written statement that the Dissenting Shareholder requires the Petitioner to purchase all of the Dissent Shares,

(ii) the certificates, if any, representing the Dissent Shares, and

(iii) if paragraph 26(b)(ii) applies, a written statement that:

A. is signed by the beneficial owner on whose behalf the dissent is being exercised, and

B. sets out whether or not the beneficial owner is the beneficial owner of other Shares and, if so, sets out:

a) the names of the registered owners of those other shares,

b) the number of those other shares that are held by each of those registered owners, and

c) that the Dissent Right is being exercised in respect of all of those other shares;

(e) a Dissenting Shareholder who complies with paragraph 26(d) is not able to withdraw its dissent and, at the Effective Time, the Dissenting Shareholder will be deemed to have transferred to the Petitioner all of the Dissenting Shares (free and clear of any mortgage, hypothec, prior claim, lien, pledge,

assignment for security, security interest, right of third parties or other charges or encumbrances whatsoever) and will have no further right in respect of the Dissent Shares other than to be paid for the Dissenting Shares in accordance with paragraph 26(f);

(f) subject to the satisfaction of the applicable conditions set out in the Arrangement Agreement, the Petitioner shall promptly pay to a Dissenting Shareholder, for each Dissenting Share:

(i) the amount agreed between that Dissenting Shareholder and the Petitioner; or

(ii) if that Dissenting Shareholder and the Petitioner are unable to agree upon an amount, the amount determined under paragraph 26(g);

(g) the Petitioner or a Dissenting Shareholder who has not reached an agreement with the Petitioner under paragraph 26(f) may apply to the Court and the Court may:

(i) determine the fair value that the Dissent Shares had immediately before the passing of the Arrangement Resolution, excluding any appreciation or depreciation in anticipation of the Arrangement unless exclusion would be inequitable, or order that such fair value be established by arbitration or by reference to the registrar, or a referee, of the Court;

(ii) join in the application each Dissenting Shareholder, other than a Dissenting Shareholder who has reached an agreement with the Petitioner under paragraph 26(f); and

(iii) make consequential orders and give directions it considers appropriate;

(h) if a Dissenting Shareholder fails to comply strictly with the foregoing requirements of the Dissent Right, the Petitioner shall return to the

Dissenting Shareholder the certificates delivered to it, if any, under paragraph 26(d) and, if the Arrangement is completed, that Dissenting Shareholder shall be deemed to have participated in the Arrangement on the same terms as a Registered Shareholder; and

(i) if a Dissenting Shareholder strictly complies with the foregoing requirements of the Dissent Right, but the Arrangement is not completed prior to the Termination Date, the Petitioner shall return to the Dissenting Shareholder the certificates delivered to it, if any, under paragraph 26(d).

APPLICATION FOR FINAL ORDER

27. Unless the directors of the Petitioner by resolution determine to abandon the Arrangement, the Petitioner is directed to apply to this Court (the "**Final Application**") for an Order approving the Arrangement and declaring that the Arrangement is fair and reasonable (the "**Final Order**") and the Final Application will be set down for hearing before the presiding Master or Judge in Chambers at the Courthouse at 800 Smithe Street, Vancouver, British Columbia, on June 27, 2007 at 9:45 a.m., or so soon thereafter as counsel may be heard or at such other date and time as this Court may direct, and that, upon approval of the Arrangement at the Meeting in the manner set out in this Interim Order and as required by section 289 of the *Business Corporations Act*, the Petitioner be at liberty to proceed with the Final Application on that date.

28. The persons entitled to appear and make submissions at the Final Application shall be only those Securityholders who have filed with this Court prior to 4:00 p.m. (Vancouver time) on June 26, 2007, an Appearance, in the form prescribed by the *Rules of Court* of the Supreme Court of British Columbia, and delivered a copy of the filed Appearance, together with a copy of all evidence or material on which they intend to rely at the Final Application, including an outline of their proposed submissions, to the solicitors for the Petitioner at its address for delivery as set out in the Petition, on or before 4:30 p.m. (Vancouver time) on June 26, 2007, or as the Court may otherwise direct.

29. Subject to other provisions in this Interim Order, no material other than that contained in the Management Information Circular need be served on any persons in respect of these proceedings.

30. If the Final Application is adjourned, only those persons who have filed and delivered an Appearance in accordance with this Interim Order need be served and provided with notice of the adjourned date.

VARIANCE

31. The Petitioner shall be entitled, at any time, to apply to vary this Interim Order.

32. The Petitioner, Securityholders, and directors of the Petitioner shall, and hereby do, have liberty to apply for such further Orders as may be appropriate.

33. The provisions of Rules 10, 44 and 51A be hereby dispensed with for the purposes of any further application to be made pursuant to this Petition, including the Final Application and any application to vary this Interim Order.

BY THE COURT

_____ _____

REGISTRAR

APPROVED AS TO FORM:

_____

Solicitor for the Petitioner,
Tone Resources Limited

SCHEDULE B

PLAN OF ARRANGEMENT UNDER SECTION 288 OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA)

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

"**Arrangement**" means an arrangement under the provisions of Section 288 of the BCBCA on the terms and conditions set forth in this Plan of Arrangement, subject to any amendment or modification thereto made in accordance with the terms of the Arrangement Agreement and this Plan of Arrangement, or made at the direction of the Court in the Final Order.

"**Arrangement Agreement**" means the arrangement agreement made as of the 17th day of May, 2007 between Canadian Exchange Co., US Gold and Tone Resources, as the same may be supplemented, varied or amended from time to time.

"**BCBCA**" means the *Business Corporations Act* (British Columbia), including the regulation made thereunder, as in effect on the Effective Date.

"**Business Day**" means any day, other than a Saturday, Sunday or a statutory or civic holiday observed in Vancouver, British Columbia.

"**Canadian Exchange Co.**" means US Gold Canadian Acquisition Corporation, a corporation existing under the *Business Corporations Act* (Alberta).

"**Court**" means the Supreme Court of the British Columbia.

"**Depositary**" means Pacific Corporate Trust Company at its principal office in Vancouver, British Columbia.

"**Dissent Notice**" means a notice of dissent duly and validly given by a Registered Shareholder in respect of the Arrangement in the manner provided for or contemplated in Article 3.

"**Dissent Rights**" has the meaning ascribed thereto in Section 3.1.

"**Dissent Shares**" means the Tone Resources Shares held by Dissenting Shareholders.

"**Dissenting Shareholder**" means a Registered Shareholder who has duly and validly exercised his or her Dissent Rights pursuant to Article 3 and the Interim Order.

"**Effective Date**" means the date upon which all of the conditions to the completion of the Arrangement as set out in Article 4 of the Arrangement Agreement have been satisfied or waived in accordance with such Agreement, or such other date as the parties to the Arrangement Agreement may agree upon in writing.

"**Effective Time**" means 2:30 p.m. (Vancouver time) on the Effective Date.

"**Exchangeable Share**" means a exchangeable share in the capital of Canadian Exchange Co.

"**Final Order**" means the final order of the Court approving the Arrangement following the application therefor contemplated by the Arrangement Agreement, as such order may be varied or modified by the highest court to which appeal may be applied for.

"**Governmental Entity**" means any:

(a) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau or agency, domestic or foreign;

(b) any subdivision, agent, commission, board, or authority of any of the foregoing; or

(c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.

"**Holder**" means a holder of Tone Resources Shares whose name appears on the records of Tone Resources as the registered holder of such Tone Resources Shares.

"**including**" means including without limitation.

"**Information Circular**" means the notice and management information circular of Tone Resources to be sent to Securityholders in connection with the Meeting, including the appendices attached thereto and documents incorporated by reference therein.

"**Interim Order**" means the interim order of the Court made in connection with the approval of the Arrangement following the application therefor contemplated by the Arrangement Agreement.

"**Laws**" means all laws, statutes, codes, ordinances, decrees, rules, standards, orders-in-council, regulations, bylaws, statutory rules, principles of law, published policies and guidelines (whether or not having the force of law), judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, including general principles of common and civil law, and terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity, statutory body, or self-regulatory authority (including stock exchanges or markets).

"**Letter of Transmittal**" means the letter of transmittal to be forwarded by Tone Resources to Shareholders together with the Information Circular or such other form of letter of transmittal acceptable to Canadian Exchange Co., acting reasonably.

"**Liens**" means any mortgage, hypothec, prior claim, lien, pledge, assignment for security, security interest, lease, option, right of third parties or other charge or encumbrance, including the lien of retained title of a conditional vendor, and any easement, servitude, right-of-way or other encumbrance on title to real or immovable property or personal or movable property.

"**Meeting**" means the special meeting of the Securityholders (including any adjournment or postponement thereof) to be held to, among other things, consider and, if deemed advisable, approve the Arrangement.

"**Option**" means an option to purchase Tone Resources Shares granted by Tone Resources under the Stock Option Plan which is outstanding on the Effective Date.

"**Optionholders**" means holders of Options.

"**Person**" includes any individual, firm, partnership, limited liability company, unlimited liability company, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status.

"**Plan of Arrangement**", "**hereof**", "**herein**", "**hereunder**" and similar expressions means this plan of arrangement, including any appendices hereto, and any amendments, variations or supplements hereto made from time to time in accordance with the terms hereof or the Arrangement Agreement or made at the direction of the Court in the Final Order.

"**Replacement Option**" has the meaning ascribed thereto in Section 2.2(c).

"**Replacement Warrant**" has the meaning ascribed thereto in Section 2.2(d).

"**Securityholders**" means the holders of Tone Resources Securities.

"**Shareholders**" means the Holders of Tone Resources Shares.

"**Stock Option Plan**" means the stock option plan for directors, officers, employees and consultants of Tone Resources dated November 12, 2002, as amended.

"**Tone Resources**" means Tone Resources Limited, a company existing under the BCBCA.

"**Tone Resources Securities**" means, collectively, the Tone Resources Shares, the Warrants and the Options.

"**Tone Resources Shares**" means common shares in the capital of Tone Resources.

"**US Gold**" means US Gold Corporation, a corporation existing under the laws of the State of Colorado.

"**US Gold Share**" means a share of common stock of US Gold.

"**Warrant**" means a warrant to purchase Resources Shares granted by Tone Resources which is outstanding on the Effective Date.

"**Warrant Exchange Agreement**" means an agreement between a Warrantholder and Canadian Exchange Co., substantially in the form attached hereto as Appendix A, with such changes or modifications as Canadian Exchange Co. may require, whereby the Warrantholder would continue to hold his or her Warrants, but upon exercise of such Warrants, the Tone Resources Shares received by the Warrantholder would immediately be exchanged for Exchangeable Shares on the basis of 0.26 of an Exchangeable Share for each Tone Resources Share.

"**Warrantholders**" means holders of Warrants.

1.2 Number and Gender

In this Plan of Arrangement, unless the context otherwise requires, words importing the singular number include the plural and vice versa, and words importing any gender include all genders.

1.3 Interpretation Not Affected by Headings, etc.

The division of this Plan of Arrangement into Articles, Sections, subsections and other parts and the insertion of headings are for convenience only and shall not affect the construction or interpretation of this Plan of Arrangement.

1.4 Date for any Action

If any date on or by which any action is required or permitted to be taken hereunder is not a Business Day, such action shall be required to be taken on or by the next succeeding day which is a Business Day.

1.5 Time

All times expressed herein or in any Letters of Transmittal are local time (Vancouver, British Columbia) unless otherwise stipulated herein or therein.

1.6 Currency

All references to currency in this Plan of Arrangement are to Canadian dollars, being the lawful money of Canada.

1.7 Statutory References

Unless otherwise expressly provided herein, any reference in this Plan of Arrangement to a statute includes all regulations made thereunder, all amendments to such statute or regulations in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulations.

ARTICLE 2
THE ARRANGEMENT

2.1 Binding Effect

This Plan of Arrangement will become effective at the Effective Time, and thereafter will be binding on each of the Securityholders, Tone Resources, Canadian Exchange Co. and US Gold.

2.2 Arrangement

At the Effective Time, without any further act or formality, each of the events set out below shall occur and shall be deemed to occur in the following sequence:

(a) each Tone Resources Share (other than Tone Resources Shares held by Canadian Exchange Co. and the Dissent Shares) shall be transferred to Canadian Exchange Co., free and clear of any Liens, and each Holder thereof shall be entitled to receive, in exchange therefor, 0.26 of an Exchangeable Share. If the foregoing calculation results in a Tone Resources Share being exchangeable for a fraction of an Exchangeable Share, then the number of Exchangeable Shares to be issued to the Holder will be either rounded up (if the fractional interest is 0.5 or more) or down (if the fractional interest is less than 0.5) to the next whole number. For rounding purposes, all Tone Resources Shares held by a Shareholder will be aggregated;

(b) with respect to each Tone Resources Share transferred in accordance with Section 2.2(a):

(i) the Holder thereof shall cease to be the registered holder of such share and the name of such Holder shall be removed from the register of Tone Resources Shares with respect to such Tone Resources Share as of the Effective Time;

(ii) the certificate representing such Tone Resources Share shall be deemed to have been cancelled as of the Effective Time;

(iii) the Holder thereof shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer such Tone Resources Share to Canadian Exchange Co. in accordance with Section 2.2(a); and

(iv) Canadian Exchange Co. shall, and shall be deemed to be, the transferee of such share, free and clear of all Liens, and shall be entered in the register of Tone Resources Shares as the Holder thereof as of the Effective Time;

(c) each Option shall be exchanged for an option of US Gold (a "**Replacement Option**") to purchase that number of US Gold Shares equal to 0.26 times the number of Tone Resources Shares subject to such Option. Such Replacement Option shall provide for an exercise price per US Gold Share equal to the exercise price per share of such Option immediately prior to the Effective Time divided by 0.26. If the foregoing calculation results in a Replacement Option being exercisable for a fraction of a US Gold Share, then the number of US Gold Shares subject to such Replacement Option will be either rounded up (if the fractional interest is 0.5 or more) or down (if the fractional interest is less than 0.5) to the next whole number of US Gold Shares and the total exercise price for the Replacement Option will be increased or reduced accordingly. The term to expiry, conditions to and manner of exercising, vesting schedule, if any, and all other terms and conditions of such Replacement Option will be unchanged, and any document or agreement previously evidencing such Option shall thereafter evidence and be deemed to evidence such Replacement Option; and

(d) each Warrant shall, unless the holder thereof shall have entered into a Warrant Exchange Agreement with Canadian Exchange Co. prior to the Expiry Time, be exchanged for a warrant of Canadian Exchange Co. (a "**Replacement Warrant**")

to purchase that number of Exchangeable Shares equal to 0.26 times the number of Tone Resources Shares subject to such Warrant. Such Replacement Warrant shall provide for an exercise price per Exchangeable Share equal to the exercise price per share of such Warrant immediately prior to the Effective Time divided by 0.26. If the foregoing calculation results in a Replacement Warrant being exercisable for a fraction of an Exchangeable Share, then the number of Exchangeable Shares subject to such Replacement Warrant will be either rounded up (if the fractional interest is 0.5 or more) or down (if the fractional interest is less than 0.5) to the next whole number of Exchangeable Shares and the total exercise price for the Replacement Warrant will be increased or reduced accordingly. The term to expiry, conditions to and manner of exercising and all other terms and conditions of such Replacement Warrant will be unchanged, and any document or agreement previously evidencing such Warrant shall thereafter evidence and be deemed to evidence such Replacement Warrant.

ARTICLE 3
DISSENT RIGHTS

3.1 Rights of Dissent

A Holder may exercise the dissent rights ("**Dissent Rights**") conferred by the Interim Order in connection with the Arrangement in the manner set out in Section 238 of the BCBCA, as modified by the Interim Order, provided that the Dissent Notice is received by Tone Resources by no later than 5:00 p.m. (Vancouver time) on the date which is two Business Days prior to the date of the Meeting. Without limiting the generality of the foregoing, Holders who duly exercise such Dissent Rights and who are ultimately determined to be entitled to be paid fair value for their Tone Resources Shares shall be deemed to have transferred such Tone Resources Shares, as of the Effective Time, without any further act or formality, to Tone Resources in consideration of a payment of cash by Tone Resources equal to such fair value. In no case shall Tone Resources or Canadian Exchange Co. be required to recognize such Holders as Shareholders at and after the Effective Time, and the names of such Holders shall be removed from the register of Tone Resources Shares as of the Effective Time.

3.2 Rights of Dissenting Holders of Resources Shares

In the event that a Holder gives a Dissent Notice but is not entitled, for any reason, to be paid the fair value of the Tone Resources Shares in respect of which the Dissent Notice was given as contemplated in Section 242 of the BCBCA and the Interim Order, such

Holder shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting Shareholder.

ARTICLE 4
DELIVERY OF SHARE CERTIFICATES

4.1 Delivery to Registered Holders

4.1.1 As soon as reasonably practicable after the later of (X) the Effective Date, and (Y) delivery to the Depositary of a duly completed Letter of Transmittal, together with the certificates representing Tone Resources Shares, Canadian Exchange Co. shall cause the Depositary:

(a) to forward or cause to be forwarded by first class mail to the Shareholder at the address specified in the Letter of Transmittal;

(b) if requested by the Shareholder in the Letter of Transmittal, to make available at the offices of the Depositary for pick up by the Shareholder; or

(c) if the Letter of Transmittal neither specifies an address nor contains a request as described in (b) above, to forward or cause to be forwarded by first class mail to the Tone Resources Shareholder at the address of the Tone Resources Shareholder as shown on the share register maintained by Tone Resources immediately prior to the Effective Time;

a share certificate representing the number of Exchangeable Shares issuable to such Shareholder hereunder in respect of the Tone Resources Shares described in such Letter of Transmittal, provided that in no event shall any holder of Tone Resources Shares be entitled to a fractional Exchangeable Share.

4.1.2 As soon as reasonably practicable prior to Canadian Exchange Co. being required to make any delivery contemplated by Section 4.1 or Section 4.2, Canadian Exchange Co. will provide the Depositary with the certificates representing the Exchangeable Shares referred to therein, and such certificates shall be held in trust for the Shareholders and otherwise as contemplated in this Plan of Arrangement.

4.2 Lost Certificates

If any certificate which immediately prior to the Effective Time represented Tone Resources Shares that were deemed to be transferred to Canadian Exchange Co. pursuant to Section 2.2(b) has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Shareholder claiming such certificate to be lost, stolen or destroyed and the delivery of a duly completed Letter of Transmittal, in exchange for such lost, stolen or destroyed certificate, within 10 Business Days after the later of:

(a) the Effective Date; and

(b) the delivery to the Depositary of a duly completed Letter of Transmittal, an affidavit of loss and the bond or other indemnity referred to below,

Canadian Exchange Co. will cause the Depositary:

(i) to forward or cause to be forwarded by first class mail to the Shareholder at the address specified in the Letter of Transmittal;

(ii) if requested by the Shareholder in the Letter of Transmittal, to make available at the offices of the Depositary for pick up by the Shareholder; or

(iii) if the Letter of Transmittal neither specifies an address nor contains a request as described in (ii) above, to forward or cause to be forwarded by first class mail to the Shareholder at the address of the Shareholder as shown on the share register maintained by Tone Resources immediately prior to the Effective Time;

a share certificate representing the number of Exchangeable Shares issuable to such Shareholder hereunder in respect of the Tone Resources Shares for which a duly completed Letter of Transmittal and the bond or other indemnity referred to below have been delivered to the Depositary pursuant to the provisions hereof. A condition precedent to the delivery of any such share certificate or cheque shall be that the person entitled to the same shall give a bond reasonably satisfactory to Canadian Exchange Co. and the Depositary in such reasonable sum as Canadian Exchange Co. may direct or otherwise indemnify Canadian Exchange Co. and the Depositary in a manner reasonably satisfactory to them against any claim that may be made against either of them with respect to the certificate alleged to have been lost, stolen or destroyed.

4.3 Extinction of Rights

If any Shareholder fails for any reason to deliver to the Depositary for cancellation the certificates formerly representing Tone Resources Shares (or an affidavit of loss and bond or other indemnity pursuant to Section 4.2) together with a duly completed Letter of Transmittal, on or before the sixth anniversary of the Effective Date, such Shareholder shall be deemed to have surrendered and forfeited to Canadian Exchange Co. any Exchangeable Shares held by the Depositary in trust for such Shareholder to which such Shareholder is entitled. Subject to this Section 4.3, at and after the Effective Time, any certificate formerly representing Tone Resources Shares shall represent only the right to receive a certificate representing the Exchangeable Shares for which such Tone Resources Shares are exchanged pursuant to Section 2.2(a), provided that such certificates shall, on the sixth anniversary of the Effective Date, cease to represent a claim of any nature whatsoever, shall be deemed to have been surrendered to Canadian Exchange Co. and shall be cancelled.

4.4 Withholding

Canadian Exchange Co., US Gold, Tone Resources and the Depositary shall be entitled to deduct and withhold from any consideration otherwise payable under this Plan of Arrangement to any Securityholder such amounts as Canadian Exchange Co., US Gold, Tone Resources or the Depositary is required or permitted to deduct and withhold with respect to such payment under the *Income Tax Act* (Canada) or any provision of provincial, local or foreign tax law, in each case as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the relevant Securityholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required or permitted to be deducted or withheld from any payment to a relevant Securityholder exceeds the cash portion of the consideration, if any, otherwise payable to such Securityholder, Canadian Exchange Co., US Gold, Tone Resources and the Depositary are hereby authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to Canadian Exchange Co., US Gold, Tone Resources or the Depositary to enable it to comply with such deduction or withholding requirement and Canadian Exchange Co., US Gold, Tone Resources or the Depositary shall remit to such Securityholder any unapplied balance of the net proceeds of such sale.

ARTICLE 5
AMENDMENT

5.1 Amendment of Plan of Arrangement

5.1.1 Canadian Exchange Co., US Gold and Tone Resources may amend, vary and/or supplement this Plan of Arrangement at any time and from time to time, provided that any amendment, variation or supplement must be contained in a written document which is filed with the Court and, if made following the Meeting, approved by the Court and communicated to Securityholders in the manner required by the Court (if so required).

5.1.2 Any amendment, variation or supplement to this Plan of Arrangement may be proposed by any of Canadian Exchange Co., US Gold and Tone Resources at any time prior to or at the Meeting with or without any prior notice or communication and, if so proposed and approved at the Meeting, shall become part of this Plan of Arrangement for all purposes.

5.1.3 Any amendment, variation or supplement to this Plan of Arrangement which is approved or directed by the Court following the Meeting shall be effective only if it is consented to by each of Canadian Exchange Co., US Gold and Tone Resources (acting reasonably).

5.1.4 This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the terms of the Arrangement Agreement.

5.1.5 Notwithstanding the foregoing provisions of this Section 5.1, no amendment, variation or supplement to this Plan of Arrangement may be made prior to the Effective Time except in accordance with the terms of the Arrangement Agreement.

ARTICLE 6
FURTHER ASSURANCES

6.1 Other Documents and Instruments

Notwithstanding that the transactions or events set out herein shall occur and shall be deemed to occur in the sequence set out in this Plan of Arrangement without any further authorization, act or formality, Canadian Exchange Co., US Gold and Tone Resources shall make, do and execute, or cause and cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be

required by any of them in order further to document or evidence any of the transactions or events set out herein, including any resolutions of directors authorizing the issue, exchange, transfer, purchase for cancellation or surrender of shares and any share transfer powers evidencing the transfer of shares and any receipts therefor.

APPENDIX A

FORM OF WARRANT EXCHANGE AGREEMENT

WARRANT EXCHANGE AGREEMENT

THIS AGREEMENT is made effective as of the _____ day of _____, 2007.

BETWEEN:

[NAME OF WARRANTHOLDER], of [**Address of Warrantholder**]

(the "**Warrantholder**")

AND:

US GOLD CANADIAN ACQUISITION CORPORATION, a company incorporated under the laws of Alberta having a registered and records office at 2900 Manulife Place, 10180 – 101 Street, Edmonton, Alberta, T5J 3V5

("**Canadian Exchange Co.**")

WHEREAS:

A. The Warrantholder is the legal, beneficial and registered owner of the following warrants (the "**Warrants**") to purchase common shares (the "**Shares**") in the capital of Tone Resources Limited (the "**Company**"):

Warrant Certificate No.	Number of Shares	Exercise Price	Date of Issue	Date of Expiry

B. The Company, Canadian Exchange Co. and US Gold Corporation entered into an arrangement agreement made as of May 17, 2007 (the "**Arrangement Agreement**"), which provides for implementation of a plan of arrangement (the "Arrangement") whereby, if approved by Shareholders, Securityholders and the Supreme Court of British Columbia, (i) each of the Shares not held by Canadian Exchange Co. would be exchanged for 0.26 of an exchangeable share of Canadian Exchange Co. (an "**Exchangeable Share**"), (ii) options of the Company would be exchanged for Replacement Options (as defined in the Arrangement Agreement) and (iii) warrants of the Company would be exchanged for Replacement Warrants (as defined in the Arrangement Agreement), unless the holders enter into this Agreement; and

C. In connection with the Arrangement, the Warrantholder and Canadian Exchange Co. wish to enter into this Agreement so that upon exercise of any Warrant, the Shares issuable thereunder will immediately be exchanged for an equivalent number of Exchangeable Shares.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and agreements herein contained, the parties hereto (the "**Parties**") hereby covenant and agree as follows:

1.0 **INTERPRETATION**

1.1 The division of this Agreement into sections and subsections, and the insertion of headings herein, are for convenience of reference only and will not affect the construction or interpretation hereof. All references in this Agreement to a designated section or other subdivision will, unless the context otherwise requires, be to the designated section or other subdivision of this Agreement.

1.2 Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.3 This Agreement and each of the documents delivered pursuant hereto will be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

1.4 The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision hereof and any such invalid or unenforceable provision will be deemed to be severable.

1.5 Unless otherwise defined, each capitalized term used herein will have the meaning ascribed to it in the Arrangement Agreement.

2.0 **REPRESENTATIONS AND WARRANTIES**

2.1 The Warrantholder represents and warrants to Canadian Exchange Co. that:

(a) the Warrantholder has all necessary power, authority and right to enter into and perform his obligations under this Agreement;

(b) this Agreement has been duly and validly executed and delivered by the Warrantholder and constitutes a legal, valid and binding obligation of the Warrantholder, enforceable against him in accordance with its terms;

(c) the Warrants are legally and beneficially owned by the Warrantholder, free and clear of all Liens whatsoever, other than pursuant to this Agreement;

(d) no person, other than Canadian Exchange Co., has any agreement or option, or right capable of becoming an agreement or option, to acquire the Warrants or any Shares issuable thereunder, or any part thereof or interest therein;

(e) no consent, approval or authorization of any third party or of any governmental authority is required to be obtained on the part of the Warrantholder to permit the execution or delivery of this Agreement, or the consummation of the transactions contemplated hereby, except such consents, approvals or authorizations as have been obtained; and

(f) the Warrantholder is not a non-resident of Canada for the purposes of section 116 of the *Income Tax Act* of Canada (the "**Tax Act**").

2.2 Canadian Exchange Co. represents and warrants to the Warrantholder that:

(a) Canadian Exchange Co. is a corporation validly existing under the laws of Alberta and has all necessary power, authority and right to enter into and perform its obligations under this Agreement; and

(b) this Agreement has been duly and validly executed and delivered by Canadian Exchange Co. and constitutes a legal, valid and binding obligation of Canadian Exchange Co., enforceable against it in accordance with its terms.

2.3 The representations, warranties and acknowledgements contained in this Agreement will survive the exchange of the Exchanged Shares (as defined below).

3.0 EXCHANGE OF SHARES

3.1 The Warrantholder agrees to sell to Canadian Exchange Co., and Canadian Exchange Co. agrees to purchase from the Warrantholder, any and all Shares issuable upon exercise of the Warrants (the "**Exchanged Shares**") immediately upon the issuance of such

Exchanged Shares (each, a "**Closing**"), free and clear of all Encumbrances on the terms set out in this Agreement.

3.2 Canadian Exchange Co. shall, at each Closing, issue to the Warrantholder fully paid and non-assessable Exchangeable Shares, at a ratio of 0.26 of an Exchangeable Share for each Exchanged Share, subject to adjustment pursuant to Section 6.1, in exchange and as the purchase price for the Exchanged Shares issued at such Closing.

3.3 Canadian Exchange Co. shall deliver a certificate representing the Exchangeable Shares issued pursuant to Section 3.2, registered in the name of the Warrantholder or as requested in the exercise form, to the Warrantholder at the address provided in Section 9.1 or in accordance with any delivery instructions provided in the exercise form as soon as practicable after the issuance of such Exchangeable Shares, but in any event within seven days thereof.

3.4 At each Closing, the Warrantholder shall either provide Canadian Exchange Co. with: (i) a statutory declaration or certificate that the Warrantholder is not a non-resident for the purposes of section 116 of the Tax Act, or (ii) a certificate issued by the Canada Revenue Agency pursuant to section 116 of the Tax Act specifying a certificate limit that is not less than the fair market value of the Exchanged Shares as of the date of Closing in respect of the sale of the Exchanged Shares hereunder, each in a form acceptable to Canadian Exchange Co., acting reasonably. Failing the delivery of such statutory declaration or certificate, as required under the preceding sentence, Canadian Exchange Co. shall be entitled to deduct and withhold from the Exchangeable Shares to be issued pursuant to Section 3.2 such amounts as Canadian Exchange Co. is required or permitted to deduct and withhold with respect thereto under the Tax Act or any provision of provincial, local or foreign tax law, in each case as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Warrantholder, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required or permitted to be deducted or withheld from any payment to the Warrantholder exceeds the cash portion of the consideration, if any, otherwise payable to such the Warrantholder, Canadian Exchange Co. is hereby authorized to sell or otherwise dispose of such number of Exchangeable Shares issued pursuant to Section 3.2 as is necessary to provide sufficient funds to Canadian Exchange Co to enable it to comply with such deduction or withholding requirement and Canadian Exchange Co shall remit to the Warrantholder any unapplied balance of the net proceeds of such sale.

4.0 **RESTRICTIONS ON TRANSFER**

4.1 The Warrantholder shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of the Warrants or the Exchanged Shares, or any part thereof or interest therein, and the Warrantholder will not request or direct the Company to record the transfer of the Warrants or the Exchanged Shares, except to Canadian Exchange Co. pursuant to this Agreement.

5.0 **POWER OF ATTORNEY**

5.1 The Warrantholder hereby irrevocably constitutes and appoints Canadian Exchange Co. as its true and lawful attorney and agent, with full power of substitution, for and on behalf of and in the name of the Warrantholder, to do all such things and execute and deliver, all such deeds, transfers, assignments, assurances and other documents as may be necessary or desirable to effectively complete the sale and transfer of the Exchanged Shares to Canadian Exchange Co. pursuant to this Agreement, and the Warrantholder shall have no claim or cause of action against Canadian Exchange Co., or against any third party, as a result of Canadian Exchange Co. so acting as its attorney. Such appointment and power of attorney, being coupled with an interest, shall not be revoked by the insolvency or bankruptcy of the Warrantholder, and the Warrantholder hereby ratifies and confirms and agrees to ratify and confirm all that Canadian Exchange Co. may lawfully do or cause to be done by virtue of such appointment and power. In furtherance of this Section 5.1, the Warrantholder shall, if requested by Canadian Exchange Co., execute such instruments of transfer in such forms as may be requested by Canadian Exchange Co.

6.0 **ADJUSTMENTS**

6.1 In the event of any stock dividend, share split, reclassification, exchange, substitution, recapitalization or other change or event affecting the outstanding Shares or the Exchangeable Shares of Canadian Exchange Co., the ratio referred to in Section 3.2 shall be adjusted so that the Warrantholder, upon exchange of the Exchanged Shares, receives the number of Exchangeable Shares that the Warrantholder would have received for the Exchanged Shares if the Warrant had been exercised immediately before such stock dividend, share split, reclassification, exchange, substitution, recapitalization or other change or event.

7.0 **INCOME TAX CONSEQUENCES**

7.1 The Warrantholder and Canadian Exchange Co. hereby acknowledge and agree that the transactions contemplated herein are not intended to give rise to any income tax liability whatsoever, and it is their intention that the share exchange contemplated hereby shall be effected pursuant to the provisions of section 85 of the Tax Act. Upon request by the

Warrantholder, Canadian Exchange Co. will make a joint tax election under Subsection 85(1) or Subsection 85(2), as applicable, of the Tax Act (and the corresponding provisions of any applicable provincial tax legislation) with the Warrantholder, after such Warrantholder receives Exchangeable Shares, hereunder, and at the amount elected by the Warrantholder, subject to the limitations under the Tax Act.

8.0 **INDEMNIFICATION**

8.1 The Warrantholder will, upon demand, indemnify, defend and hold harmless Canadian Exchange Co. from and against any and all demands, claims, actions, proceedings, losses, damages, liabilities, costs and expenses suffered or incurred by Canadian Exchange Co., directly or indirectly, by reason of a breach of or any inaccuracy in any of the representations or warranties contained in Section 2.1 hereof.

8.2 Canadian Exchange Co. will, upon demand, indemnify, defend and hold harmless the Warrantholder from and against any and all demands, claims, actions, proceedings, losses, damages, liabilities, costs and expenses suffered or incurred by the Warrantholder, directly or indirectly, by reason of a breach of or any inaccuracy in any of the representations or warranties contained in Section 2.2 hereof.

9.0 **NOTICES**

9.1 All notices and other communications required or permitted to be made or given pursuant to this Agreement, to be effective, will be in writing and will be delivered personally, telecopied or sent by first class prepaid mail to the Party concerned at the address for such Party specified below.

If to the Warrantholder, to:

[Name of Warrantholder]
[Address of Warrantholder]

Telephone No.: [____] [_____]

If to Canadian Exchange Co., to:

165 South Union Blvd., Suite 565
Lakewood, Colorado, 80228

Attention: William F. Pass
Telephone No.: (303) 238-1438
Facsimile No.: (303) 238-1724

with a copy to:

Fraser Milner Casgrain LLP
1500 - 1040 West Georgia Street
Vancouver, B.C. V6E 4H8

Attention: Gary Sollis
Telephone No.: (604) 443-7130
Facsimile No.: (604) 683-5214

9.2 Except as otherwise provided in this Agreement, any such notice or communication will be deemed to have been given, if delivered by hand or by facsimile or by other method of electronic communication, on the day given or received, and if mailed, four business days following the date of posting; provided that if there will be at the time of mailing or within four business days thereof a mail strike or other labour dispute that might affect delivery by mail, then the notice or other communication will be effective only when actually delivered or received.

10.0 **GENERAL**

10.1 Time will be of the essence of this Agreement.

10.2 Each of the Warrantholder and Canadian Exchange Co. will, at the request of the other do any and all such further acts and things and execute and deliver any and all such further documents and instruments as are necessary or desirable to carry out the intent of this Agreement.

10.3 This Agreement contains the whole agreement among the Parties in respect of the Warrants and the Exchanged Shares and supersedes all prior correspondence, agreements and understandings, oral or written, by or between the Parties with respect thereto. There are no warranties, representations, terms, conditions or collateral agreements, express or implied, between the Parties with respect to the subject matter of this Agreement, except as set out herein and in the documents provided for herein.

10.4 No amendment, waiver or consent under this Agreement will be binding unless made in writing and signed by the Party to be bound thereby. No waiver of any provision of this Agreement will be deemed to be or will constitute a waiver of any other provision, nor will any such wavier constitute a continuing waiver, unless otherwise expressly provided therein.

10.5 Canadian Exchange Co. will be responsible for and pay all legal and other costs, including all legal and other costs incurred by the Warrantholder, in respect of the transactions contemplated by this Agreement.

10.6 This Agreement will be binding upon and will enure to the benefit of the Parties and their respective successors and permitted assigns. This Agreement may not be assigned by either the Warrantholder or Canadian Exchange Co. without the prior written consent of the other, which consent may not be unreasonably withheld.

10.7 This Agreement may be executed in one or more counterparts and such counterparts may be transmitted by electronic facsimile, and each such counterpart will be deemed to be an original and together such counterparts will constitute one document.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

SIGNED, SEALED AND DELIVERED by **[NAME OF WARRANTHOLDER]** in the presence of:

_____
Signature

_____
Address

_____
Occupation

_____
[NAME OF WARRANTHOLDER]

US GOLD CANADIAN ACQUISITION CORPORATION

_____
Authorized Signatory

NO.
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTIONS 288 TO 299
OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002,
C.57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT
AMONG
TONE RESOURCES LIMITED AND ITS
SECURITYHOLDERS

TONE RESOURCES LIMITED

PETITIONER

PETITION TO THE COURT

Davis LLP
2800 Park Place
666 Burrard Street
Vancouver, BC V6C 2Z7



S-073477

W. Pass #1
Sworn May 19, 2007

NO.
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTIONS 288 TO 299
OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, C.57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT AMONG
TONE RESOURCES LIMITED AND ITS SECURITYHOLDERS

TONE RESOURCES LIMITED

PETITIONER

AFFIDAVIT

I, WILLIAM F. PASS, Businessman, of 14820 W. 58th Pl., in the City of Golden, in the State of Colorado, MAKE OATH AND SAY AS FOLLOWS:

1. I am the Vice President and Corporate Secretary of the Petitioner, Tone Resources Limited, and as such have personal knowledge of the facts and matters hereinafter deposed to by me except where stated to be made upon information and belief and where so stated I verily believe the same to be true. I am authorized to make this Affidavit on behalf of the Petitioner.

2. As used in this Affidavit, unless otherwise defined, terms beginning with capital letters have the respective meanings set out in the Petition herein.

3. I have read the portions of the Petition herein which set out the facts upon which the Petition is based. To the best of my knowledge, all of the statements of fact in the Petition are true.

MEETING MATERIALS

4. Attached hereto and marked as Exhibits "A" through "C" to this my Affidavit are copies of the Meeting Materials referred to in paragraph 7 of the Interim Order attached as Schedule "A" to the Petition, more particularly described as follows:

(a) the Notice of Special Meeting and Management Information Circular, including the Interim Order and the Petition herein as Appendices "C" and "D", attached hereto and marked as **Exhibit "A"** to this my Affidavit;

(b) the Letter of Transmittal, attached hereto and marked as **Exhibit "B"** to this my Affidavit; and

(c) the Form of Proxy, attached hereto and marked as **Exhibit "C"** to this my Affidavit.

FINANCIAL STATEMENTS

5. US Gold Corporation ("US Gold"), a Colorado company, owns 100% of the voting shares of US Gold Canadian Acquisition Corporation ("Canadian Exchange Co."). Canadian Exchange Co. was incorporated solely for the purpose of making an offer for the shares of the Petitioner, as well as concurrent offers for the shares of Nevada Pacific Gold Ltd. ("Nevada Pacific") and White Knight Resources Ltd ("White Knight").

6. Attached hereto and marked as **Exhibit "D"** to this my Affidavit is a copy of the Petitioner's report and consolidated financial statements for the years ending August 31, 2006 and 2005 and the corresponding Management Discussion and Analysis, and the Petitioner's unaudited interim financial statements for the six months ending February 28, 2007 and the corresponding Management Discussion and Analysis.

7. Attached hereto and marked as **Exhibit "E"** to this my Affidavit is a copy of Nevada Pacific's consolidated financial statements for the year ending June 30, 2006 and the corresponding Management Discussion and Analysis, and Nevada Pacific's unaudited

consolidated financial statements for the six months ending December 31, 2006 and the corresponding Management Discussion and Analysis.

8. Attached hereto and marked as **Exhibit "F"** to this my Affidavit is a copy of White Knight's consolidated financial statements for the year ending June 30, 2006 and the corresponding Management Discussion and Analysis, and White Knight's unaudited consolidated financial statements for the second quarter ended December 31, 2006 and the corresponding Management Discussion and Analysis.

FAIRNESS

9. The Fairness Opinion referred to in paragraph 19 of the Petition was attached as Schedule A to the Tone Resources Limited Directors' Circular dated February 20, 2007 (the "Directors' Circular"). Attached hereto and marked as **Exhibit "G"** to this my Affidavit is a copy of the Directors' Circular.

10. I swear this Affidavit in support of an application for an Order for directions as to the calling of the Meeting of Securityholders and other matters in relation thereto as set out in the form of the Interim Order attached as Schedule "A" to the Petition herein.

SWORN BEFORE ME at the City of Vancouver, in the Province of British Columbia, this 19th day of May, 2007.

A Commissioner for taking Affidavits within British Columbia

WILLIAM F. PASS

This is **Exhibit "A"** referred to in the affidavit of William F. Pass sworn before me at Vancouver this 15th day of May, 2007.

A Commissioner for taking Affidavits for British Columbia

SUSAN A. GRIFFIN, Q.C.
Barrister & Solicitor
FRASER MILNER CASGRAIN LLP
1500 - 1040 West Georgia Street
Vancouver, B.C. V6E 4H8
Telephone (604) 687-4460

This document is important and requires your immediate attention. If you have any questions as to how to deal with it, you should consult your investment dealer, broker, bank manager, lawyer or other professional advisor. No securities regulatory authority in Canada or the United States has expressed an opinion about, or passed upon the fairness or merits of, the transactions described in this document, the securities offered pursuant to such transaction or the adequacy of the information contained in this document and it is an offence to claim otherwise.

ARRANGEMENT

involving

TONE RESOURCES LIMITED

and

US GOLD CANADIAN ACQUISITION CORPORATION

and

US GOLD CORPORATION

SPECIAL MEETING OF SECURITYHOLDERS OF
TONE RESOURCES LIMITED
TO BE HELD ON JUNE 25, 2007

NOTICE OF SPECIAL MEETING
AND
MANAGEMENT INFORMATION CIRCULAR

May 23, 2007

TONE RESOURCES LIMITED

NOTICE OF SPECIAL MEETING OF SECURITYHOLDERS

NOTICE IS HEREBY GIVEN that a special meeting (the "**Meeting**") of shareholders, optionholders and warrantholders of Tone Resources Limited ("**Tone Resources**") will be held at the offices of Fraser Milner Casgrain LLP, 15th Floor, 1040 West Georgia Street, Vancouver, British Columbia, on Monday, June 25, 2007 at 2:00 p.m. (Vancouver Time) for the following purposes:

(i) to consider, pursuant to an order of the Supreme Court of British Columbia dated May 22, 2007 and, if thought advisable, to pass, with or without variation, a special resolution (the "**Arrangement Resolution**"), the full text of which is set forth in Appendix A to the accompanying management information circular (the "**Circular**"), approving an arrangement (the "**Arrangement**") pursuant to Section 288 of the *Business Corporations Act* (British Columbia) (the "**BCBCA**"), all as more particularly described in the Circular; and

(ii) to act upon such other matters, including amendments to the foregoing, as may properly come before the Meeting or any adjournment or postponement thereof.

Tone Resources has fixed May 18, 2007 as the record date for determining those holders ("**Securityholders**") of Tone Resources' common shares, options and warrants ("**Tone Resources Securities**") entitled to receive notice of the Meeting. Only Securityholders whose names have been entered in the registers of Tone Resources on the close of business on the record date will be entitled to receive notice of and to vote at the Meeting. Shareholders, as at the record date, will receive one vote for each Tone Resources Share held, and warrantholders and optionholders will receive one vote for each Tone Resources Share they are entitled to receive upon exercise of their warrants or options, respectively.

Pursuant to an order of the Supreme Court of British Columbia dated May 22, 2007 (the "**Interim Order**"), registered Shareholders are entitled to dissent in respect of the Arrangement. If the Arrangement becomes effective, a dissenting Shareholder is entitled to be paid the fair value of such dissenting Shareholder's Tone Resources Shares, provided that such dissenting Shareholder has delivered a written objection to the Arrangement Resolution to Tone Resources by 5:00 p.m. (Vancouver Time) no later than two business days preceding the Meeting and has otherwise strictly complied with the dissent rights set out in the Interim Order. This right is described in detail in the accompanying Circular under the heading "Rights of Dissenting Shareholders". **Failure to comply strictly with the dissent procedures described in the Circular may result in the loss of any right of dissent. Beneficial owners of Tone Resources Shares registered in the name of a broker, investment dealer, bank, trust company, nominee or other intermediary who wish to dissent should be aware that only registered Shareholders are entitled to dissent.**

Registered holders of Tone Resources Securities who are unable to be personally present at the Meeting are requested to date, complete, sign and return the form of proxy in the envelope provided, by facsimile transmission to the Pacific Corporate Trust Company at (604) 689-8144 or in person or by registered mail to Tone Resources Limited c/o Pacific Corporate Trust Company at 510 Burrard Street, 2nd Floor, Vancouver, British Columbia, Canada V6C 3B9. To be effective, proxies must be received before 5:00 p.m. (Vancouver Time) on June 21, 2007 (or the date that is no later than two business days preceding the Meeting if it is postponed or adjourned).

Non-registered holders of Tone Resources Securities should complete and return the voting instruction form or other authorization provided to them in accordance with the instructions provided therein.

DATED this 23rd day of May, 2007.

BY ORDER OF THE BOARD OF DIRECTORS

(signed)

Robert R. McEwen
Director and Chairman of the Board

TABLE OF CONTENTS

NOTICE OF SPECIAL MEETING OF SECURITYHOLDERS i

NOTICE TO SHAREHOLDERS IN THE UNITED STATES iv

FORWARD-LOOKING STATEMENTS v

REPORTING CURRENCIES AND FINANCIAL PRINCIPLES vi

NOTICE REGARDING CERTAIN INFORMATION vi

EXCHANGE RATES vii

MANAGEMENT INFORMATION CIRCULAR 1

DOCUMENTS INCORPORATED BY REFERENCE 1

GLOSSARY OF DEFINED TERMS 2

SUMMARY OF CIRCULAR 7

- Date, Time and Place of Meeting 7
- Record Date 7
- Background and Purpose of the Meeting 7
- Securityholder Approvals 7
- Effect of the Arrangement 8
- Arrangement Consideration 8
- Procedure for the Arrangement to Become Effective 9
- Court Approval and Completion of the Arrangement 9
- US Gold 10
- Canadian Exchange Co. 10
- Unaudited *Pro Forma* Consolidated Financial Statements of Canadian Exchange Co. 10
- Procedures for Receiving Payment 10
- Dissent Rights 11
- Certain Material Canadian Federal Income Tax Considerations 11
- Material U.S. Federal Income Tax Considerations 11
- Risk Factors 12

RECOMMENDATION OF THE BOARD OF DIRECTORS 13

THE ARRANGEMENT 14

- Background to the Arrangement 14
- Reasons for the Arrangement 15
- Securityholder Approvals 15
- Judicial Developments 16
- Terms of the Arrangement 16
- Arrangement Consideration 17
- Procedure for the Arrangement to Become Effective 26
- Court Approval and Completion of the Arrangement 26
- Valuation and Other Exemptions 27
- Interests of Certain Persons in the Arrangement 28
- Expenses of the Arrangement 28
- Procedures for Receiving Payment 28
- Extinction of Rights 29
- Depositary 29
- Effect of the Arrangement on Markets and Listings 30
- Particulars of Other Matters 30

LEGAL MATTERS 30

THE ARRANGEMENT AGREEMENT 30

- Covenants of Tone Resources 30
- Mutual Covenants 31
- Conditions to Completion of the Arrangement .. 32
- Termination 32

MATERIAL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS 32

- Shareholders Resident in Canada 33
- Shareholders Who Do Not Dissent 33

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS 44

- U.S. Federal Income Tax Consequences to U.S. Holders of Tone Resources Shares 45
- U.S. Federal Income Tax Consequences to Non-U.S. Holders of Tone Resources Shares 50
- Backup Withholding and Information Reporting 52
- Exchange of Options for Replacement Options. 52

RISK FACTORS 53

- Risks Relating to the Arrangement and/or the Combined Business of US Gold and Tone Resources 53
- Risks Relating to Tone Resources 55
- Risks Relating to US Gold 55

RIGHTS OF DISSENTING SHAREHOLDERS 64

INFORMATION RELATING TO CANADIAN EXCHANGE CO. AND US GOLD 65

- US Gold 65

Description of US Gold Capital Stock 66
Intercorporate Relationships 67
Consolidated Capitalization of US Gold 68
Canadian Exchange Co. 68
RECENT DEVELOPMENTS 69
TONE RESOURCES SECURITIES AND THE PRINCIPAL HOLDERS THEREOF 70
Market Prices and Trading Volumes of Tone Resources Shares 70
ADDITIONAL INFORMATION RELATING TO TONE RESOURCES 71
Authorized and Issued Capital 71
Dividends and Dividend Policy 71
Previous Purchases and Sales 71
Previous Distributions 71
Commitments to Acquire Securities of Tone Resources 71
Arrangements, Agreements or Understandings . 72
Securities Authorized for Issuance Under Equity Compensation Plans 72
Interest of Informed Persons in Material Transactions 73
Auditor 73
Corporate Governance 73
Additional Information Regarding Tone Resources 73
COMPARISON OF SHAREHOLDERS RIGHTS 74
Comparison of Rights of Holders of US Gold Common Stock and Tone Resources Shares 74
INFORMATION CONCERNING THE MEETING AND PROXIES 83
Solicitation of Proxies 83
Appointment of Proxyholder 83
Revocation of Proxy 84
Exercise of Proxy 84
Explanation of Voting Rights for Beneficial Owners of Tone Resources Securities 84
Quorum and Voting Rights 85
STATUTORY RIGHTS 85
MATERIAL CHANGES AND OTHER INFORMATION 85
EXPERTS 85
Interest of Experts 85
Technical Reports 85
Independent Registered Accounting Firm 86
APPROVAL OF BOARD 86
CONSENT OF STARK WINTER SCHENKEIN & CO. LLP 87

Appendix A — Arrangement Resolution of the Securityholders
Appendix B — Arrangement Agreement
Appendix C — Interim Order
Appendix D — Petition
Appendix E — Unaudited *Pro Forma* Consolidated Financial Statements of US Gold
Appendix F — Unaudited *Pro Forma* Consolidated Supplementary Financial Statements of US Gold

NOTICE TO SHAREHOLDERS IN THE UNITED STATES

The shares of US Gold Canadian Acquisition Corporation ("Canadian Exchange Co.") and US Gold Corporation ("US Gold") to be issued under the arrangement described herein have been registered under the United States Securities Act of 1933, as amended (the "US Securities Act"), and are being issued pursuant to US Gold and Canadian Exchange Co.'s registration statement on Form S-4, as amended, which was declared effective by the U.S. Securities and Exchange Commission on February 8, 2007.

The solicitation of proxies is not subject to the requirements of Section 14(a) of the United States Exchange Act of 1934, as amended (the "US Exchange Act"), by virtue of an exemption applicable to proxy solicitation by foreign private issuers as defined in Rule 3b-4 of the US Exchange Act. Accordingly, this Information Circular has been prepared in accordance with the applicable disclosure requirements in Canada. Residents of the United States should be aware that such requirements are different from those of the United States. Financial statements included or referred to herein have been derived from publicly available financial statements which have been prepared in accordance with Canadian generally accepted accounting principles and thus may not be comparable to financial statements of United States companies.

The enforcement by investors of civil liabilities under the federal securities laws of the United States may be affected adversely by the fact that Tone Resources Limited ("Tone Resources") is incorporated under the laws of the Province of British Columbia, that some or all of its officers and directors may reside outside the United States and that some or all of the experts named herein may reside outside the United States.

THE SHARES OF CANADIAN EXCHANGE CO AND US GOLD HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS NOTICE OF SPECIAL MEETING AND MANAGEMENT INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Prospective investors should be aware that acquisition of shares of Canadian Exchange Co. may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States, may not be described fully herein.

This document does not constitute an offer to sell or a solicitation of an offer to buy any securities in any state in the United States in which such offer or solicitation is unlawful.

This document and certain of the information incorporated by reference herein have been prepared in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of United States securities laws. In particular, and without limiting the generality of the foregoing, the terms "mineral reserves", "probable reserves", "proven reserves", "inferred resources", "indicated resources", "measured resources" and "mineral resources" used or incorporated by reference in this document are, unless otherwise stated, Canadian mining terms as defined in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Mineral Reserves ("CIM"). CIM standards differ significantly from standards in the United States. While the terms "mineral resource", "measured resources", "indicated resources" and "inferred resources" are recognized and required by Canadian regulations, they are not defined terms under the rules and regulations of the United States Securities and Exchange Commission. As such, information regarding mineralization and resources contained or incorporated by reference in this document and the documents incorporated by reference herein may not be comparable to similar information made public by United States companies.

FORWARD-LOOKING STATEMENTS

Some of the information included in this Circular and certain other documents Tone Resources filed or will file on SEDAR (as well as information included in other documents accompanying this Circular or included in other statements made by Tone Resources, its representatives, and information about Canadian Exchange Co., US Gold, White Knight Resources Ltd. ("**White Knight**"), and Nevada Pacific Gold Ltd. ("**Nevada Pacific**")) may contain forward-looking statements. Forward-looking statements do not relate strictly to historical or current facts, often will be phrased in the future tense, and may include the words "may", "could", "should", "would", "believe", "expect", "anticipate", "estimate", "intend", "plan" or other words or expressions of similar meaning. Forward-looking statements that relate to Tone Resources or its business are based on Tone Resources' beliefs and expectations about future events, and include statements that reflect management's plans, objectives, goals, expectations, anticipations and intentions with respect to its financial condition, results of operations, future performance and business, including statements relating to its business strategy and its current and future development plans.

Although Tone Resources believes that the expectations reflected in any forward-looking statements are reasonable, any or all of the forward-looking statements in this Circular or in documents accompanying this Circular may prove to be incorrect. This may occur as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties. Many factors discussed in this Circular and in documents accompanying this Circular, some of which are beyond Tone Resources' control, will be important in determining Tone Resources' future performance following a combination, if any, of the businesses or assets of US Gold and Tone Resources, White Knight and Nevada Pacific. Consequently, actual results may differ materially from those predicted in or that might be anticipated from forward-looking statements. Therefore, you should not regard such forward-looking statements as a representation that the predictions or expectations reflected in the forward-looking statements will be achieved, and you should not place undue reliance on such forward-looking statements.

Uncertainties that could affect the accuracy of forward-looking statements, besides the specific risk factors identified in the section entitled "Risk Factors" of this Circular, include:

- decisions of foreign countries and banks within those countries;
- technological changes in the mining industry;
- the level of demand for products of US Gold, Tone Resources, White Knight or Nevada Pacific;
- changes in US Gold's, Tone Resources', White Knight's or Nevada Pacific's business strategy;
- interpretation of drill hole results and the geology, grade and continuity of mineralization;
- the uncertainty of reserve estimates and timing of development expenditures;
- unexpected changes in business and economic conditions;
- changes in interest rates and currency exchange rates;
- timing and amount of production;
- changes in mining, processing and overhead costs;
- access and availability of materials, equipment, supplies, labor and supervision, power and water;
- results of current and future exploration activities;
- results of pending and future feasibility studies;
- local and community impacts and issues;

- accidents and labor disputes; and
- commodity price fluctuations.

Tone Resources undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise, other than to reflect a material change in the information previously disclosed, as required by applicable law. You should review Tone Resources' subsequent reports filed from time to time on SEDAR.

REPORTING CURRENCIES AND FINANCIAL PRINCIPLES

All references to "$" or "**dollars**" in this document refer to United States dollars, unless otherwise indicated. The financial information regarding US Gold, Canadian Exchange Co. and Nevada Pacific included or referred to in this Circular is reported in U.S. dollars. The financial information regarding Tone Resources and White Knight referred to in this Circular is reported in Canadian dollars. Tone Resources, Nevada Pacific and White Knight's financial statements and the notes thereto are prepared in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**"). US Gold and Canadian Exchange Co.'s financial statements are prepared in accordance with U.S. generally accepted accounting principles ("**U.S. GAAP**"). Copies of the documents which are referred to in this Circular may be obtained via SEDAR at www.sedar.com

For a discussion of the principal differences between U.S. GAAP and Canadian GAAP in the context of Tone Resources, see Note 7 to the Tone Resources audited financial statements for the financial year ended August 31, 2006. For a discussion of the principal differences between U.S. GAAP and Canadian GAAP in the context of Nevada Pacific, see Note 17 to the Nevada Pacific audited financial statements for the financial year ended June 30, 2006. For a discussion of the principal differences between U.S. GAAP and Canadian GAAP in the context of White Knight, see Note 10 to the White Knight audited financial statements for the financial year ended June 30, 2006.

NOTICE REGARDING CERTAIN INFORMATION

The information contained in this Circular concerning Canadian Exchange Co., US Gold, White Knight and Nevada Pacific is based solely upon information provided to Tone Resources by Canadian Exchange Co., US Gold, White Knight and Nevada Pacific. The Board of Directors has relied exclusively upon such information, without independent verification by Tone Resources.

Information relating to Canadian and US federal income tax considerations has been obtained from external advisers specializing in such matters and the Board of Directors of Tone Resources has relied wholly on their advice.

No person is authorized to give any information or make any representation not contained or incorporated by reference in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized. This Circular does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation of an offer or proxy solicitation. The delivery of this Circular will not, under any circumstances, create an implication that there has been no change in the information set forth herein since the date of this Circular.

EXCHANGE RATES

The following table sets forth the average exchange rate for one U.S. dollar expressed in Canadian dollars for each period indicated, and the exchange rate at the end of such period, based upon the noon buying rates provided by the Bank of Canada:

	Three Months Ended	Year Ended December 31				
	March 31, 2007	2006	2005	2004	2003	2002
Rate at end of period.....	1.1759	1.1654	1.1659	1.2036	1.2924	1.5796
Average rate for period.....	1.1716	1.1342	1.2116	1.3015	1.4015	1.5704

On May 22, 2007, being the last practicable trading day prior to the date of the Circular, the exchange rate for one U.S. dollar expressed in Canadian dollars based upon the noon buying rates provided by the Bank of Canada was Cdn $[•].

MANAGEMENT INFORMATION CIRCULAR

This Circular is furnished in connection with the solicitation of proxies by or on behalf of the management of Tone Resources Limited ("**Tone Resources**") for use at the Special Meeting of Securityholders of Tone Resources to be held on Monday, June 25, 2007 at 2:00 p.m. (Vancouver Time) at the offices of Fraser Milner Casgrain LLP, 15th Floor, 1040 West Georgia Street, Vancouver, British Columbia, and at any postponement(s) or adjournment(s) thereof for the purposes set forth in the accompanying Notice of Meeting.

DOCUMENTS INCORPORATED BY REFERENCE

The documents listed below, filed with the securities commissions or similar regulatory authorities in Canada, are specifically incorporated by reference in this Circular:

US Gold Documents

(a) the annual reports of US Gold in Form 10-KSB for the years ended December 31, 2005 (as amended) and 2006, including the audited comparative financial statements of US Gold as at and for the years ended December 31, 2005 and 2006 together with the auditors' report thereon and the Management's Discussion and Analysis of Results of Operations and Financial Condition for the years ended December 31, 2005 and 2006;

(b) the section entitled "Background to the Offer" and "Appendix A - Information on Tone Resources", "Appendix E – Unaudited Financial Statements of US Gold Canadian Acquisition Corporation", "Appendix H – Rights, Privileges, Restrictions and Conditions Attaching to the Exchangeable Shares of US Gold Canadian Acquisition Corporation", "Appendix I – Form of Voting and Exchange Trust Agreement", "Appendix J – Form of Support Agreement" and "Appendix M – Certain Information Regarding Tonkin Springs Gold Property of US Gold" in the Offer;

(c) "Appendix A - Information on White Knight" in the offer by US Gold and Canadian Exchange Co. to the shareholders of White Knight dated February 12, 2007 (the "**White Knight Offer**");

(d) "Appendix A - Information on Nevada Pacific" in the offer by US Gold and Canadian Exchange Co. to the shareholders of Nevada Pacific dated February 12, 2007 (the "**Nevada Pacific Offer**");

(e) the amendment to the registration statement of US Gold on Form SB-2 filed on February 8, 2007;

(f) the material change report in Form 8-K of US Gold dated April 13, 2007 concerning the listing of the Exchangeable Shares on the TSX; and

(g) the interim report of US Gold in Form 10-Q dated May 15, 2007 for the three months ended March 31, 2007, including the unaudited interim financial statements of US Gold as at the three months ended March 31 2007 and the management's discussion and analysis of results of operations and financial condition for three months ended March 31, 2007.

Tone Resources Documents

(a) the management information circular of Tone Resources dated January 4, 2007 prepared in connection with Tone Resources' annual and general meeting held on February 8, 2007;

(b) the sections entitled "Background to the Offer", "Recommendation of the Special Committee to the Board and the Board of Directors" and "Reasons for the Recommendation" of the Tone Resources directors' circular dated February 20, 2007 (the "**Directors' Circular**"); and

(c) the material change report of Tone Resources dated May 23, 2007 concerning the Arrangement.

Any documents of the type referred to above (excluding confidential material change reports) filed by Tone Resources with any securities commission or similar regulatory authority in Canada, subsequent to the date of this Circular and prior to the Meeting, shall be deemed to be incorporated by reference in this Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein, or in any subsequently filed document which also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the statement so modified or superseded, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular.

Although Tone Resources has no knowledge that would indicate that any statement or information contained in the documents of US Gold, incorporated by reference in this Circular is untrue or incomplete, Tone Resources does not assume any responsibility for the accuracy or completeness of any statement or information contained in such documents.

Copies of the documents which are incorporated by reference in this Circular may be obtained by Securityholders via SEDAR at www.sedar.com or promptly on request without charge from the Chief Financial Officer of Tone Resources at 165 South Union Blvd., Suite 565, Lakewood, Colorado, U.S.A. 80228, Telephone (303) 238-1438.

GLOSSARY OF DEFINED TERMS

In this Circular, unless the context otherwise requires, the following terms have the meanings set forth below.

"**Acquired Companies**" means Tone Resources, White Knight and Nevada Pacific, the companies acquired by US Gold and Canadian Exchange Co. pursuant to the Offer, the White Knight Offer and the Nevada Pacific Offer.

"**Alberta ULC**" means US Gold Alberta ULC, an unlimited liability company existing under the laws of the Province of Alberta.

"**AMEX**" means the American Stock Exchange.

"**Arrangement**" means the arrangement involving Tone Resources, Canadian Exchange Co. and US Gold under the provisions of Section 288 of the BCBCA on the terms and conditions set forth in the Arrangement Agreement resulting, *inter alia*, in the direct acquisition by Canadian Exchange Co. of all of the outstanding Tone Resources Shares which are not already held by Canadian Exchange Co., on the terms and conditions set out in the Plan of Arrangement and any amendments or variations thereto.

"**Arrangement Agreement**" means the arrangement agreement dated as of May 17, 2007 between Tone Resources, Canadian Exchange Co. and US Gold, a copy of which is attached as Appendix B to this Circular.

"**Arrangement Consideration**" means the Exchangeable Shares to be received by Shareholders under the Arrangement in exchange for the transfer of their Tone Resources Shares to Canadian Exchange Co. as more particularly described under the heading "The Arrangement – Arrangement Consideration" in this Circular.

"**Arrangement Resolution**" means the resolution of Securityholders approving the Arrangement, in substantially the form attached as Appendix A to this Circular.

"**BCBCA**" means the *Business Corporations Act* (British Columbia), as amended.

"**Board**" or "**Board of Directors**" means the Board of Directors of Tone Resources.

"**business day**" means any day of the week other than a Saturday, Sunday or a statutory or civic holiday observed in Vancouver, British Columbia, Canada.

"**Canadian Exchange Co.**" means US Gold Canadian Acquisition Corporation, a company existing under the laws of the Province of Alberta.

"**Canadian Exchange Co. Board**" means the Board of Directors of Canadian Exchange Co.

"**Canadian GAAP**" means Canadian generally accepted accounting principles or interpretations thereof.

"**Circular**" means this management information circular of Tone Resources prepared and sent to Securityholders in connection with the Meeting, including the Appendices attached hereto and the documents incorporated by reference herein.

"**Committee**" means the Board of Tone Resources or such committee as the Board may designate to administer the Stock Option Plan.

"**Court**" means the Supreme Court of British Columbia.

"**Depositary**" means Pacific Corporate Trust Company at its principal office in Vancouver, British Columbia in its capacity as depositary for the Tone Resources Shares under the Arrangement.

"**Directors**" means the directors of Tone Resources.

"**Directors' Circular**" means the Tone Resources directors' circular dated February 20, 2007 relating to the Offer.

"**Dissent Notice**" means a notice of dissent duly and validly given by a Registered Shareholder in respect of the Arrangement in the manner provided for in the Plan of Arrangement.

"**Dissent Rights**" means the right of Registered Shareholders to dissent from the Arrangement Resolution in compliance with the dissent procedures set out in the Interim Order, as more particularly described hereunder "Rights of Dissenting Shareholders".

"**Dissent Shares**" means the Tone Resources Shares held by Dissenting Shareholders.

"**Dissenting Shareholder**" means a Registered Shareholder who has properly exercised such Shareholder's Dissent Rights in respect of the Arrangement in strict compliance with the procedures referred to under "Rights of Dissenting Shareholders", who has not withdrawn such exercise and who is ultimately determined to be entitled to be paid the fair value of the Shareholder's Tone Resources Shares.

"**EDGAR**" means the Electronic Data Gathering, Analysis and Retrieval System.

"**Effective Date**" means the date on which all of the conditions precedent to the completion of the Plan of Arrangement have been either fulfilled or waived in accordance with the terms thereof.

"**Effective Time**" means 2:30 p.m. (Vancouver Time) on the Effective Date.

"**Exchangeable Share**" means an exchangeable share in the capital of Canadian Exchange Co., having the rights, privileges, restrictions and conditions set forth in Appendix H to the Offer, which is incorporated herein by reference.

"**Final Order**" means the final order of the Court approving the Arrangement, as such order may be amended at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed.

"**fully diluted basis**" means, with respect to the number of outstanding Tone Resources Shares, such number of outstanding Tone Resources Shares calculated on the assumption that all Options, Warrants and other rights to acquire Tone Resources Shares are exercised in full.

"**Governmental Entity**" means any (i) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau or agency, domestic or foreign; (ii) any subdivision, agent, commission, board, or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.

"**including**" means including without limitation.

"**Interim Order**" means the interim order of the Court in respect of the Arrangement dated May 22, 2007, a copy of which is attached as Appendix C to this Circular providing for, among other things, the calling and holding of the Meeting.

"**Intermediary**" includes a broker, investment dealer, bank, trust company, nominee or other intermediary.

"**Laws**" means all laws, statutes, codes, ordinances, decrees, rules, orders-in-council, regulations, by-laws, statutory rules, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards and terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity, statutory body or self-regulatory authority (including stock exchanges or markets), and the term "applicable" with respect to such Laws and in the context that refers to one or more Persons, means that such Laws apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Governmental Entity having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities.

"**Letter of Transmittal**" means the letter of transmittal that accompanies this Circular.

"**Meeting**" means the special meeting of the Securityholders (including any postponements or adjournments thereof) to be called and held in accordance with the Interim Order to consider and approve the Arrangement Resolution.

"**Nevada Pacific**" means Nevada Pacific Gold Ltd., a company existing under the laws of the Province of British Columbia.

"**Non-Registered Holder**" means a Shareholder who is a beneficial owner of Tone Resources Shares.

"**Non-Resident Shareholder**" has the meaning provided under the heading, "Certain Canadian Federal Income Tax Considerations – Shareholders Not Resident in Canada" in this Circular.

"**Non-U.S. Holder**" has the meaning provided under the heading, "Certain U.S. Federal Income Tax Considerations" in this Circular.

"**Notice of Meeting**" means the Notice of Special Meeting of Securityholders dated May 23, 2007 accompanying the Circular.

"**Offer**" means the offer of Canadian Exchange Co. and US Gold dated February 12, 2007 to purchase all of the outstanding Tone Resources Shares.

"**Ontario Securities Act**" means the *Securities Act* (Ontario), as amended, and the regulations and rules made thereunder.

"**Option**" means an outstanding option to purchase Tone Resources Shares under the Stock Option Plan.

"**Optionholders**" means holders of Options.

"**OSC**" means the Ontario Securities Commission.

"**Pacific Corporate**" means Pacific Corporate Trust Company, registrar and transfer agent for the Tone Resources Securities.

"**Person**" includes any individual, firm, partnership, limited partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, heir, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, governmental entity, syndicate or other entity, whether or not having legal status.

"**PFIC**" or "**Passive Foreign Investment Company**" has the meaning ascribed thereto under the heading, "Certain U.S. Federal Income Tax Considerations".

"**Plan of Arrangement**" means the plan of arrangement substantially in the form and having the content of Schedule B to the Arrangement Agreement and any amendments or variations thereto made in accordance with the provisions of the Arrangement Agreement or made at the direction of the Court in the Final Order.

"**Registered Shareholder**" means a holder of Tone Resources Shares whose name appears on the records of Tone Resources as the registered holder of such Tone Resources Shares.

"**Replacement Option**" means an option to purchase shares of common stock of US Gold to be issued in exchange for an Option, pursuant to the Agreement, as described in "The Arrangement –Options".

"**Replacement Warrant**" means a warrant to purchase Exchangeable Shares to be issued in exchange for a Warrant, pursuant to the Agreement, as described in "The Arrangement – Warrants".

"**Rule 61-501**" means OSC Rule 61-501 entitled "Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions", as incorporated by Policy 5.9 – "Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions" of the TSX-V Corporate Finance Manual.

"**SEC**" means the U.S. Securities and Exchange Commission.

"**Securityholders**" means the holders of Tone Resources Securities.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval.

"**Shareholders**" means the holders of Tone Resources Shares.

"**Special Committee**" means the special committee of the Board of Directors formed to consider the unsolicited offer by US Gold to acquire all of the Tone Resources Shares.

"**Stock Option Plan**" means the stock option plan for directors, officers, employees and consultants of Tone Resources dated November 12, 2002, as amended.

"**Support Agreement**" means the support agreement dated March 22, 2007 among Canadian Exchange Co, US Gold and Alberta ULC, the purpose of which is for US Gold (for itself and on behalf of Alberta ULC) and Canadian Exchange Co. to covenant to do all things reasonably necessary and desirable to enable and permit Canadian Exchange Co. or Alberta ULC to perform their obligations under the Offer with respect to the Exchangeable Shares, a copy of which is attached as Appendix J to the Offer.

"**Tax Act**" means the *Income Tax Act* (Canada), as amended.

"**Tone Resources**" means Tone Resources Limited, a company existing under the laws of the Province of British Columbia.

"**Tone Resources Securities**" means, collectively, the Tone Resources Shares, the Warrants and the Options.

"**Tone Resources Share**" means a common share in the capital of Tone Resources.

"**Trustee**" means Computershare Trust Company of Canada, the trustee chosen by US Gold to act as trustee under the Voting and Exchange Trust Agreement.

"**TSX**" means the Toronto Stock Exchange.

"**TSX-V**" or the "**Exchange**" means TSX Venture Exchange Inc.

"**U.S. Exchange Act**" means the United States *Securities Exchange Act* of 1934, as amended, and the rules and regulations promulgated thereunder.

"**U.S. GAAP**" means U.S. generally accepted accounting principles.

"**US Gold**" means US Gold Corporation, a United States corporation organized under the laws of the State of Colorado.

"**U.S. Holder**" has the meaning ascribed thereto in the section of the Circular entitled "Certain U.S. Federal Income Tax Considerations".

"**US Securities Act**" means the United States *Securities Act* of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Voting and Exchange Trust Agreement**" means the agreement dated March 22, 2007 among Canadian Exchange Co., US Gold and Alberta ULC and the Trustee, the purpose of which is to create a trust for the benefit of the registered holders of Exchangeable Shares that will enable the Trustee to exercise voting rights on behalf of the holders of Exchangeable Shares similar to those of holders of US Gold common stock, a copy of which is attached as Appendix I to the Offer.

"**Warrant**" means an outstanding warrant to purchase Tone Resources Shares granted by Tone Resources prior to the Effective Date.

"**Warrant Exchange Agreement**" means an agreement between a Warrantholder and Canadian Exchange Co. entered into prior to the Effective Time, substantially in the form attached as Appendix A to the Plan of Arrangement, with such changes or modifications as Canadian Exchange Co. may require, whereby the Warrantholder would continue to hold his or her Warrants, but upon exercise of such Warrants, the Tone Resources Shares received would immediately be exchanged for Exchangeable Shares on the basis of 0.26 of an Exchangeable Share for each Tone Resources Share.

"**Warrantholders**" means holders of Warrants.

"**White Knight**" means White Knight Resources Ltd., a company existing under the laws of the Province of British Columbia.

SUMMARY OF CIRCULAR

The following is a summary of certain information contained elsewhere in this Circular, including the Appendices hereto. This summary is qualified in its entirety by the more detailed information appearing or referred to elsewhere in this Circular.

Certain capitalized terms used in this summary are defined in the Glossary of Defined Terms appearing on page 2 of this Circular.

Date, Time and Place of Meeting

The Meeting will be held on Monday, June 25, 2007 at 2:00 p.m. (Vancouver Time) at the offices of Fraser Milner Casgrain LLP, 15th Floor, 1040 West Georgia Street, Vancouver, British Columbia, unless otherwise adjourned or postponed.

Record Date

The record date for the determination of Securityholders entitled to receive notice of the Meeting is May 18, 2007. Only Securityholders of record on May 18, 2007 are entitled to receive notice of the Meeting. Only Securityholders whose names have been entered in the registers of Tone Resources on the close of business on the record date will be entitled to receive notice of and to vote at the Meeting. See "Information Concerning the Meeting and Proxies – Quorum and Voting Rights".

Background and Purpose of the Meeting

On March 5, 2006, US Gold first announced its intention to acquire all of the outstanding Tone Resources Shares, on the basis of 0.26 of a share of US Gold common stock for every Tone Resources Share following the satisfaction of certain regulatory requirements. US Gold subsequently decided that the consideration in the Offer would be in the form of Exchangeable Shares. The Offer was mailed to Shareholders on February 12, 2007.

On March 23, 2007, Canadian Exchange Co. took up 18,792,726 Tone Resources Shares validly tendered to the Offer and not withdrawn, being approximately 76% of the outstanding Tone Resources Shares on a fully diluted basis (and 89.4% of the outstanding Tone Resources Shares on a non-diluted basis) as at such date, and paid for such Tone Resources Shares on or about March 28, 2007.

In connection with the Offer, Canadian Exchange Co. and US Gold disclosed their intention to effect a subsequent acquisition transaction to acquire Tone Resources Shares not tendered to the Offer as well as all Options and Warrants. The purpose of the Meeting is for Securityholders to consider, and if deemed advisable, to pass, with or without variation, the Arrangement Resolution authorizing the subsequent acquisition transaction.

See "The Arrangement – Background to the Arrangement" and "The Arrangement – Reasons for the Arrangement".

Securityholder Approvals

For the Arrangement to be approved by the Securityholders in accordance with applicable Laws, the Arrangement Resolution must be passed by:

(a) at least two-thirds of the votes cast by Securityholders present in person or by proxy at the Meeting and entitled to vote at the Meeting; and

(b) at least two-thirds of the votes cast by Shareholders present in person or by proxy at the Meeting and entitled to vote at the Meeting.

For the purposes of the approval by "minority" Shareholders, Canadian Exchange Co. is permitted to vote the Tone Resources Shares it acquired pursuant to the Offer. Canadian Exchange Co. has advised Tone Resources that all of the Tone Resources Shares acquired by it pursuant to the Offer, representing approximately:

(a) 76% of the total outstanding Tone Resources Securities; and

(b) 88% of the total outstanding Tone Resources Shares on a non-diluted basis.

as of May 18, 2007, will be voted in favour of the Arrangement Resolution. Accordingly, Canadian Exchange Co. has a sufficient number of Tone Resources Securities to enable each of the foregoing approvals to be obtained. See "The Arrangement – Securityholder Approvals".

Each Shareholder, as of the record date of May 18, 2007, is entitled to one vote for each Tone Resources Share held and each Warrantholder or Optionholder is entitled to one vote for each Tone Resources Share such Warrantholder or Optionholder is entitled to receive upon exercise of such Warrants or Options, respectively.

Effect of the Arrangement

If the Arrangement Resolution is passed and all of the other procedural steps necessary to closing of the Arrangement are completed, Canadian Exchange Co. will acquire all of the then issued and outstanding Tone Resources Securities, which are not already held by it. At the Effective Time, the following shall occur and shall be deemed to occur in the following order without any further act or formality:

(a) each then issued and outstanding Tone Resources Share (other than Tone Resources Shares already held by Canadian Exchange Co. and Tone Resources Shares in respect of which the Shareholder has validly exercised Dissent Rights) shall be deemed to be transferred to Canadian Exchange Co. in consideration for the Arrangement Consideration;

(b) each Tone Resources Share in respect of which the Shareholder has validly exercised Dissent Rights shall be deemed to be transferred to Tone Resources for cancellation (see "Rights of Dissenting Shareholders");

(c) each Option shall be exchanged for a Replacement Option; and

(d) each Warrant, unless the Warrantholder enters into a Warrant Exchange Agreement, shall be exchanged for a Replacement Warrant.

See "The Arrangement – Terms of the Arrangement".

Arrangement Consideration

Under the Arrangement:

(a) Shareholders (other than Canadian Exchange Co. and Dissenting Shareholders) will receive, in consideration for the transfer of their Tone Resources Shares to Canadian Exchange Co., 0.26 of an Exchangeable Share for each Tone Resources Share;

(b) each Option will be exchanged for a Replacement Option, which is an option to purchase that number of shares of common stock of US Gold equal to 0.26 times the number of Tone Resources Shares subject to the Option and each Replacement Option will have an exercise price per share of common stock of US Gold equal to the exercise price per Tone Resources Share under such Option immediately prior to the Effective Time divided by 0.26; and

(c) each Warrant will either: (i) be exchanged for a Replacement Warrant, which is a warrant to purchase that number of Exchangeable Shares equal to 0.26 times the number of Tone Resources Shares subject to the Warrant and each Replacement Warrant will have an exercise price per Exchangeable Share equal to

the exercise price per Tone Resources Share under such Warrant immediately prior to the Effective Time divided by 0.26, or (ii) be the subject of a Warrant Exchange Agreement. If a Warrantholder fails to enter into a Warrant Exchange Agreement prior to the Effective Time, such Warrantholder's Warrants will automatically be exchanged for Replacement Warrants.

The Exchangeable Shares are the same as those issued pursuant to the Offer. Details of the Exchangeable Shares are set out in this Circular under "The Arrangement – Arrangement Consideration".

No fractional Exchangeable Shares or shares of common stock of US Gold will be issued pursuant to the Arrangement. Where a Securityholder is to receive Exchangeable Shares as consideration under the Arrangement and the aggregate number of Exchangeable Shares to be issued to such Securityholder would result in a fraction of an Exchangeable Share being issuable, the number of Exchangeable Shares to be received by such Securityholder will either be rounded up (if the fractional interest is 0.5 or more) or down (if the fractional interest is less than 0.5) to the next whole number. For the purposes of this rounding all Tone Resources Shares exchanged by a Securityholder will be aggregated. Where an Optionholder is to receive shares of common stock of US Gold pursuant to the exercise of Replacement Options and the aggregate number of shares of common stock of US Gold to be issued to such Optionholder would result in a fraction of a share of common stock of US Gold being issuable, the number of shares of common stock of US Gold to be received by such Optionholder will either be rounded up (if the fractional interest is 0.5 or more) or down (if the fractional interest is less than 0.5) to the next whole number.

Other than as set out above, all other terms and conditions of each Replacement Option and Replacement Warrant will be unchanged from those of the relevant Option or Warrant, and any document or agreement previously evidencing an Option or Warrant will, after the exchange thereof pursuant to the Arrangement, evidence or be deemed to evidence such Replacement Option or Replacement Warrant, respectively.

See "The Arrangement – Arrangement Consideration".

Procedure for the Arrangement to Become Effective

The Arrangement is proposed to be carried out pursuant to Section 288 of the BCBCA. In addition to obtaining the approval of Securityholders at the Meeting the Court must grant the Final Order approving the Arrangement and certain other conditions must be satisfied or waived in order for the Arrangement to become effective.

See "Procedures for the Arrangement to Become Effective" and "The Arrangement Agreement – Conditions to the Completion of the Arrangement".

Court Approval and Completion of the Arrangement

The Arrangement requires approval by the Court. Prior to the mailing of this Circular, Tone Resources obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters.

Subject to the approval of the Arrangement Resolution by the Securityholders at the Meeting, the Court hearing in respect of the Final Order is currently scheduled to take place on June 27, 2007 at 9:45 a.m. (Vancouver Time) in the Supreme Court of British Columbia, the Law Courts, 800 Smithe Street, Vancouver, British Columbia, V6Z 2E1, Telephone (604) 660-2847 and Fax (604) 660-2420 or as soon thereafter as is reasonably practicable. Any Securityholder who wishes to appear or be represented and to present evidence or arguments must serve and file an Appearance as set out in the Petition (a copy of which is annexed as Appendix D hereto) and satisfy any other requirements of the Court. The Court will consider, among other things, the reasonableness of the Arrangement. The Court may approve the Arrangement in any manner the Court may direct, and subject to compliance with such terms and conditions, if any, as the Court deems fit.

If the Securityholders approve the Arrangement Resolution on the basis described herein, and if the Final Order is obtained on June 27, 2007 in form and substance satisfactory to Tone Resources and Canadian Exchange Co. and US Gold, Tone Resources currently expects that the Effective Date will be June 28, 2007.

See "Court Approval and Completion of the Arrangement".

US Gold

US Gold is engaged in the exploration for gold and other precious metals. US Gold holds a 100% interest in the Tonkin property in Eureka County, Nevada, subject to paramount title in the United States. This property consists of approximately 46 square miles of unpatented lode mining claims and mill site claims located on the Battle Mountain-Eureka Trend, also known as the Cortez Trend, approximately 45 miles northwest of the town of Eureka in north-central Nevada. US Gold is presently in the exploration stage at the Tonkin property. US Gold has not generated revenue from mining operations since 1990.

US Gold was organized as a corporation under the laws of the State of Colorado on July 24, 1979 under the name "Silver State Mining Corporation". US Gold changed its name to "U.S. Gold Corporation" and then to "US Gold Corporation" on June 21, 1988 and March 15, 2007, respectively.

US Gold's principal executive offices are located at 165 South Union Blvd., Suite 565, Lakewood, Colorado, 80228, and its telephone number is (303) 238-1438. US Gold's website is www.usgold.com. Its common stock is listed on the Toronto Stock Exchange, or the TSX, under the symbol "UXG" and on the AMEX under the symbol "UXG". US Gold is subject to the reporting requirements of the U.S. Exchange Act and, as such, files or furnishes reports and other information on EDGAR and with the SEC from time to time as well as SEDAR.

See "Information Relating to US Gold" and "Notice Regarding Certain Information".

Canadian Exchange Co.

Canadian Exchange Co. is a corporation incorporated under the *Business Corporations Act* (Alberta), which was incorporated solely for the purpose of making the Offer, as well as the Nevada Pacific Offer and the White Knight Offer.

Canadian Exchange Co.'s executive office is located at 2900 Manulife Place, 10180 – 101 Street, Edmonton, Alberta T5J 3V5 and its telephone number is (780) 423-7100.

See "Information Relating to Canadian Exchange Co." and "Notice Regarding Certain Information".

Unaudited *Pro Forma* Consolidated Financial Statements of Canadian Exchange Co.

The unaudited *pro forma* consolidated financial statements of US Gold that give effect to the Arrangement, as well as the subsequent acquisition transactions with Nevada Pacific and White Knight, are set forth in Appendix E and Appendix F to this Circular.

Procedures for Receiving Payment

Pursuant to the Arrangement Agreement, Canadian Exchange Co. will pay for Tone Resources Shares acquired pursuant to the Plan of Arrangement by providing the Depositary with sufficient Exchangeable Shares for transmittal in accordance with the Plan of Arrangement.

Enclosed with this Circular is a Letter of Transmittal that is being delivered to registered Shareholders. A registered Shareholder must return a properly completed and executed Letter of Transmittal to the Depositary, together with certificate(s) for such Shareholder's Tone Resources Shares and any other required documents, to obtain Exchangeable Shares, less any applicable tax withholdings, if the Arrangement becomes effective. Under no circumstances will interest be paid to any holder on any payment to be made, regardless of any delay in making such payment. **It is recommended that Shareholders complete, sign and return the Letter of Transmittal with the accompanying Tone Resources Share certificates to the Depositary as soon as possible, and preferably prior to 5:00 p.m. (Vancouver Time) on June 21, 2007.**

If you are a Non-Registered Holder and hold your Tone Resources Shares through an Intermediary, please complete the documentation provided to you by your Intermediary in accordance with the instructions provided by such Intermediary.

Where a certificate for Tone Resources Shares has been lost, stolen or destroyed, the registered holder of that certificate should immediately contact Pacific Corporate at (604) 689-9853 regarding the issuance of a replacement certificate to receive payment as promptly as possible following the Effective Date.

From and after the Effective Time, any document or agreement previously evidencing an Option or Warrant shall evidence a Replacement Option or Replacement Warrant, respectively.

See "The Arrangement – Procedures for Receiving Payment".

Dissent Rights

Pursuant to the Interim Order, registered Shareholders are entitled to dissent in respect of the Arrangement. If the Arrangement becomes effective, a Dissenting Shareholder is entitled to be paid the fair value of such Dissenting Shareholder's Tone Resources Shares, provided that such Dissenting Shareholder has delivered a written objection to the Arrangement Resolution to Tone Resources by 5:00 p.m. (Vancouver Time) no later than two business days preceding the Meeting and has otherwise strictly complied with the dissent provisions as set out in the Interim Order. This right is described in detail under the heading "Rights of Dissenting Shareholders". **Failure to comply strictly with the dissent procedures described in the Interim Order may result in the loss of any right of dissent. Beneficial owners of Tone Resources Shares registered in the name of an Intermediary who wish to dissent should be aware that only registered Shareholders are entitled to dissent and, accordingly, they need to contact such Intermediary in order to exercise Dissent Rights.**

See "Rights of Dissenting Shareholders".

Certain Material Canadian Federal Income Tax Considerations

The disposition of Tone Resources Shares (and ancillary rights as defined in the section entitled "Material Canadian Federal Income Tax Considerations – Receipt of Ancillary Rights" may be a taxable event to a Canadian resident Shareholder. However, a Canadian resident Shareholder who disposes of his or her Tone Resources Shares for consideration that includes Exchangeable Shares (and ancillary rights) and who makes a valid tax election with Canadian Exchange Co. and files such election in the prescribed form and within the prescribed time may obtain a full or partial tax deferral (rollover) of any capital gains otherwise arising upon the disposition of those Shares. A Shareholder who is not a Canadian resident and for which the Tone Resources Shares is not "taxable Canadian property" will not be subject to tax under the Tax Act on the disposition of those Shares.

The Exchangeable Shares may be "qualified investments" for Registered Retirement Savings Plans, Registered Retirement Income Funds, deferred Profit Sharing Plans and Registered Education Savings Plans for Canadian income tax purposes provided they are listed on a "prescribed stock exchange" (which currently includes the TSX).

Optionholders will receive Replacement Options on a tax-deferred basis. Warrantholders will, unless they enter into a Warrant Exchange Agreement, receive Replacement Warrants on a taxable basis.

A more detailed description of the Canadian federal income tax consequences of the Arrangement is set forth below under the heading "Material Canadian Federal Income Tax Considerations". Canadian resident Securityholders should be aware that the Canadian federal income tax consequences of the Arrangement may depend upon their own individual situations, and that participating in the Arrangement may subject them to federal, provincial or foreign tax consequences that are not discussed in this Circular. **You are urged to consult your own tax advisor for a full understanding of the tax consequences of participating in the Arrangement.**

Material U.S. Federal Income Tax Considerations

The Exchangeable Shares are structured with the intent to qualify as a tax-deferred exchange under Sections 368 or 351 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), provided that certain

conditions and requirements are met. However, Tone Resources believes that it has been and may continue to be a "passive foreign investment company" or "PFIC" within the meaning of Section 1297 of the Code. If Tone Resources is a PFIC, a U.S. Shareholder who has not made certain elections under the PFIC rules will be subject to tax under a special tax regime application to PFICs on gain realized with respect to the exchange of such Shareholder's Tone Resources Shares for Exchangeable Shares and will not be eligible for tax-deferred treatment. Moreover, there is no direct authority addressing the proper characterization of instruments similar to the Exchangeable Shares and the exchange of common stock for Exchangeable Shares for U.S. federal income tax purposes. As a result, there is uncertainty concerning the treatment of the exchange of Tone Resources Shares. No rulings from the U.S. Internal Revenue Service or opinions of counsel will be requested in connection with the Arrangement on the U.S. tax consequences of the Arrangement.

Optionholders will receive Replacement Options on a tax-deferred basis.

You should be aware that the U.S. federal income tax consequences of the Arrangement may depend upon your own individual situation, including your situation with respect to the PFIC rules, and that participating in the Arrangement may subject you to state, local or foreign tax consequences that are not discussed in this Circular. **You are urged to consult your own tax advisor for a full understanding of the tax consequences of participating in the Arrangement.** See the section entitled "Material U.S. Federal Income Tax Considerations – U.S. Federal Income Tax Consequences to U.S. Holders of Tone Resources Shares".

Risk Factors

There are certain risk factors relating to the businesses of US Gold, Canadian Exchange Co., Tone Resources, White Knight and Nevada Pacific the combination of the companies and to the Arrangement, all of which should be carefully considered by Securityholders. See "Risk Factors".

RECOMMENDATION OF THE BOARD OF DIRECTORS

After considering the terms of the Arrangement, together with the matters summarized below, the Board of Directors unanimously determined on May 17, 2007 that the Arrangement is fair to Securityholders (excluding US Gold and Canadian Exchange Co. and their affiliates and associates) and is in the best interests of Securityholders. **Accordingly, the Board of Directors unanimously recommends that Securityholders VOTE IN FAVOUR of the Arrangement Resolution.**

In making its determination and recommendation, the Board of Directors considered a number of factors, including:

- a subsequent acquisition transaction had been contemplated in the Offer;
- in February 2007, both the Special Committee and the Board of Directors, as constituted at that time, had concluded that the Offer was in the best interests of the Shareholders and was fair to the Shareholders from a financial point of view;
- the reasons for the combination of US Gold and Tone Resources referred to in the Directors' Circular under the heading "Reasons for Recommendation" (which section of the Directors' Circular is incorporated by reference);
- the consideration that Shareholders (other than Canadian Exchange Co. and Dissenting Shareholders) will receive for each Tone Resources Share pursuant to the Arrangement is identical to the consideration per Tone Resources Share that was received by Shareholders under the Offer;
- in connection with the Offer, the valuation and fairness opinion from Northern Securities Inc. dated December 5, 2006, (the "**Valuation and Fairness Opinion**"), subject to the assumptions and qualifications contained therein, provided that the share exchange ratio under the Offer was fair, from a financial point of view, to the Shareholders. A copy of the Valuation and Fairness Opinion is attached as Schedule A to the Directors' Circular, which is available on SEDAR at www.sedar.com;
- the Arrangement would allow Canadian Exchange Co. and US Gold to acquire all Tone Resources Shares not acquired by them under the Offer and would provide for the exchange of all Options and Warrants for Replacement Options and Replacement Warrants. This would facilitate the realization of the synergies contemplated by the combination of US Gold and Tone Resources, including the reduction of the costs associated with being a public company;
- the reduced liquidity of the Tone Resources Shares as a result of the acquisition of approximately 76% (89.4% on a non-diluted basis) of the Tone Resources Shares by Canadian Exchange Co. pursuant to the Offer and the significantly greater liquidity of the shares of common stock of US Gold and the Exchangeable Shares;
- the Arrangement has been structured in a manner such that the Exchangeable Shares and the Replacement Options to be issued under the Arrangement should be received on a tax-deferred ''rollover'' basis for Canadian and U.S. federal income tax purposes by Canadian and U.S. Securityholders. See "Certain Canadian Federal Income Tax Considerations" and "Certain United States Federal Income Tax Considerations";
- there have been no material changes with respect to Tone Resources, Canadian Exchange Co. or US Gold since February 2007 which have had or would reasonably be expected to have a material effect on the value of the Tone Resources Shares, the Exchangeable Shares or the common stock of US Gold;
- Canadian Exchange Co. holds a sufficient number of Tone Resources Shares to requisition a meeting of Shareholders under the BCBCA to consider such a subsequent acquisition transaction; and

- Canadian Exchange Co. holds a sufficient number of Tone Resources Shares to pass the Arrangement Resolution.

The foregoing summary of the factors considered by the Board of Directors is not intended to be exhaustive of all of the factors considered by the Board of Directors in reaching its conclusions and making its recommendation. The members of the Board of Directors evaluated the various factors summarized above in light of their own knowledge of the business, financial condition and prospects of Tone Resources, US Gold and Canadian Exchange Co. and based upon the advice of its advisors. In view of the numerous factors considered in connection with their evaluation of the Arrangement, the Board of Directors did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weight to specific factors in reaching its conclusions and recommendation. In addition, individual members of the Board of Directors may have given different weight to different factors.

The process followed by the Board of Directors and the Special Committee in recommending that Shareholders accept the Offer is set out in the Directors' Circular under the headings "Background to the Offer", "Recommendation of the Special Committee and the Board of Directors" and "Reasons for Recommendation" (which sections of the Directors' Circular are incorporated by reference).

THE ARRANGEMENT

Background to the Arrangement

On March 5, 2006, US Gold first announced its intention to acquire all of the outstanding Tone Resources Shares on the basis of 0.26 of share of US Gold common stock for every Tone Resources Share following the satisfaction of certain regulatory requirements. US Gold subsequently decided that the consideration in the Offer would be in the form of Exchangeable Shares. The Offer was mailed to Shareholders on February 12, 2007.

A special committee of the Board of Directors (the "**Special Committee**") was appointed on March 27, 2006 to consider US Gold's offer to acquire the Tone Resources Shares. The Special Committee selected Northern Securities Inc. of Vancouver, British Columbia, to act as financial advisor and to assist in responding to the Offer. The Special Committee, with its financial advisor, considered US Gold's offer and investigated other alternatives available to maximize shareholder value.

On February 20, 2007, after considering the terms of the Offer and the Valuation and Fairness Opinion, the Special Committee unanimously recommended to the Board of Directors that the Offer be accepted and that the Board recommend that Shareholders tender their Tone Resources Shares under the Offer.

Based on the Special Committee's report, the Valuation and Fairness Opinion and the advice of legal and financial advisors, on February 20, 2007 the Board of Directors concluded that the Offer was in the best interests of Shareholders and was fair to Shareholders from a financial point of view, and that it would recommend to the Shareholders that they accept the Offer and tender their Tone Resources Shares under the Offer. These conclusions and recommendations were set out in the Directors' Circular.

On March 23, 2007, Canadian Exchange Co. took up 18,792,726 Tone Resources Shares validly tendered to the Offer and not withdrawn, being approximately 76% of the outstanding Tone Resources Shares on a fully diluted basis (and 89.4% of the outstanding Tone Resources Shares on a non-diluted basis) as at such date, and paid for such Tone Resources Shares on or about March 28, 2007.

On March 26, 2007, following the take up of Tone Resources Shares by Canadian Exchange Co. under the Offer, David Matthewson, Guilford Brett and Daniel Huber resigned from the Board of Directors and Robert R. McEwen, Ann S. Carpenter and William F. Pass were appointed in their places. Sam Storey and Scott Baxter continue as directors of Tone Resources.

In April, 2007, US Gold advised the directors of Tone Resources that it intended to implement the subsequent acquisition transaction disclosed in the Offer by way of the Arrangement. In May 2007 Tone Resources retained

Davis LLP of Vancouver, British Columbia, as special counsel to Tone Resources and the independent members of the Board of Directors with respect to the Arrangement.

On May 17, 2007, the Board of Directors met to consider US Gold's proposal and, with Robert R. McEwen, Ann S. Carpenter and William F. Pass abstaining, concluded that it would be in the best interests of the Securityholders of Tone Resources to proceed with the Arrangement, approved the Arrangement Agreement, this Circular and related documents and confirmed the calling of the Meeting and the fixing of the record date for the Meeting.

The Arrangement Resolution, substantially in the form attached as Appendix A to this Circular, will be proposed for consideration at the Meeting. The purpose of this resolution is to approve the Arrangement pursuant to which Tone Resources will become a wholly owned subsidiary of Canadian Exchange Co. If the Arrangement is successfully completed, on or shortly after the Effective Date, the Tone Resources Shares would cease trading on the TSX-V, and notices would be filed for Tone Resources to cease to be a reporting issuer under applicable securities laws.

Reasons for the Arrangement

In connection with the Offer, Canadian Exchange Co. and US Gold disclosed their intention to effect a subsequent acquisition transaction, including the Canadian income tax consequences to a Shareholder who disposed of Tone Resources Shares pursuant to such a subsequent acquisition transaction, in the event Canadian Exchange Co. took up and paid for Tone Resources Shares under the Offer representing at least 66⅔% of the outstanding Tone Resources Shares (calculated on a fully diluted basis at the expiry time of the Offer). Canadian Exchange Co. and US Gold disclosed that, in such event, Canadian Exchange Co. would acquire the remaining Tone Resources Securities by way of statutory arrangement or other subsequent acquisition transaction and the consideration offered in connection with the subsequent acquisition transaction would be at least equal in value to the consideration per Tone Resources Share offered under the Offer. Canadian Exchange Co. and US Gold also disclosed that in the subsequent acquisition transaction holders of Warrants would receive warrants to purchase Exchangeable Shares and that US Gold would assume or adopt the Stock Option Plan. Tone Resources has agreed in the Arrangement Agreement to call the Meeting and present the Arrangement Resolution to the Securityholders for approval.

Securityholder Approvals

In order to be effective, the Arrangement must be approved by:

(a) at least two-thirds of the votes cast by Securityholders present in person or by proxy at the Meeting and entitled to vote at the Meeting; and

(b) at least two-thirds of the votes cast by Shareholders present in person or by proxy at the Meeting and entitled to vote at the Meeting.

Rule 61-501 requires that, unless exempted, in addition to any other required Securityholder approval, in order to complete a business combination, going private transaction or a related party transaction, as applicable, the approval of a majority of the votes cast by "minority" holders of the affected securities be obtained.

Rule 61-501 also provides that the Tone Resources Shares acquired pursuant to the Offer may be treated as "minority" Tone Resources Shares and may be voted or considered voted in favour of the Arrangement if the consideration per Tone Resources Share under the Arrangement is at least equal in value to and of the same type as the consideration per Tone Resources Share paid under the Offer and certain other conditions are met. Canadian Exchange Co. has advised Tone Resources that all of the Tone Resources Shares acquired by it under the Offer, representing approximately:

(a) 76% of the total outstanding Tone Resources Securities; and

(b) 88% of the total outstanding Tone Resources Shares on a non-diluted basis,

as of May 18, 2007, are entitled to be treated as "minority" Tone Resources Shares and will be voted in favour of the Arrangement Resolution. Accordingly, Canadian Exchange Co. has a sufficient number of Tone Resources Securities to pass the Arrangement Resolution and ensure that the Arrangement receives all necessary Securityholder approvals in order to be effective.

The form of proxy delivered with this Circular provides a means for a Securityholder to vote for or against the Arrangement Resolution.

In the absence of any instructions to the contrary, the Tone Resources Securities represented by proxies received by management will be voted FOR the approval of the Arrangement Resolution.

Judicial Developments

Prior to the pronouncement of Rule 61-501, Canadian courts had, in a few instances, granted preliminary injunctions to prohibit transactions which constituted business combinations within the meaning of Rule 61-501. Tone Resources has been advised that more recent notices and judicial decisions indicate a willingness to permit these transactions to proceed subject to compliance with requirements intended to ensure procedural and substantive fairness to the minority shareholders.

Securityholders should consult their legal advisors for a determination of their legal rights with respect to any transaction which may constitute a business combination or going private transaction.

Terms of the Arrangement

The following description of the Arrangement is qualified in its entirety by reference to the full text of the Plan of Arrangement, a copy of which is attached as Schedule B to the Arrangement Agreement that is attached as Appendix B to this Circular.

At the Effective Time, the following shall occur and shall be deemed to occur in the following order without any further act or formality:

(a) each then issued and outstanding Tone Resources Share (other than Tone Resources Shares already held by Canadian Exchange Co. and Dissent Shares) shall be deemed to be transferred to Canadian Exchange Co. in consideration for the Arrangement Consideration;

(b) each Dissent Share shall be deemed to be transferred to Tone Resources for cancellation. See "Rights of Dissenting Shareholders";

(c) each Option shall be exchanged for a Replacement Option; and

(d) each Warrant, unless the Warrantholder enters into a Warrant Exchange Agreement, shall be exchanged for a Replacement Warrant.

Without limiting the provisions of the Plan of Arrangement relating to amendments, modifications and supplements thereto, the parties to the Arrangement Agreement may amend the Plan of Arrangement by written agreement from time to time up to, but not later than, the Effective Time. Notwithstanding the foregoing, after receipt of approval of the Securityholders there shall be no amendment to the terms of the Arrangement Agreement and the Plan of Arrangement that by Law requires further approval of the Securityholders without further approval of such holders. In addition, the Plan of Arrangement provides that Tone Resources, US Gold and Canadian Exchange Co. may amend, vary and/or supplement the Plan of Arrangement at any time from time to time provided that any such amendment, variation or supplement is contained in a written document filed with the Court and, if made following the Meeting, is approved by the Court and communicated to the Securityholders in the manner required by the Court (if so required). Any amendment, variation or supplement to the Plan of Arrangement may be proposed by any of Canadian Exchange Co., US Gold and Tone Resources at any time prior to or at the Meeting with or without any prior notice or communication and, if so proposed and approved at the Meeting, shall become

part of the Plan of Arrangement. Any amendment, variation or supplement to the Plan of Arrangement which is approved or directed by the Court following the Meeting is effective only if it is consented to in writing by US Gold, Canadian Exchange Co. and Tone Resources.

Shareholders are entitled to one vote per Tone Resources Share held as of the record date of May 18, 2007. Warrantholders and Optionholders are entitled to one vote per Tone Resources Share that such Warrantholders and Optionholders are entitled to upon exercise of their Warrants or Options, respectively.

If the Securityholders approve the Arrangement Resolution on the basis described herein, it is expected that the Arrangement will be effected on or about June 28, 2007, following receipt of the Final Order.

Arrangement Consideration

Under the Arrangement:

(a) Shareholders (other than Canadian Exchange Co. and Dissenting Shareholders) will receive, in consideration for the transfer of their then issued and outstanding Tone Resources Shares to Canadian Exchange Co., 0.26 of an Exchangeable Share for each Tone Resources Share;

(b) each Option will be exchanged for a Replacement Option, which is an option to purchase that number of shares of common stock of US Gold equal to 0.26 times the number of Tone Resources Shares subject to the Option and each Replacement Option will have an exercise price per share of common stock of US Gold equal to the exercise price per Tone Resources Share under such Option immediately prior to the Effective Time divided by 0.26; and

(c) each Warrant will either be: (i) exchanged for a Replacement Warrant, which is a warrant to purchase that number of Exchangeable Shares equal to 0.26 times the number of Tone Resources Shares subject to the Warrant and each Replacement Warrant will have an exercise price per Exchangeable Share equal to the exercise price per Tone Resources Share under such Warrant immediately prior to the Effective Time divided by 0.26, or (ii) be subject to a Warrant Exchange Agreement. If a Warrantholder fails to enter into a Warrant Exchange Agreement prior to the Effective Time, such Warrantholder's Warrants will automatically be exchanged for Replacement Warrants.

Exchangeable Shares

Background and Reason for the Issuance of Exchangeable Shares

The Exchangeable Shares are being issued in lieu of US Gold common stock to enable, to the extent permissible and applicable, the Shareholders to take advantage of a full or partial tax deferral (rollover) available under the Tax Act. The Exchangeable Shares by virtue of the redemption and exchange rights attaching to them and the provisions of the Voting and Exchange Trust Agreement and the Support Agreement are intended to provide the holders thereof with the economic and voting rights that are, as nearly as practicable, equivalent to those of a share of common stock of US Gold. See "Material Canadian Federal Income Tax Considerations".

Description of Exchangeable Shares

The Exchangeable Shares are exchangeable on a one-for-one basis at any time at the option of the holder of the Exchangeable Shares into shares of US Gold common stock. The following is a summary description of the material provisions of the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares and is qualified in its entirety by reference to the full text of the share provisions included in Appendix H of the Offer, which is incorporated into this Circular.

Retraction of Exchangeable Shares by Holders

Subject to the retraction call right described below, holders of Exchangeable Shares will be entitled at any time to retract (i.e., to require Canadian Exchange Co. to redeem) any or all Exchangeable Shares held by them and to receive the retraction price per Exchangeable Share to be satisfied by issuance of one share of common stock of

US Gold, plus the dividend amount, which is defined as the full amount of all declared and unpaid dividends on the Exchangeable Shares and all dividends and distributions declared on a share of common stock of US Gold that have not yet been declared on the Exchangeable Shares. Holders of Exchangeable Shares may effect a retraction by presenting to Canadian Exchange Co. or its transfer agent the certificate(s) representing the Exchangeable Shares the holder desires to have Canadian Exchange Co. redeem, together with such other documents and instruments as may be required under the *Business Corporations Act* (Alberta), the articles of Canadian Exchange Co. or by its transfer agent, and a fully executed retraction request specifying that the holder desires to have the number of retracted shares specified therein redeemed by Canadian Exchange Co.

Upon receipt by Canadian Exchange Co. of a retraction request, Canadian Exchange Co. will promptly provide notice of this request to US Gold and Alberta ULC. Instead of Canadian Exchange Co. redeeming the retracted shares, and provided that the retraction request is not revoked by the holder in the manner described below, US Gold or Alberta ULC will have the right to purchase all but not less than all of the shares covered by the retraction request, which US Gold refers to as their retraction call right. Under the retraction call right, US Gold or Alberta ULC, as the case may be, will purchase from the holder and the holder will sell to US Gold or Alberta ULC, as the case may be, the retracted shares. The retraction price per share will be equal to the current market price of a share of US Gold's common stock, calculated as provided in the share provisions included in Appendix H as of the last business day prior to the retraction date (described below), which shall be satisfied by delivering to the holder one share of US Gold's common stock plus the dividend amount, if any. The retraction date means the fifth business day after the date on which the retraction request is received by Canadian Exchange Co. See "- Call Rights". In the event that US Gold or Alberta ULC does not exercise the retraction call right, and provided that the retraction request is not revoked by the holders in the manner described below, Canadian Exchange Co. will redeem the retracted shares on the retraction date for the retraction price.

A holder of retracted shares may withdraw its retraction request, by written notice to Canadian Exchange Co. before the close of business on the business day immediately preceding the retraction date, in which case the retraction request will be null and void and the revocable offer will be deemed to have been revoked.

If, as a result of solvency provisions of applicable law, Canadian Exchange Co. is not permitted to redeem all Exchangeable Shares tendered by a retracting holder, Canadian Exchange Co. will redeem up to the maximum permissible number of Exchangeable Shares tendered by the holder. US Gold or Alberta ULC will be required to purchase any Exchangeable Shares not redeemed by Canadian Exchange Co. in exchange for shares of US Gold's common stock on the retraction date under the optional exchange right described below. See "- Voting and Exchange Trust Agreement – Optional Exchange Upon Canadian Exchange Co. Insolvency Event".

Distribution on Liquidation of Canadian Exchange Co.

In the event of the liquidation, dissolution or winding-up of Canadian Exchange Co. or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, holders of Exchangeable Shares shall be entitled, subject to applicable law, to receive from the assets of Canadian Exchange Co. a liquidation payment that will be satisfied by the issuance of one share of US Gold's common stock plus the dividend amount, if any, for each Exchangeable Share. This liquidation amount will be paid to the holders of Exchangeable Shares before any distribution of assets of Canadian Exchange Co. is made to the holders of the common shares or any other shares of Canadian Exchange Co. ranking junior to the Exchangeable Shares, and is subject to the exercise by US Gold or Alberta ULC of their liquidation call right described in the section entitled "- Liquidation Call Right".

Automatic Exchange Upon Liquidation of US Gold

Under the Voting and Trust Agreement, in the event of US Gold's liquidation, all of the then outstanding Exchangeable Shares will be automatically exchanged for shares of US Gold's common stock. To effect an automatic exchange, US Gold, or at its option, Alberta ULC, will purchase all of the Exchangeable Shares from the holders on the fifth business day prior to the effective date of a liquidation. The purchase price payable for each Exchangeable Share purchased in a liquidation of US Gold will be satisfied by the issuance of one share of US Gold's common stock plus the dividend amount, if any. See "- Voting and Exchange Trust Agreement – Automatic Exchange Right Upon US Gold Liquidation Event".

Redemption of Exchangeable Share by Canadian Exchange Co.

The redemption date for the Exchangeable Shares will be the earlier of:

(a) the seventh anniversary of the date on with Exchangeable Shares are first issued; and

(b) any date established by the board of directors of Canadian Exchange Co. for the redemption of Exchangeable Shares at such time as there are fewer than 10% of the total number of Exchangeable Shares issued in connection with the strategic offers (other than Exchangeable Shares held by US Gold or its subsidiaries and subject to necessary adjustments to the number of shares to reflect permitted changes to Exchangeable Shares) outstanding.

Notice of the redemption date will be sent to US Gold and Alberta ULC at the same time as it is sent to the holders of Exchangeable Shares and, notwithstanding any proposed redemption of the Exchangeable Shares, each of US Gold and Alberta ULC will have a redemption call right to purchase all, but not less than all, of the outstanding Exchangeable Shares on the redemption date. The redemption price per share will equal the current market price of a share of US Gold's common stock, calculated as provided in the share provisions included in Appendix I to the Offer, which is incorporated into this Circular, on the last business day prior to such redemption, which shall be satisfied by delivering to the holder one share of US Gold's common stock plus the dividend amount, if any. See "– Call Rights".

Unless the relevant Canadian tax legislation is amended, any Canadian tax deferral obtained by a shareholder who receives Exchangeable Shares will end on the exchange or redemption of Exchangeable Shares for shares of US Gold's common stock. Moreover, if US Gold's rights or the rights of Alberta ULC to acquire Exchangeable Shares from the holder of Exchangeable Shares, which US Gold refers to as its call rights, are not exercised upon a redemption (including a retraction) of the Exchangeable Shares by Canadian Exchange Co., a holder of Exchangeable Shares may realize a dividend for Canadian tax purposes that may exceed the holder's economic gain. A holder of Exchangeable Shares will be subject to different Canadian federal income tax consequences depending upon whether the call rights are exercised or whether the relevant Exchangeable Shares are redeemed by Canadian Exchange Co. under the share provisions if the call rights are not exercised. See "Risk Factors" and "Material Canadian Federal Income Tax Considerations". Subject to applicable law, and provided that US Gold and Alberta ULC have not exercised the redemption call right, Canadian Exchange Co. will redeem all of the outstanding Exchangeable Shares upon at least 60 days prior notice to the holders of Exchangeable Shares.

Call Rights

In the circumstances described below, US Gold and Alberta ULC will have certain overriding rights to acquire Exchangeable Shares from the holders. A holder of Exchangeable Shares will be subject to different Canadian federal income tax consequences depending upon whether the call rights are exercised or whether the relevant Exchangeable Shares are redeemed by Canadian Exchange Co. if the call rights are not exercised. See "Material Canadian Federal Income Tax Considerations".

Retraction Call Right

Under the share provisions, each of US Gold and Alberta ULC has an overriding retraction call right to acquire all but not less than all of the Exchangeable Shares that a holder of Exchangeable Shares requests Canadian Exchange Co. to redeem. Alberta ULC is only entitled to exercise its retraction call right with respect to those holders of Exchangeable Shares, if any, for which US Gold has not exercised its retraction call right. The purchase price under the retraction call right is equal to the retraction call purchase price per share, which is the current market price of a share of US Gold's common stock, calculated as provided in the share provisions included in Appendix H to the Offer on the last business day prior to the retraction date. The purchase price will be satisfied by delivering to the holder one share of US Gold common stock plus the dividend amount, if any.

At the time of a retraction request by a holder of Exchangeable Shares, Canadian Exchange Co. will promptly notify US Gold and Alberta ULC and either US Gold or Alberta ULC must then advise Canadian Exchange Co. within five business days if either US Gold or Alberta ULC chooses to exercise the retraction call right. If US Gold or Alberta ULC does not advise Canadian Exchange Co. within the five-business day period, Canadian

Exchange Co. will notify the holder as soon as possible thereafter that neither of US Gold nor Alberta ULC will exercise the retraction call right. Unless the holder revokes his or her retraction request, on the retraction date the Exchangeable Shares that the holder has requested Canadian Exchange Co. to redeem will be acquired by US Gold or Alberta ULC (assuming either US Gold or Alberta ULC exercise the retraction call right) or redeemed by Canadian Exchange Co., as the case may be, in each case for the retraction call purchase price as described in the preceding paragraph.

Liquidation Call Right

Under the share provisions, each of US Gold and Alberta ULC has an overriding liquidation call right, in the event of and notwithstanding a proposed liquidation, dissolution or winding-up of Canadian Exchange Co. to acquire all but not less than all of the Exchangeable Shares then outstanding. Alberta ULC is only entitled to exercise its liquidation call right with respect to those holders of Exchangeable Shares, if any, for which US Gold has not exercised its liquidation call right. The purchase price under the liquidation call right is equal to the liquidation call exercise price per share, which is the current market price of a share of US Gold's common stock, calculated as provided in the share provisions included in Appendix H to the Offer on the last business day prior to the effective date of such voluntary or involuntary liquidation, dissolution or winding-up, or the liquidation date. The purchase price will be satisfied by delivering to the holder one share of US Gold common stock plus the dividend amount, if any. Upon the exercise by US Gold or Alberta ULC of the liquidation call right, the holders will be obligated to transfer their Exchangeable Shares to US Gold or Alberta ULC, as the case may be. The acquisition by US Gold or Alberta ULC of all of the outstanding Exchangeable Shares upon the exercise of the liquidation call right will occur on the effective date of the voluntary or involuntary liquidation, dissolution or winding-up of Canadian Exchange Co.

To exercise the liquidation call right, US Gold or Alberta ULC must notify Canadian Exchange Co.'s transfer agent in writing, as agent for the holders of Exchangeable Shares, and Canadian Exchange Co. of US Gold's or Alberta ULC's intention to exercise this right at least 55 days before the liquidation date in the case of a voluntary liquidation, dissolution or winding-up of Canadian Exchange Co. and at least five business days before the liquidation date in the case of an involuntary liquidation, dissolution or winding-up of Canadian Exchange Co. The transfer agent will notify the holders of Exchangeable Shares as to whether or not US Gold or Alberta ULC have exercised the liquidation call right promptly after the expiry of the date by which the same may be exercised by US Gold or Alberta ULC. If US Gold or Alberta ULC exercises the liquidation call right on the liquidation date, US Gold or Alberta ULC will purchase and the holders will sell all of the Exchangeable Shares for an amount equal to the liquidation call exercise price as described in the preceding paragraph.

Redemption Call Right

Under the share provisions, each of US Gold and Alberta ULC has an overriding redemption call right, notwithstanding the proposed automatic redemption of the Exchangeable Shares by Canadian Exchange Co. in the share provisions, to acquire all but not less than all of the Exchangeable Shares then outstanding. Alberta ULC is only entitled to exercise its redemption call right with respect to those holders of Exchangeable Shares, if any, for which US Gold has not exercised US Gold's redemption call right. The purchase price under the redemption call right is equal to the redemption call purchase price, which is the current market price of a share of US Gold's common stock, calculated as provided in the share provisions included in Appendix H to the Offer on the last business day prior to the redemption date. The purchase price will be satisfied by delivering to the holder one share of US Gold's common stock plus the dividend amount, if any. Upon the exercise by US Gold or Alberta ULC of the redemption call right, the holders will be obligated to transfer their Exchangeable Shares to US Gold or Alberta ULC, as the case may be.

To exercise the redemption call right, US Gold or Alberta ULC must notify Canadian Exchange Co.'s transfer agent in writing, as agent for the holders of the Exchangeable Shares, and Canadian Exchange Co. of US Gold's or Alberta ULC's intention to exercise this right at least 30 days before the redemption date. The transfer agent will notify the holders of Exchangeable Shares as to whether or not US Gold or Alberta ULC exercise the redemption call right promptly after the date by which the same may be exercised by US Gold or Alberta ULC. If US Gold or Alberta ULC exercises the redemption call right on the redemption date, US Gold or Alberta ULC will purchase and

the holders will sell all of the Exchangeable Shares for an amount equal to the redemption call purchase price as described in the preceding paragraph.

Effect of Call Rights Exercise

If US Gold or Alberta ULC exercises one or more of its call rights, shares of US Gold's common stock will be directly issued to holders of Exchangeable Shares and US Gold or Alberta ULC, as the case may be, will become the holder of the Exchangeable Shares. US Gold or Alberta ULC will not be entitled to exercise any voting rights attached to the Exchangeable Shares that are acquired from the holders. If US Gold or Alberta ULC decline to exercise the call rights when applicable, US Gold is required, under the Support Agreement to issue shares of US Gold's common stock to the holders of Exchangeable Shares. The Canadian tax consequences resulting from the exercise by US Gold or Alberta ULC, as the case may be, of one or more of the call rights are discussed in "Material Canadian Federal Income Tax Considerations".

Voting Rights

Under the Voting and Exchange Trust Agreement, holders of Exchangeable Shares will be entitled to receive notice of and attend any meeting of US Gold. See "- Voting and Exchange Trust Agreement – Voting Rights in US Gold".

The number of directors of Canadian Exchange Co. will be fixed at three and the Exchangeable Share provisions will entitle holders of Exchangeable Shares to annually elect one director. However, except as required by applicable, or as provided in the rights, privileges, restrictions and conditions of the Exchangeable Shares, the holders of Exchangeable Shares shall not otherwise be entitled as such to receive notice of or to attend any meeting of the shareholders of Canadian Exchange Co. or to vote at any meeting held for any other purpose than the annual election of directors.

Ranking

Holders of Exchangeable Shares will be entitled to a preference over holders of any other common shares of Canadian Exchange Co. and any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Canadian Exchange Co., whether voluntary or involuntary, or any other distribution of the assets of Canadian Exchange Co. among its shareholders for the purpose of winding-up its affairs.

Dividends

Holders of Exchangeable Shares will be entitled to receive dividends equivalent to the dividends, if any, paid from time to time by US Gold on shares of US Gold's common stock. The declaration date, record date and payment date for dividends on the Exchangeable Shares will be the same as that for any corresponding dividends on shares of US Gold's common stock.

Certain Restrictions

Except with the approval of the holders of the Exchangeable Shares, Canadian Exchange Co. will not be permitted to:

- pay any dividends on common shares or any other shares of Canadian Exchange Co. ranking junior to the Exchangeable Shares, other than stock dividends payable in common shares or any such other shares of Canadian Exchange Co. ranking junior to the Exchangeable Shares, as the case may be;

- redeem or purchase or make any capital distribution in respect of common shares or any other shares of Canadian Exchange Co. ranking junior to the Exchangeable Shares;

- redeem or purchase any other shares of Canadian Exchange Co. ranking equally with the Exchangeable Shares with respect to the payment of dividends or the distribution of assets in the event of the liquidation, dissolution or winding-up of Canadian Exchange Co., whether voluntary or involuntary, or

any other distribution of the assets of Canadian Exchange Co. among its shareholders for the purpose of winding-up its affairs; or

- issue any shares of stock other than Exchangeable Shares and any other shares not ranking superior to the Exchangeable Shares,

unless, in the case of the first three bullet points above, all dividends on the outstanding Exchangeable Shares corresponding to dividends declared and paid to date on the shares of US Gold common stock have been declared and paid on the Exchangeable Shares.

Amendment and Approval

Any approval required to be given by the holders of the Exchangeable Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Exchangeable Shares or any other matter requiring the approval or consent of the holders of the Exchangeable Shares in accordance with applicable law shall be deemed to have been sufficiently given if it has been given in accordance with applicable law, subject to a minimum requirement that such approval be evidenced by a resolution passed by not less than 66⅔% of the votes cast on such resolution at a meeting of holders of Exchangeable Shares duly called and held, excluding Exchangeable Shares beneficially owned by US Gold or any of US Gold's subsidiaries.

Voting and Exchange Trust Agreement

The following is a summary description of the material provisions of the Voting and Exchange Trust Agreement. This summary is qualified in its entirety by reference to the full text of the Voting and Exchange Trust Agreement, which is attached as Appendix I to the Offer, which is incorporated into this Circular.

The purpose of the Voting and Exchange Trust Agreement is to create a trust for the benefit of the registered holders from time to time of Exchangeable Shares (other than US Gold or its subsidiaries). The Trustee holds the one issued and outstanding share of US Gold Series A Special Voting Preferred Stock in order to enable the Trustee to exercise the voting rights attached thereto and will hold exchange rights in order to enable the Trustee to exercise such rights, in each case as trustee for and on behalf of such registered holders.

Voting Rights in US Gold

Under the Voting and Exchange Trust Agreement, US Gold issued to the Trustee one share of Series A Special Voting Preferred Stock to be held of record by the Trustee as trustee for and on behalf of, and for the use and benefit of, the registered holders from time to time of Exchangeable Shares (other than US Gold or its subsidiaries) and in accordance with the provisions of the Voting and Exchange Trust Agreement. During the term of the Voting and Exchange Trust Agreement, and under the terms of the Support Agreement, US Gold is not permitted to issue any additional shares of Series A Special Voting Preferred Stock without the consent of the holders of Exchangeable Shares.

Under the Voting and Exchange Trust Agreement, the Trustee is entitled to all of the voting rights, including the right to vote in person or by proxy, attaching to the one share of Series A Special Voting Preferred Stock on all matters that may properly come before US Gold shareholders at a meeting of shareholders. The share of Series A Special Voting Preferred Stock has that number of votes, which may be cast by the Trustee at any meeting at which US Gold's shareholders are entitled to vote, equal to the number of outstanding Exchangeable Shares (other than shares held by US Gold or its subsidiaries).

Each holder of an Exchangeable Share (other than US Gold or its subsidiaries) on the record date for any meeting at which US Gold shareholders are entitled to vote will be entitled to instruct the Trustee to exercise one of the votes attached to the share of Series A Special Voting Preferred Stock for that Exchangeable Share. The Trustee will exercise each vote attached to the share of Series A Special Voting Preferred Stock only as directed by the relevant holder and, in the absence of instructions from a holder as to voting, the Trustee will not have voting rights with respect to that Exchangeable Share. A holder of an Exchangeable Share may, upon instructing the Trustee,

obtain a proxy from the Trustee entitling the holder to vote directly at the relevant meeting the votes attached to the share of Series A Special Voting Preferred Stock to which the holder is entitled.

The Trustee will send to the holders of the Exchangeable Shares the notice of each meeting at which US Gold shareholders are entitled to vote, together with the related meeting materials and a statement as to the manner in which the holder may instruct the Trustee to exercise the votes attaching to the share of Series A Special Voting Preferred Stock, at the same time as US Gold sends the notice and materials to its shareholders. The Trustee will also send to the holders of Exchangeable Shares copies of all information statements, interim and annual financial statements, reports and other materials US Gold sends to its shareholders at the same time US Gold sends those materials to its shareholders. US Gold will endeavour to obtain copies of materials sent by third parties to US Gold shareholders generally, including dissident proxy circulars and tender and exchange offer circulars, as soon as possible after those materials are first sent to US Gold shareholders and to deliver those materials to the Trustee, which will send those materials to holders of Exchangeable Shares.

All rights of a holder of Exchangeable Shares to exercise votes attached to the share of Series A Special Voting Preferred Stock will cease upon the exchange of that holder's Exchangeable Shares for shares of US Gold common stock.

Optional Exchange Upon Canadian Exchange Co. Insolvency Event

US Gold and Alberta ULC agree in the Voting and Exchange Trust Agreement that, upon the insolvency of Canadian Exchange Co., a holder of Exchangeable Shares is entitled to instruct the Trustee to exercise an exchange right with respect to any or all of the Exchangeable Shares held by the holder, thereby requiring US Gold or Alberta ULC to purchase the Exchangeable Shares from the holder. The purchase price payable for each Exchangeable Share purchased upon the insolvency of Canadian Exchange Co. will be satisfied by the issuance of one share of US Gold common stock plus an additional amount equivalent to the full amount of all declared and unpaid dividends, if any, on the Exchangeable Share and all dividends and distributions declared on a share of common stock that have not yet been declared on the Exchangeable Shares.

As soon as practicable following an event of insolvency of Canadian Exchange Co. or any event that may, with the passage of time or the giving of notice or both, result in the insolvency of Canadian Exchange Co., Canadian Exchange Co. and US Gold will give written notice of the insolvency or other event to the Trustee. As soon as practicable after receiving the notice, the Trustee will give notice to each holder of Exchangeable Shares of the event and will advise the holder of its rights with respect to the exchange right.

If, as a result of solvency provisions of applicable law, Canadian Exchange Co. is unable to redeem all of a holder's Exchangeable Shares which the holder is entitled to have redeemed in accordance with the share provisions, the holder will be deemed to have exercised the optional exchange right with respect to the unredeemed Exchangeable Shares and US Gold or Alberta ULC will be required to purchase those shares from the holder in the manner set forth above.

Automatic Exchange Right Upon US Gold Liquidation Event

US Gold agrees in the Voting and Exchange Trust Agreement that it will notify the Trustee, upon the occurrence of either:

(a) a determination by its board of directors to institute voluntary liquidation, dissolution or winding-up proceedings with respect to US Gold or to affect any other distribution of US Gold's assets among its shareholders for the purpose of winding-up its affairs, such notice to be given at least 60 days prior to the proposed effective date of such liquidation, dissolution, winding-up or other distribution; and

(b) the earlier of:

(i) receipt by US Gold of notice of; and

(ii) US Gold otherwise becomes aware of any threatened or instituted claim, suit petition or other proceeding with respect to involuntary liquidation, dissolution or winding-up or to effect any other distribution of US Gold's assets among its shareholders for the purpose of winding-up US Gold's affairs.

Immediately following receipt by the Trustee of notice of such an event or potential event of insolvency, the Trustee will give notice to each holder of Exchangeable Shares of the event or potential event and will advise the holder of its rights with respect to the automatic exchange right.

On the fifth business day prior to the effective date of such event of insolvency, US Gold will automatically exchange all of the then outstanding Exchangeable Shares (other than Exchangeable Shares held by US Gold or its subsidiaries) for a purchase price per Exchangeable Share equal to one share of US Gold's common stock plus the dividend amount.

Support Agreement

The following is a summary description of the material provisions of the Support Agreement and is qualified in its entirety by reference to the full text of the Support Agreement, which is attached as Appendix J to the Offer, which is incorporated into this Circular.

Under the Support Agreement, US Gold covenants that, so long as Exchangeable Shares not owned by it or its subsidiaries are outstanding, US Gold will, among other things:

(a) not declare or pay any dividend on the shares of its common stock unless:

(i) on the same day Canadian Exchange Co. declares or pays, as the case may be, an equivalent dividend on the Exchangeable Shares; and

(ii) Canadian Exchange Co. has sufficient money or other assets or authorized but unissued securities available to enable the due declaration and the due and punctual payment, in accordance with applicable law, of an equivalent dividend on the Exchangeable Shares;

(b) advise Canadian Exchange Co. in advance of the declaration of any dividend on the shares of its common stock and take other actions reasonably necessary to ensure that the declaration date, record date and payment date for dividends on the Exchangeable Shares are the same as those for any corresponding dividends on the shares of US Gold common stock;

(c) ensure that the record date for any dividend declared on the shares of US Gold common stock is not less than 10 business days after the declaration of such dividend; and

(d) take all actions and do all things reasonably necessary or desirable to enable and permit Canadian Exchange Co., in accordance with applicable law, to pay the liquidation amount, the retraction price or the redemption price to the holders of the Exchangeable Shares in the event of a liquidation, dissolution or winding-up of Canadian Exchange Co., a retraction request by a holder of Exchangeable Shares or a redemption of Exchangeable Shares by Canadian Exchange Co., as the case may be.

The Support Agreement also provides that, without the prior approval of Canadian Exchange Co. and the holders of Exchangeable Shares, US Gold will not distribute additional shares of common stock of US Gold or rights to subscribe therefor or other property or assets to all or substantially all holders of shares of its common stock, nor change any of the rights, privileges or other terms of its common stock, unless the same or an equivalent distribution on, or change to, the Exchangeable Shares (or in the rights of the holders thereof) is made simultaneously. In the event of any proposed tender offer, share exchange offer, issuer bid, take-over bid or similar transaction affecting its common stock, US Gold will use reasonable efforts to take all actions necessary or desirable to enable holders of Exchangeable Shares to participate in such transaction to the same extent and on an economically equivalent basis as the holders of its common stock.

The Support Agreement also provides that, as long as any outstanding Exchangeable Shares are owned by any person or entity other than US Gold or any of its subsidiaries, US Gold will, unless approval to do otherwise is obtained from the holders of the Exchangeable Shares, remain the direct or indirect beneficial owner of all of the issued and outstanding common shares of Canadian Exchange Co. and all issued and outstanding voting shares of Alberta ULC.

With the exception of changes for the purpose of:

(a) adding to the covenants of any or all of the parties;

(b) evidencing successors of US Gold;

(c) making certain necessary amendments; or

(d) curing ambiguities or clerical errors,

(provided, each case, that US Gold's board of directors and the board of directors of each of Canadian Exchange Co. and Alberta ULC are of the opinion that such amendments are not prejudicial to the interests of the holders of the Exchangeable Shares), the Support Agreement may not be amended without the approval of the holders of the Exchangeable Shares.

Under the Support Agreement, each of US Gold and Alberta ULC has agreed that it will not exercise, and will prevent their affiliates from exercising, any voting rights attached to the Exchangeable Shares owned by US Gold or Alberta ULC or their affiliates on any mater considered at meetings of holders of Exchangeable Shares (including any approval sought from such holders in respect of matters arising under the Support Agreement).

Replacement Options

On May 18, 2007, there were Options outstanding, which, when vested would be exercisable to acquire a total of approximately 710,500 Tone Resources Shares at prices between Cdn. $0.20 and Cdn. $0.55 with various expiry dates to November 18, 2010.

At the Effective Time, each then issued and outstanding Option will be exchanged for a Replacement Option. Each Replacement Option will constitute an option to purchase that number of shares of common stock of US Gold equal to the product of 0.26 and the number of Tone Resources Shares subject to such Option. Such Replacement Option will provide for an exercise price per share of common stock of US Gold equal to the exercise price per Tone Resources Share of such Option immediately prior to the Effective Time divided by 0.26.

The terms to expiry, conditions to and manner of exercise, vesting schedule, if any and, all other terms and condition of each Replacement Option will be unchanged from those of the relevant Option, and any document or agreement previously evidencing an Option will thereafter evidence such Replacement Option.

US Gold and Canadian Exchange Co. have advised Tone Resources that they have applied to list the underlying shares of common stock of US Gold issuable upon exercise of the Replacement Options on the TSX and that US Gold will file the necessary registration statement in the United States to qualify the shares of common stock of US Gold issuable under the Replacement Options.

Replacement Warrants

On May 18, 2007, there were Warrants outstanding, which are exercisable to acquire a total of approximately 2,710,000 Tone Resources Shares at a price of Cdn $0.25 with various expiry dates to March 3, 2008.

Each Warrantholder has the option to either: (i) exchange each Warrant held for a Replacement Warrant, which is a warrant to purchase that number of Exchangeable Shares equal to 0.26 times the number of Tone Resources Shares subject to the Warrant and each Replacement Warrant will have an exercise price per Exchangeable Share equal to the exercise price per Tone Resources Share under such Warrant immediately prior to the Effective Time

divided by 0.26, or (ii) enter into the Warrant Exchange Agreement. If a Warrantholder fails to enter into the Warrant Exchange Agreement prior to the Effective Time, such Warrantholder's Warrants will automatically be exchanged for Replacement Warrants.

The Warrant Exchange Agreement is an agreement between a Warrantholder and Canadian Exchange Co. entered into prior to the Effective Time, substantially in the form attached as Schedule C to the Plan of Arrangement, with such changes or modifications as Canadian Exchange Co. may require, whereby the Warrantholder would continue to hold his or her Warrants, but upon exercise of such Warrants, the Tone Resources Shares received would automatically be exchanged for Exchangeable Shares on the basis of 0.26 of an Exchangeable Share for each Tone Resources Share.

The terms to expiry, conditions to and manner of exercise of and all other terms and condition of each Replacement Warrant will be unchanged from those of the relevant Warrant, and any document or agreement previously evidencing a Warrant will, after the exchange thereof pursuant to the Arrangement, evidence such Replacement Warrant.

Canadian Exchange Co. has advised Tone Resources that it has listed the Exchangeable Shares issuable upon exercise of the Replacement Warrants and pursuant to any Warrant Exchange Agreement entered into by Canadian Exchange Co. on the TSX.

Fractional Shares

No fractional Exchangeable Shares or shares of common stock of US Gold will be issued pursuant to the Arrangement. Where a Securityholder is to receive Exchangeable Shares as consideration under the Arrangement and the aggregate number of Exchangeable Shares to be issued to such Securityholder would result in a fraction of an Exchangeable Share being issuable, the number of Exchangeable Shares to be received by such Securityholder will either be rounded up (if the fractional interest is 0.5 or more) or down (if the fractional interest is less than 0.5) to the next whole number. For the purposes of this rounding all Tone Resources Shares exchanged by a Securityholder will be aggregated. Where an Optionholder is to receive shares of common stock of US Gold pursuant to the exercise of Replacement Options and the aggregate number of shares of common stock of US Gold to be issued to such Optionholder would result in a fraction of a share of common stock of US Gold being issuable, the number of shares of common stock of US Gold to be received by such Optionholder will either be rounded up (if the fractional interest is 0.5 or more) or down (if the fractional interest is less than 0.5) to the next whole number.

Procedure for the Arrangement to Become Effective

The Arrangement is proposed to be carried out pursuant to Section 288 of the BCBCA. In addition to obtaining the approval of Securityholders at the Meeting and the satisfaction or waiver of the other conditions as set out in the Arrangement Agreement, the Court must grant the Final Order approving the Arrangement in order for the Arrangement to become effective.

Court Approval and Completion of the Arrangement

The Arrangement requires approval by the Court. Prior to the mailing of this Circular, Tone Resources obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the Interim Order is attached hereto as Appendix C. The Petition applying for the Interim Order and the Final Order is also attached hereto as Appendix D.

Subject to the approval of the Arrangement Resolution by the Securityholders at the Meeting in the manner required by the Interim Order, the Court hearing in respect of the Final Order is currently scheduled to take place on June 27, 2007 at 9:45 a.m. (Vancouver Time) at the Supreme Court of British Columbia, the Law Courts, 800 Smithe Street, Vancouver, British Columbia, V6Z 2E1, Telephone (604) 660 2847 and Fax (604) 660 2420 or as soon thereafter as is reasonably practicable. Any Securityholder who wishes to appear or be represented and to present evidence or arguments at the Court hearing for the Final Order must serve and file an Appearance by the date and in the manner set out in the Interim Order and satisfy any other requirements of the Court. At the hearing, affected persons will be entitled to make representations as to, and the Court will be requested to consider, among

other things, the reasonableness of the Arrangement. The Court may approve the Arrangement in any manner the Court may direct, and subject to compliance with such terms and conditions, if any, as the Court deems fit.

Tone Resources has been advised by counsel that the Court has broad discretion under the BCBCA when making orders with respect to an Arrangement and that the Court, in hearing the application for the Final Order, will consider, among other things, the fairness of the Arrangement to the Securityholders. The Court may approve the Arrangement either as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court my determine appropriate. If any such amendments are made, depending on the nature of the amendments, Tone Resources, US Gold and Canadian Exchange Co. may not be obligated to complete the transactions contemplated in the Arrangement Agreement.

If the Securityholders approve the Arrangement Resolution on the basis described herein, and if the Final Order is obtained on June 27, 2007 in form and substance satisfactory to Tone Resources and Canadian Exchange Co., Tone Resources currently expects that the Effective Date will be June 28, 2007.

Although Tone Resources' objective is to have the Effective Date occur as soon as possible after the Meeting, the Effective Date could be delayed for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order.

Valuation and Other Exemptions

Tone Resources is a reporting issuer (or the equivalent) under applicable Canadian securities legislation in the Provinces of British Columbia, Alberta and Ontario and the Territory of the Yukon and is, among other things, subject to applicable securities laws of British Columbia, Alberta, Ontario and the Yukon, as well as policies of the TSX-V which incorporate Rule 61-501.

Rule 61-501 is intended to regulate certain transactions to ensure equality of treatment to securityholders generally by requiring enhanced disclosure, approval by a majority of securityholders excluding interested or related parties, independent valuations and, in certain instances, approval and oversight of the transaction by a special committee of independent directors.

The protections of Rule 61-501 generally apply to "business combinations", which terminate the interests of securityholders without their consent.

Rule 61-501 provides that, unless exempted, an issuer proposing to carry out such a transaction is required to engage an independent valuator to prepare a valuation of the affected securities (and any non-cash consideration being offered therefor) and provide to the holders of the affected securities a summary of such valuation.

Tone Resources, US Gold and Canadian Exchange Co. are relying on an exemption from the valuation requirement under Rule 61-501 for a second step business combination completed within 120 days after the expiry of a formal take-over bid for consideration at least equal to and of the same type as that paid in the take-over bid, provided certain tax and other stipulated disclosure is given in the take-over bid disclosure documents.

Prior Valuation

The Offer was an "insider bid" within the meaning of applicable Canadian securities legislation by virtue of Robert R. McEwen's equity interests in both US Gold and Tone Resources. As a result, a formal valuation of the Tone Resources Shares and of the consideration being offered in exchange for them was required. The Special Committee selected Northern Securities Inc. (the "**Valuators**") to prepare the formal valuation of the Tone Resources Shares and the consideration being offered in exchange for them under the Offer in accordance with legislative requirements.

The Special Committee engaged the Valuators on April 5, 2006 to prepare a fairness opinion and a formal valuation, which was completed on May 11, 2006, and the opinions of value were expressed as of March 5, 2006. Based upon and subject to the analyses and assumptions set out in the valuation, the Valuators determined the fair market value of the Tone Resources Shares to be a range of $0.74 to $0.80 per Tone Resources Share and the fair

market value of each share of common stock of U.S. Gold to be a range of US $3.98 to US $4.17. The Valuators subsequently updated the valuation with an effective date of November 30, 2006. Based upon and subject to the analysis and assumptions set out in this amended valuation, the Valuators determined the fair market value of the Tone Resources Shares to be a range of $0.39 to $0.46 per Tone Resources Share, and the fair market value of each Exchangeable Share to be a range of $2.82 to $3.10 per Exchangeable Share.

Interests of Certain Persons in the Arrangement

Each of Robert R. McEwen, Ann S. Carpenter and William F. Pass, who were appointed to the Board on March 23, 2007, following the take up of Tone Resources Shares by Canadian Exchange Co. pursuant to the Offer, also serve as an executive officer and director of Canadian Exchange Co. As at May 22, 2007, Canadian Exchange Co. holds, directly and indirectly, approximately **[76]**% of the total Tone Resources Shares outstanding on a fully diluted basis and **[88]**% on a non-diluted basis. Robert R. McEwen holds a Warrant to purchase 730,000 Tone Resources Shares at a price of $0.25 per Tone Resources Share. The Arrangement is being proposed in order to allow Canadian Exchange Co. to acquire the Tone Resources Shares that were not deposited under the Offer such that Tone Resources will become a wholly owned subsidiary of Canadian Exchange Co. and to provide for the exchange of Options and Warrants for Replacement Options and Replacement Warrants (subject to any Warrant Exchange Agreements), respectively. Each of the directors and senior officers of Tone Resources at the time of the Offer deposited all of their Tone Resources Shares, if any, under the Offer. Other than as stated above, none of the current members of the Board holds, directly or indirectly, any Tone Resources Securities.

Expenses of the Arrangement

The estimated fees, costs and expenses of Tone Resources in connection with the Arrangement including, without limitation, filing fees, legal and accounting fees, and printing and mailing costs are anticipated to be approximately $500,000.

Procedures for Receiving Payment

Pursuant to the Arrangement Agreement, Canadian Exchange Co. will pay for Tone Resources Shares acquired pursuant to the Plan of Arrangement by providing the Depositary with sufficient Exchangeable Shares for transmittal in accordance with the Plan of Arrangement.

Registered Shareholders who are not Dissenting Shareholders

Enclosed with this Circular is a Letter of Transmittal that is being delivered to registered Shareholders. A registered Shareholder must return a properly completed and executed Letter of Transmittal to the Depositary, together with certificate(s) for such Shareholder's Tone Resources Shares and any other required documents, to obtain Exchangeable Shares payable to such Shareholder, less any applicable tax withholdings, if the Arrangement becomes effective. Under no circumstances will interest be paid to any holder on any payment to be made, regardless of any delay in making such payment.

A Shareholder will not receive Exchangeable Shares for the amount to which such Shareholder is otherwise entitled until proper delivery is made to the Depositary of a properly completed and executed Letter of Transmittal, together with certificate(s) for Tone Resources Shares and all other required documents.

Any use of the mail to transmit a share certificate, a related Letter of Transmittal, and any other required documents is at the risk of the Shareholder. If these documents are mailed, it is recommended that registered mail, with (if available) return receipt requested, properly insured, be used.

Exchangeable Shares representing the consideration payable to a former holder of Tone Resources Shares who has complied with the procedures set out above will, as soon as practicable after the Effective Date and after the receipt of all required documents:

(a) be forwarded by first class mail to the Shareholder at the address specified in the Letter of Transmittal; or

(b) if requested by the Shareholder in the Letter of Transmittal, be made available at the office of the Depositary specified for that purpose in the Letter of Transmittal for pick up by the Shareholder; or

(c) if the Letter of Transmittal neither specifies an address nor contains a request as described in (b) above, be forwarded by first class mail to the Shareholder at the address of the Shareholder as shown on the share register maintained by Tone Resources immediately prior to the Effective Time.

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Tone Resources Shares shall have been lost, stolen or destroyed, upon receiving an affidavit from the Shareholder claiming such certificate to be lost, stolen or destroyed, the Depositary will issue, in exchange for such lost, stolen or destroyed certificate, Exchangeable Shares deliverable in accordance with the Plan of Arrangement and such Shareholder's Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the Shareholder to whom Exchangeable Shares are to be issued shall, as a condition precedent to the issuance thereof, give a surety bond satisfactory to Canadian Exchange Co. (and its transfer agents) and the Depositary in such sum as Canadian Exchange Co. may direct, or otherwise indemnify Canadian Exchange Co. in a manner satisfactory to Canadian Exchange Co., against any claim that may be made against Canadian Exchange Co. with respect to the certificate alleged to have been lost, stolen or destroyed.

It is recommended that Shareholders complete, sign and return the Letter of Transmittal with the accompanying Tone Resources Share certificates to the Depositary as soon as possible, and preferably prior to 5:00 p.m. (Vancouver Time) on June 21, 2007.

Non-Registered Beneficial Shareholders

Shareholders whose Tone Resources Shares are registered in the name of an Intermediary should contact that Intermediary for instructions and assistance in delivering share certificates representing those Tone Resources Shares.

Extinction of Rights

Any certificate which immediately prior to the Effective Time represented outstanding Tone Resources Shares that is not deposited with all other documents and instruments required by the Plan of Arrangement and the Letter of Transmittal to the Depositary in accordance with the terms of the Plan of Arrangement on or prior to the sixth anniversary of the Effective Date shall cease to represent a securityholder claim or interest of any kind or nature against Tone Resources. On such date, the Arrangement Consideration to which the holder of any such certificate was ultimately entitled shall be deemed to have been surrendered for no consideration to Canadian Exchange Co. or any successor thereto.

Depositary

Appointment

Tone Resources has been advised that Canadian Exchange Co. has retained the services of Pacific Corporate as Depositary for the receipt of the Letters of Transmittal and the certificates representing Tone Resources Shares and for the delivery and payment of the Arrangement Consideration. The Depositary will receive from Canadian Exchange Co. reasonable and customary compensation for its services in connection with the Arrangement, will be reimbursed by Canadian Exchange Co. for certain reasonable out-of-pocket expenses and will be indemnified by Canadian Exchange Co. against certain liabilities.

Contact Particulars for Depositary

The offices of the Depositary for purposes of depositing Letters of Transmittal and, if applicable, for a Shareholder to take delivery of the Arrangement Consideration to which such Shareholder is entitled under the Arrangement are as follows:

By Mail, Registered Mail, Hand or Courier
510 Burrard Street
2nd Floor
Vancouver, British Columbia V6C 3B9
Attention: Corporate Actions

Effect of the Arrangement on Markets and Listings

If the Arrangement is completed, the Tone Resources Shares will be delisted from the TSX-V, and Tone Resources will apply to cease to be a reporting issuer (or the equivalent) in all provinces and territories of Canada in which it currently is a reporting issuer.

Particulars of Other Matters

Management of Tone Resources knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters that are not now known to management should properly come before the Meeting, the proxy (unless amended) will be voted upon such matters in accordance with the best judgment of the person voting the proxy.

LEGAL MATTERS

Certain legal matters in relation to the Arrangement will be reviewed and passed upon by Davis LLP, special counsel to Tone Resources and the independent members of the Board of Directors, by Fraser Milner Casgrain LLP, counsel to Canadian Exchange Co. and Canadian counsel to US Gold and by Dufford & Brown, P.C. and Hogan & Hartson LLP, United States general counsel and special counsel, respectively, to US Gold. As at the date of this Circular, partners and associates of Davis LLP, Fraser Milner Casgrain LLP, Dufford & Brown, P.C. and Hogan & Hartson LLP, respectively, own beneficially, directly or indirectly, less than 1% of the issued and outstanding securities of Tone Resources, Canadian Exchange Co. and US Gold and their respective associates and affiliates.

THE ARRANGEMENT AGREEMENT

The following description of certain material provisions of the Arrangement Agreement is a summary only, is not comprehensive and is qualified in its entirety by reference to the full text of the Arrangement Agreement, a copy of which is attached as Appendix B to this Circular.

Effective as of May 17, 2007, Tone Resources, Canadian Exchange Co. and US Gold entered into the Arrangement Agreement, under which it was agreed, among other things, that, subject to the terms and conditions set forth in the Arrangement Agreement, Canadian Exchange Co. would acquire all of the issued and outstanding Tone Resources Shares in exchange for the Arrangement Consideration.

Covenants of Tone Resources

Tone Resources agreed under the Arrangement Agreement to, among other things:

(a) call and hold the Meeting as required by the Interim Order for the purpose of the Securityholders considering the Arrangement Resolution;

(b) if the Arrangement Resolution is approved at the Meeting as required by the Interim Order, bring an application, as soon as reasonably practicable after the Meeting, before the Court pursuant to Section 291 of the BCBCA for the Final Order, and thereafter proceed with and diligently pursue obtaining the Final Order;

(c) if the Final Order is obtained, subject to the satisfaction or waiver of the condition to completion of the Arrangement, as soon as reasonably practicable thereafter, execute and deliver such documents as may be required in order to complete the Arrangement; and

(d) provide to Canadian Exchange Co.'s legal counsel on a timely basis copies of any notice of appearance or other court documents served on Tone Resources or its counsel in respect of the application for the Final Order or any appeal therefrom and of any notice, whether written or oral, received by Tone Resources indicating any intention to appeal the Final Order.

Mutual Covenants

Each of Tone Resources, Canadian Exchange Co. and US Gold agreed under the Arrangement Agreement to perform all obligations required or desirable to be performed by it under the Arrangement Agreement and to do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the Arrangement and, without limiting the generality of the foregoing, to:

(a) use all commercially reasonable efforts to defend all lawsuits or other legal, regulatory or other proceedings to which it is a party challenging or affecting the Arrangement Agreement or the Arrangement;

(b) use all commercially reasonable efforts to have lifted or rescinded any injunction or restraining order or other order relating to it which may adversely affect the ability of the parties to consummate the Arrangement;

(c) effect all necessary registrations, filings and submissions of information required by Governmental Entities;

(d) use its reasonable efforts to:

(i) apply for and carry out the terms of the Interim Order and Final Order applicable to it; and

(ii) comply promptly with all requirements which applicable Laws may impose on it with respect to the transactions contemplated hereby and by the Arrangement;

(e) to the extent necessary to permit implementation of the Arrangement, use all commercially reasonable efforts to have lifted or rescinded any injunction or restraining order or other order relating to it, including any cease trade orders of securities regulatory authorities, which may adversely affect the ability of the parties to consummate the transactions contemplated hereby;

(f) not take any action that would interfere with or be inconsistent with the completion of the Arrangement; and

(g) take, or cause to be taken, all reasonable action and to do, or cause to be done all things reasonably necessary, proper or advisable under all applicable Laws to complete the Arrangement.

Conditions to Completion of the Arrangement

The Arrangement Agreement provides that the respective obligations of each party to complete the transactions contemplated thereby are subject to the satisfaction, at or before the Effective Time, of the following conditions precedent:

(a) the Arrangement Resolution shall have been approved by Securityholders at the Meeting in accordance with the requirements of the Interim Order;

(b) the Final Order shall have been obtained in form and substance satisfactory to the parties, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to such parties on appeal or otherwise;

(c) the number of Tone Resources Shares held by Dissenting Shareholders shall not exceed 5% of the number of Tone Resources Securities outstanding on May 18, 2007;

(d) there shall not exist any prohibition at law, including a cease trade order, injunction or other prohibition or order at law or under applicable legislation, against Canadian Exchange Co., US Gold or Tone Resources which shall prevent the consummation of the Arrangement; and

(e) there shall not be in force any order or decree restraining or enjoining or materially modifying or imposing material conditions on the consummation of the Arrangement or under the Plan of Arrangement and there shall be no proceeding, whether of a judicial or administrative nature or otherwise brought by a Governmental Entity that relates to or results from the Arrangement that would, if successful, result in an order or ruling that would preclude completion of, or materially modify or impose material conditions on, the Arrangement or under the Plan of Arrangement.

The foregoing conditions are for the benefit of each of Canadian Exchange Co., US Gold and Tone Resources and may be waived, in whole or in part, by any of Canadian Exchange Co., US Gold or Tone Resources. If any of the foregoing conditions are not satisfied or waived on or before the Effective Date, or such other date as may be agreed, then Canadian Exchange Co., US Gold or Tone Resources may terminate the Arrangement Agreement.

Termination

The Arrangement Agreement may be terminated at any time before the Effective Time:

(a) by the agreement of Tone Resources, US Gold and Canadian Exchange Co. (without further action on the part of the Securityholders, whether terminated before or after the Meeting); or

(b) by any of Tone Resources, US Gold or Canadian Exchange Co. if any Law shall be passed that makes consummation of the Arrangement illegal or otherwise prohibited.

MATERIAL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, at the date hereof, a summary of the material Canadian federal income tax considerations applicable to Securityholders who dispose of their Tone Resources Securities pursuant to the Arrangement and who, for purposes of the Tax Act and at all relevant times, hold their Tone Resources Securities and will hold any Exchangeable Shares and shares or common shares of US Gold as capital property and deal at arm's length with, and are not affiliated with, US Gold, Canadian Exchange Co., Alberta ULC and Tone Resources.

The Tone Resources Shares, the Exchangeable Shares and the shares of common stock of US Gold will be considered to be capital property to a holder thereof provided such securities are not held in the course of carrying on a business of buying and selling securities and such securities are not acquired in a transaction considered to be an adventure in the nature of trade. A Canadian resident holder of Tone Resources Shares or Exchangeable Shares may in certain circumstances make an irrevocable election under subsection 39(4) of the Tax Act to have his or her

Tone Resources Shares and Exchangeable Shares and every other "Canadian security" (as defined in the Tax Act) owned by such holder in the taxation year of election and in all subsequent taxation years deemed to be capital property. Where a Shareholder makes an election under section 85 of the Tax Act in respect of the disposition of Tone Resources Shares, as described below, the Exchangeable Shares received in exchange will not be Canadian securities for this purpose and therefore the election will not apply to deem the Exchangeable Shares to be capital property.

This summary is not applicable to a Shareholder:

(a) that is a "financial institution" (as defined in the Tax Act for purposes of the mark-to-market rules);

(b) an interest in which is a "tax shelter investment" (as defined in the Tax Act); or

(c) with respect to whom US Gold is or will be a "foreign affiliate" within the meaning of the Tax Act.

This summary is based on the facts set out in this Circular, the current provisions of the Tax Act, the regulations thereunder and counsel's understanding of the current published administrative policies and assessment practices of the Canada Revenue Agency ("**CRA**"). This summary also takes into account all proposed amendments to the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) before the date of the offer ("**Tax Proposals**"). There can be no assurance that any such Tax Proposals will be implemented in their current form or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not otherwise take into account or anticipate changes in the law, whether by judicial, governmental or legislative action or decision, or changes in the administrative policies or assessment practices of the CRA, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations described herein.

THIS SUMMARY IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED AS, LEGAL OR TAX ADVICE TO ANY PARTICULAR SECURITYHOLDER. ACCORDINGLY, SECURITYHOLDERS ARE ENCOURAGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF DISPOSING OF THEIR TONE RESOURCES SECURITIES IN THE CIRCUMSTANCES DESCRIBED IN THIS CIRCULAR, AND ACQUIRING, HOLDING AND DISPOSING OF EXCHANGEABLE SHARES AND SHARES OF COMMON STOCK OF US GOLD, HAVING REGARD TO THEIR PARTICULAR CIRCUMSTANCES.

For the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Exchangeable Shares or shares of common stock of US Gold, including dividends, adjusted cost base and proceeds of disposition, must be converted into Canadian dollars using the Canadian/U.S. dollar exchange rate prevailing at the time such amounts arise.

Shareholders Resident in Canada

The following portion of this summary is applicable to a Shareholder who, for the purposes of the Tax Act and any applicable income tax treaty or convention, is or is deemed to be a Canadian resident at all relevant times.

Shareholders Who Do Not Dissent

Receipt of Ancillary Rights

A Shareholder who receives Exchangeable Shares on a disposition of Tone Resources Shares will also be entitled to certain rights and benefits, referred to herein as ancillary rights, under the Voting and Exchange Trust Agreement, as discussed in "Exchangeable Shares — Voting and Exchange Trust Agreement". A Shareholder will be required to account for the ancillary rights in determining the proceeds of disposition of such holder's Tone Resources Shares and the cost of the Exchangeable Shares received pursuant to the Arrangement. US Gold is of the view that the ancillary rights have a nominal fair market value given the other rights and benefits that Shareholders will have upon completion of the Arrangement including, without limitation, the right to exchange their Exchangeable Shares for shares of common shares of US Gold on a one-for-one basis. Any such determination of

value is not binding upon the CRA. No opinion is expressed as to the appropriateness or accuracy of this valuation. A reference to Exchangeable Shares will be deemed to include a reference to ancillary rights, where applicable.

Grant of Call Rights

Tone Resources is of the view that the liquidation call right, the redemption call right and the retraction call right, as discussed in "Exchangeable Shares — Description of Exchangeable Shares — Call Rights", have a nominal fair market value and that accordingly, no amount should be allocated to the call rights. Any such determination of value is not binding upon the CRA. Counsel expresses no opinion as to the appropriateness or accuracy of this valuation. Provided that the valuation with respect to such call rights is correct, the granting of the call rights will not result in any material adverse income tax consequences to a Shareholder. However, should the CRA challenge this valuation and ultimately succeed in establishing that the call rights have a fair market value in excess of a nominal amount, a Shareholder receiving Exchangeable Shares in the offer will realize a capital gain in an amount equal to the fair market value of the call rights unless a Shareholder makes a joint election in the circumstances described below. See "Election Transaction" and "Taxation of Capital Gains or Capital Losses" below.

Exchange of Tone Resources Shares for Exchangeable Shares

No Election Transaction. Subsection 85.1(1) of the Tax Act provides that where a taxpayer exchanges shares, or the exchanged shares, of any particular class of the capital stock of a taxable Canadian corporation for shares of another taxable Canadian corporation, or the purchaser corporation, and receives no consideration for the transfer of the exchanged shares other than shares of the purchaser corporation, the taxpayer is deemed to dispose of the exchanged shares for an amount equal to the adjusted cost base of the exchanged shares to the taxpayer immediately before the exchange and to acquire the shares of the purchaser corporation at a cost then equal to the adjusted cost base to the taxpayer of the exchanged shares immediately before the exchange. Subsection 85.1(1) does not apply if the taxpayer elects in the taxpayer's return of income for the year in which the exchange occurs to recognize any gain or loss on the exchange or if the taxpayer makes a joint tax election pursuant to subsection 85(1) or (2) with respect to the exchanged shares. If section 85.1(1) applies to the exchange by a Shareholder of Tone Resources Shares for Exchangeable Shares, the Shareholder would dispose of Tone Resources Shares for an amount equal to its adjusted cost base of Tone Resources Shares immediately before the exchange and receive Exchangeable Shares with a cost to the Shareholder equal to the adjusted cost base of Tone Resources Shares immediately before the exchange. If the ancillary rights represent consideration to the shareholders for the disposition of Tone Resources Shares, section 85.1 would not apply to the exchange by a Shareholder of Tone Resources Shares for Exchangeable Shares. Shareholders are advised to consult their tax advisors as to whether subsection 85.1 may apply to an exchange by them of their Tone Resources Shares and whether they should make an election pursuant to subsection 85(1) or (2) as described below under "Section 85 Election".

If subsection 85.1(1) does not apply to a Shareholder, a Shareholder who exchanges Tone Resources Shares for Exchangeable Shares will be considered to have disposed of such Tone Resources Shares for proceeds of disposition equal to the fair market value of the Exchangeable Shares (including the value of the ancillary rights) acquired by such Shareholder on the exchange, unless such Shareholder makes a joint tax election under subsection 85(1) or 85(2) of the Tax Act. As a result, such Shareholder will realize a capital gain (or capital loss) to the extent that such proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Tone Resources Shares. See the section entitled "Taxation of Capital Gains or Capital Losses" below. The cost to a holder of Exchangeable Shares acquired on the exchange will be equal to the fair market value thereof at the time of acquisition.

Election Transaction. A Shareholder who exchanges Tone Resources Shares for Exchangeable Shares may make a joint tax election with Canadian Exchange Co. pursuant to subsection 85(1) of the Tax Act (or, in the case of a Shareholder who is a partnership, pursuant to subsection 85(2) of the Tax Act). Such election may result in the full or partial deferral of capital gains otherwise arising on the exchange of Tone Resources Shares as described under "No Election Transaction". Provided that, on the Effective Date, the adjusted cost base of such Shareholder's Tone Resources Shares equals or exceeds the fair market value of the ancillary rights acquired by such Shareholder on the exchange, that Shareholder may elect so as to not realize a capital gain for the purposes of the Tax Act on the exchange. The elected amount (as defined herein) will be determined by each Shareholder who makes such a joint tax election, subject to the limitations under the Tax Act described below under "Section 85 Election".

Section 85 Election

Tone Resources is advised that Canadian Exchange Co. will make a joint tax election under subsection 85(1) or subsection 85(2), as applicable, of the Tax Act (and the corresponding provisions of any applicable provincial tax legislation) with a Shareholder who receives Exchangeable Shares on the exchange of Tone Resources Shares and at the amount elected by the Shareholder, subject to the limitations under the Tax Act. The joint tax election allows a Shareholder to elect an amount which, subject to the limitations under the Tax Act described below, will be treated for the purposes of the Tax Act as the Shareholder's proceeds of disposition of his or her Tone Resources Shares. Tone Resources is advised that Canadian Exchange Co. agrees only to execute any properly completed election forms and to forward such election forms by mail (within 30 days after the receipt thereof by Canadian Exchange Co.) to the applicable tax authorities with a copy to the Shareholder. **With the exception of the execution and filing of the election by Canadian Exchange Co., compliance with the requirements to ensure the validity of a joint tax election will be the sole responsibility of the Shareholder making the election.** Accordingly, neither Canadian Exchange Co. nor the depositary will be responsible or liable for taxes, interest, penalties, damages or expenses resulting from the failure by anyone to properly complete any election within the time prescribed and in the form prescribed under the Tax Act (or the corresponding provisions of any applicable provincial legislation).

The relevant Canadian federal tax election form is CRA Form T2057 (or, in the event that Tone Resources Shares are held as partnership property, CRA Form T2058). For shareholders required to file in Québec, Québec Form TP-518V (or, in the event that Tone Resources Shares are held as partnership property, Québec Form TP-529V) will also be required. **A tax election package, consisting of the relevant tax election forms, a tax election filing authorization letter, and a letter of instructions, may be obtained from the depositary. A Shareholder interested in making a joint tax election should so indicate on the letter of acceptance and transmittal in the space provided therein and a tax election package will be sent to such Shareholder.**

In order to make a joint tax election, a Shareholder must provide to the depositary, at the address set forth on the back page hereof, on behalf of Canadian Exchange Co., two signed copies of the necessary election forms on or before the day which is 90 days after the Effective Date, duly completed with the details of the number of Tone Resources Shares transferred and the applicable elected amount for the purposes of the election. Certain Canadian provincial jurisdictions may require that a separate joint tax election be filed for provincial income tax purposes. Canadian Exchange Co. will also make a Canadian provincial joint tax election with a Shareholder under the provision of any relevant Canadian provincial income tax legislation with similar effect to subsection 85(1) or subsection 85(2) of the Tax Act (and, if requested, an election pursuant to section 518 or 529 of the *Taxation Act* (Québec) or analogous provincial tax legislation). Shareholders are encouraged to consult their own tax advisors to determine whether separate election forms must be filed with any Canadian provincial taxing authority. It will be the responsibility of each Shareholder who wishes to make such a joint tax election to obtain the necessary Canadian provincial election forms and to submit such forms to the depositary for execution and filing by Canadian Exchange Co.

Where Tone Resources Shares are held in joint ownership and two or more of the co-owners wish to elect, one of the co-owners designated for such purpose should file the designation and a copy of the CRA Form T2057 (and where applicable, the corresponding Québec form) for each co-owner, along with a list of all co-owners electing, which list should contain each co-owner's percentage of ownership, the address and Canadian social insurance number or tax account number of each co-owner. Where Tone Resources Shares are held as partnership property, a partner validly designated by the partnership may file one copy of the CRA Form T2058 on behalf of all members of the partnership (and where applicable, the corresponding form in duplicate with the Québec taxation authorities). Such CRA Form T2058 (and Québec form, if applicable) must be accompanied by a letter signed by each partner authorizing the designated partner to complete and file the form, and a list containing the name, address, social insurance number or tax account number of each partner.

Where a joint tax election is made, pursuant to the limitations imposed by the Tax Act, the elected amount may not be:

(a) less than the fair market value of the ancillary rights received on a disposition of Tone Resources Shares in the Arrangement;

(b) less than the lesser of:

(i) the adjusted cost base to the Shareholder of the Shareholder's Tone Resources Shares disposed of pursuant the Arrangement; and

(ii) the fair market value of Tone Resources Shares; and

(c) greater than the fair market value of Tone Resources Shares so disposed of,

in each case, determined immediately before the time of the disposition. The amount elected by a Shareholder in accordance with the foregoing limitations is referred to herein as the elected amount.

Elected amounts which do not comply with the foregoing limitations will be automatically adjusted pursuant to the provisions of the Tax Act.

Where a Shareholder and Canadian Exchange Co. make a Canadian joint tax election, the Canadian tax treatment to the Shareholder will be as follows:

(a) the Shareholder will be deemed to have disposed of Tone Resources Shares for proceeds of disposition equal to the elected amount;

(b) if the proceeds of disposition of Tone Resources Shares are equal to the aggregate of the adjusted cost base of the Shareholder's Tone Resources Shares, determined immediately before the time of the disposition, and any reasonable costs of disposition, no capital gain or capital loss will be realized by the Shareholder;

(c) to the extent that the proceeds of disposition of Tone Resources Shares exceed (or are less than) the aggregate of the adjusted cost base to the Shareholder of his or her Tone Resources Shares, determined immediately before the time of the disposition, and any reasonable costs of disposition, a capital gain (or capital loss) will be realized by the Shareholder; and

(d) the cost to a Shareholder of the Exchangeable Shares received in exchange for Tone Resources Shares will be equal to the amount by which the elected amount exceeds the fair market value of the ancillary rights received on the disposition of Tone Resources Shares in the Arrangement.

In order for the CRA (and, where applicable, the Ministère du Revenu du Québec) to accept a joint tax election without a late filing penalty being paid by the Shareholder, the election must be received by such revenue authorities on or before the day that is the earliest of the days on or before which either Canadian Exchange Co. or the Shareholder is required to file an income tax return for the taxation year in which the exchange occurs. Canadian Exchange Co.'s taxation year is scheduled to end on December 31, 2007. Thus, the tax election will, in the case of a Shareholder who is an individual (other than a trust), generally have to be received by the revenue authorities by April 30, 2008 (being generally the last day for filing a tax return for the individual's 2007 taxation year). Shareholders, other than individuals, are encouraged to consult their own advisors as soon as possible respecting the deadlines applicable to their own particular circumstances. **However, regardless of such deadline, the tax election forms of a Shareholder must be received by the depositary, as indicated above, no later than the 90th day after the Effective Date.** If, for whatever reason, the current taxation year of Canadian Exchange Co. were to terminate before December 31, 2007, the joint tax election may have to be filed earlier to avoid late filing penalties. In such event, Canadian Exchange Co. has agreed to notify forthwith, through the depositary, every Shareholder who received Exchangeable Shares on the exchange of their Tone Resources Shares of such change.

Any Shareholder who does not ensure that the depositary has received a duly completed election form on or before the 90th day after the Effective Date, will not be able to benefit from the joint tax election. Accordingly, all Shareholders who wish to enter into a joint tax election with Canadian Exchange Co. should give their immediate attention to this matter. The instructions for requesting a tax election package are set out in the letter of acceptance and transmittal. Shareholders are referred to Information Circular 76-19R3 and Interpretation Bulletin IT-291R3 issued by the CRA for further information respecting the joint tax election. Joint tax election forms are also available from the CRA and provincial tax authorities. Shareholders wishing to make the joint tax election are encouraged to consult their own tax advisors. The comments herein with respect to such elections are provided for general assistance only. The law in this area is complex and contains numerous technical requirements.

As discussed above, Shareholders will be required to account for the ancillary rights in determining the proceeds of disposition of such Shareholder's Tone Resources Shares and the cost of the Exchangeable Shares received in the offer. Tone Resources is of the view that the ancillary rights have a nominal fair market value given the other rights and benefits that Shareholders also have upon completion of the offer including, without limitation, the right to exchange their Exchangeable Shares for shares of common stock of US Gold on a one-for-one basis. Any such determination of value is not binding upon the CRA. A reference to Exchangeable Shares will be deemed to include a reference to ancillary rights, where applicable.

Exchangeable Shares / Shares of Common Stock of US Gold

Dividends on Exchangeable Shares

Dividends received or deemed to be received on Exchangeable Shares by a Shareholder who is an individual (including most trusts) will be included in computing the individual's income for the taxation year in which such dividends are received and will be subject to the gross-up and dividend tax credit rules generally applicable to taxable dividends received from taxable Canadian corporations.

A Shareholder that is corporation will be required to include in computing its income for a taxation year any dividends received on the Exchangeable Shares and will generally be entitled to deduct such dividends in computing its taxable income.

A Shareholder that is a "private corporation" as defined in the Tax Act or any other corporation resident in Canada and controlled or deemed to be controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable to pay a refundable tax under Part IV of the Tax Act equal to 33⅓% of dividends received or deemed to be received on the Exchangeable Shares to the extent that such dividends are deductible in computing the holder's taxable income.

The Exchangeable Shares will be "taxable preferred shares" and "short-term preferred shares" for purposes of the Tax Act. Accordingly, Canadian Exchange Co. will be subject to a tax under Part VI.1 of the Tax Act equal to 66⅔% (to be reduced to 50% under the Tax Proposals retroactively effective to dividends paid by a corporation in its 2003 and subsequent taxation years) of all dividends paid or deemed to be paid on the Exchangeable Shares. Canadian Exchange Co. will also be entitled to deduct 9/4 (to be increased to three times under the Tax Proposal retroactively effective to dividends paid by a corporation in its 2003 and subsequent taxation years) of any Part VI.1 tax payable in computing its taxable income. Dividends received or deemed to be received on the Exchangeable Shares will not be subject to the 10% tax under Part IV.1 of the Tax Act.

Dividends on Shares of Common Stock of US Gold

Dividends received on shares of common stock of US Gold will be included in a Shareholder's income for the purposes of the Tax Act. Such dividends received by a Shareholder who is an individual will not be subject to the gross-up and dividend tax credit rules in the Tax Act. A Shareholder that is a corporation will not be entitled to deduct the amount of such dividends in computing its taxable income. A Shareholder that is a "Canadian-controlled private corporation" as defined in the Tax Act may be liable to pay an additional refundable tax of 6⅔% on its "aggregate investment income" for the year which will include such dividends. Subject to the detailed rules in the Tax Act, a Shareholder may be entitled to a foreign tax credit or deduction for any United States non-resident withholding tax paid on dividends received on shares of common stock of US Gold.

Redemption or Exchange of Exchangeable Shares

On the redemption (including a retraction) of an Exchangeable Share by Canadian Exchange Co., the Shareholder will be deemed to have received a dividend equal to the amount, if any, by which the redemption proceeds (being the fair market value at that time of the share of common stock of US Gold plus the accrued and unpaid dividends, if any, received by the Shareholder on the redemption) exceeds the paid-up capital for purposes of the Tax Act of the Exchangeable Share at the time of the redemption. A Shareholder will be subject to tax on the amount of any such deemed dividend in the manner described above under the heading "Dividends on Exchangeable Shares". On the redemption, the Shareholder will also be considered to have disposed of the Exchangeable Share for proceeds of disposition equal to the redemption proceeds less the amount of such deemed dividend, and will realize a capital gain (or a capital loss) equal to the amount by which such proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Exchangeable Share to the Shareholder. See the section entitled "Taxation of Capital Gains or Capital Losses" below. In some circumstances, the amount of any such deemed dividend received by a Shareholder that is a corporation on the redemption of an Exchangeable Share may be treated as proceeds of disposition and not as a dividend.

Where an Exchangeable Share is exchanged with US Gold or Alberta ULC for a share of common stock of US Gold, the Shareholder will realize a capital gain (or a capital loss) to the extent the proceeds of disposition of the Exchangeable Share, net of any reasonable costs of disposition, exceed (or are less than) the Shareholder's adjusted cost base of the Exchangeable Share. For this purpose, the proceeds of disposition will be the aggregate of the fair market value, at the time of the exchange, of the shares of common stock of US Gold received on the exchange and any accrued and unpaid dividends received by the Shareholder as part of the exchange consideration. See the section entitled "Taxation of Capital Gains or Capital Losses" below.

Because of the existence of the call rights and certain rights provided in the Voting and Exchange Trust Agreement, a holder of Exchangeable Shares cannot control whether such a holder will receive shares of common stock of US Gold by way of redemption of the Exchangeable Shares by Canadian Exchange Co. or by way of a purchase of the Exchangeable Shares by US Gold or Alberta ULC. If the call rights are not exercised on redemption or retraction of the Exchangeable Shares, a holder of Exchangeable Shares may realize a dividend for Canadian tax purposes that may exceed the holder's economic gain.

As described above, the Canadian federal income tax consequences of a redemption by Canadian Exchange Co. differ from those of a purchase by US Gold or Alberta ULC.

Acquisition and Disposition of Shares of Common Stock of US Gold

The cost of the shares of common stock of US Gold received on the retraction, redemption, exchange or purchase of Exchangeable Shares will be equal to the fair market value of such shares of common stock of US Gold at that time and will be averaged with the adjusted cost base of all other shares of common stock of US Gold held by the Shareholder as capital property at that time for the purposes of determining the adjusted cost base of such shares of common stock of US Gold.

A disposition or deemed disposition of shares of common stock of US Gold by a Shareholder will result in a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the Shareholder's adjusted cost base of such shares of common stock of US Gold. See "Taxation of Capital Gains or Capital Losses" below.

Taxation of Capital Gains or Capital Losses

A Shareholder will be required to include one-half of the amount of any capital gain (a "taxable capital gain") in income, and will generally be required to deduct one-half of the amount of any capital loss (an "allowable capital loss") against taxable capital gains realized by the Shareholder in the year of disposition. Allowable capital losses not deducted in the taxation year in which they are realized may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains realized in such years, to the extent and under the circumstances specified in the Tax Act.

A Shareholder that is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of 6⅔% on its "aggregate investment income" for the year which will include an amount in respect of taxable capital gains.

If the holder of Exchangeable Shares is a corporation, the amount of any capital loss arising from a disposition or deemed disposition of such shares may be reduced by the amount of any dividends, including deemed dividends, which have been previously received on such shares to the extent and under the circumstances specified in the Tax Act. Similar rules may apply where the corporation is a member of a partnership or beneficiary of a trust that owns Exchangeable Shares or where the trust or partnership of which a corporation is beneficiary or a member is a member of a partnership or beneficiary of a trust that owns Exchangeable Shares. Shareholders to whom these rules may be relevant should consult their own tax advisors.

Alternative Minimum Tax

Individuals and certain trusts that receive or are deemed to receive taxable dividends on Exchangeable Shares, or realize a capital gain on the disposition or deemed disposition of Tone Resources Shares, the Exchangeable Shares or shares of common stock of US Gold, may realize an increase in their liability for alternative minimum tax under the Tax Act.

Qualified Investments

The Exchangeable Shares will be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans or registered education savings plans, or deferred plans, as defined in the Tax Act, provided the Exchangeable Shares are listed on a "prescribed stock exchange" (which currently includes the TSX).

The ancillary rights will not be qualified investments under the Tax Act for such deferred plans. However, US Gold is of the view that the ancillary rights have a nominal fair market value. Any determination of value is not binding on the CRA. Where plans acquire property that is not a qualified investment, the plans are required to pay tax on the income and capital gains in respect of such property in accordance with the Tax Act. In addition, where a non-qualified investment is acquired by a trust governed by a registered retirement savings plan or a registered retirement income fund, the fair market value of the non-qualified investment at the time of acquisition will be included in the income of the annuitant under the plan. Where a non-qualified investment is acquired by a trust governed by a deferred profit sharing plan, the trust will be liable for a tax equal to the fair market value of the investment at the time the investment is acquired. The registration of a registered education savings plan becomes revocable if it acquires a non-qualified investment and, accordingly, Exchangeable Shares (by reason of the attached ancillary rights) are not suitable investments for trusts governed by registered education savings plans.

The shares of common stock of US Gold issued upon the exchange of Exchangeable Shares issued pursuant to the Arrangement, will be qualified investments under the Tax Act for Plans, provided such shares are listed on a "prescribed stock exchange" (which currently includes the TSX and AMEX).

Foreign Property Information Reporting

A holder of Exchangeable Shares or shares of common stock of US Gold who is a "specified Canadian entity" for a taxation year or a fiscal period and whose total cost amount of "specified foreign property", including such Exchangeable Shares or shares of common stock of US Gold, at any time in the year or fiscal period exceeds $100,000 will be required to file an information return for the year or period disclosing prescribed information.

Subject to certain exceptions, a taxpayer resident in Canada in the year will be a specified Canadian entity. Holders are encouraged to consult their tax advisors as to whether they must comply with these rules.

Foreign Investment Entity Status

The Tax Proposals contain draft legislation relating to the income tax treatment of investments by Canadian residents in non-resident entities that constitute "foreign investment entities" ("**FIEs**") (the "**FIE Tax Proposals**"). The FIE Tax Proposals, as currently drafted, would apply to require a Shareholder that holds a "participating

interest" (that is not an "exempt interest") in a non-resident entity that is an FIE at the entity's taxation year-end to take into account in computing the Shareholder's income for the Shareholder's taxation year that includes such taxation year-end:

(a) an amount based on a prescribed rate of return on the "designated cost" of such participating interest held by a Shareholder at the end of each month ending in the holder's taxation year at which time the participating interest is held by the Shareholder;

(b) in certain limited circumstances, any gains and losses accrued on such participating interest for the year; or

(c) in certain limited circumstances, a Shareholder's proportionate share of the FIE's income or loss) for the year calculated using Canadian tax rules. For the purposes of the FIE Tax Proposals, Exchangeable Shares and shares of common stock of US Gold will constitute participating interests in US Gold.

Tone Resources is advised that US Gold will not be an FIE at the end of its taxation year provided that, at that time, the "carrying value" of all of US Gold's "investment property" is not greater than one-half of the "carrying value" of all its property. The determination of whether or not US Gold is an FIE must be made on an annual basis at the end of each taxation year-end of US Gold.

Even if US Gold were an FIE at the end of one of its taxation years, an Exchangeable Share or a share of common stock of US Gold, respectively, may be an exempt interest provided that throughout the period that such a security is held by a holder during such taxation year of US Gold:

(a) US Gold is resident in the United States for the purposes of the Tax Act;

(b) the Exchangeable Share or the share of common stock of US Gold (as applicable) is listed on a "prescribed stock exchange"; and

(c) the Exchangeable Share or the share of common stock of US Gold (as applicable) constitutes an "arm's length interest" (as defined for the purposes of the FIE Tax Proposals).

It is expected that the Exchangeable Shares and the shares of common stock of US Gold will be "arm's length interests" of a particular Shareholder thereof for the purposes of the FIE Tax Proposals provided that such Shareholder (together with entities and individuals with whom the holder does not deal at arm's length) does not hold, in the aggregate, more than 10% of the Exchangeable Shares or 10% of the shares of common stock of US Gold, as applicable, based on the fair market value of such securities.

In addition, an Exchangeable Share or share of common stock of US Gold will only constitute an exempt interest at the end of US Gold's taxation year if, at that time, it is reasonable to conclude that the Shareholder has no "tax avoidance motive" in respect of such Exchangeable Share or share of common stock of US Gold. For this purpose, the Shareholder will be regarded as having a tax avoidance motive only if it is reasonable to conclude that the main reasons for acquiring or holding such Exchangeable Shares or shares of common stock of US Gold include directly or indirectly benefiting principally from income, profits, gains or increases in value in respect of investment property and from the deferral or reduction of tax that would have been payable on such income, profits or gains. Shareholders are encouraged to consult their own tax advisors regarding the determination of whether or not they have such a tax avoidance motive. The determination of whether Exchangeable Shares or shares of common stock of US Gold constitute an exempt interest must be made on an annual basis at the end of the taxation year of US Gold and no assurances can be given that the Exchangeable Shares or shares of common stock of US Gold will constitute an exempt interest at any subsequent taxation year-end of US Gold.

Economic Statement of October 18, 2000

In the Economic Statement released on October 18, 2000 (the "**Economic Statement**"), the Minister of Finance (Canada) announced a proposal to formulate and introduce a rule to permit shares of a Canadian corporation held by a Canadian resident to be exchanged for shares of a foreign corporation on a tax-deferred basis. This

statement included no details of the circumstances in which such tax-deferred share-for-share exchanges could occur but rather indicated that these rules would be developed in consultation with the private sector. The Economic Statement indicated that any such rules would not be effective before the public release of draft legislation including such rules. The Canadian Federal Budget of February 18, 2003, reiterated the statements made in the Economic Statement and indicated that draft legislative proposals would be released in the near future for public review and comment.

The Canadian Federal Budget of March 23, 2004 (the "**2004 Budget**") indicated that it is intended that detailed proposals will be released for public comment within months after the release of the 2004 Budget. The 2004 Budget also indicated that the proposals are expected to be in the form of draft legislation and there has been no indication as to an effective date for the proposals. As of the date of this Circular, the detailed proposals have not been released.

It is not known whether the draft legislation containing the proposed amendments described above will be released in time to affect a subsequent exchange of Exchangeable Shares for shares of common stock of US Gold, and it is therefore possible that such exchange of Exchangeable Shares may be achieved on a tax-deferred basis. In any case, until such rules are developed and released, it is not possible to state whether those rules would apply to a Shareholder who exchanges Exchangeable Shares for shares of common stock of US Gold. Shareholders are encouraged to consult their own tax advisors once the draft legislation is released, if at all, to determine how the draft legislation might apply to the holder's particular circumstances.

Resident Shareholders Who Dissent

Pursuant to the Arrangement, each Tone Resources Share of a Dissenting Shareholder will be deemed to be transferred to Tone Resources for cancellation. Accordingly, under the Tax Act, a Dissenting Shareholder will be deemed to receive a dividend equal to the amount by which the amount paid to the Dissenting Shareholder for the Tone Resources Share exceeds the "paid-up capital" (within the meaning of the Tax Act) of the Tone Resources Share immediately before the disposition. A Dissenting Shareholder, who is a Resident Shareholder, will be required to include in computing his, her or its income for a taxation year the amount of such dividend. In the case of a Dissenting Shareholder who is an individual (other than certain trusts), such dividend will be subject to the gross-up and dividend tax credit rules normally applicable to dividends from taxable Canadian corporations. Subject to the application of Section 55(2) of the Tax Act, any such dividends deemed to be received by a Dissenting Shareholder that is a corporation will generally be deductible in computing the corporation's income.

A Dissenting Shareholder that is a "private corporation" or a "subject corporation" (as such terms are defined in the Tax Act) will generally be liable to pay a 33⅓% refundable tax under Part IV of the Tax Act on the dividend deemed to be received on the Tone Resources Shares to the extent that such dividends are deductible in computing the corporation's taxable income for the year.

Section 55(2) of the Tax Act provides that where a Resident Shareholder that is a corporation would otherwise be deemed to receive a dividend, in certain circumstances the deemed dividend may be deemed not to be received as a dividend and instead may be treated as proceeds of disposition of the Tone Resources Shares for purposes of computing the Resident Shareholder's capital gain or capital loss. Dissenting Shareholders that are corporations should consult their own tax advisors in this regard.

In addition to the foregoing, a Dissenting Shareholder will be considered to have disposed of the Tone Resources Share for proceeds of disposition equal to the amount of consideration received for the Tone Resources Share less the amount of any deemed dividend (as computed above). To the extent that such proceeds of disposition for such Tone Resources Share exceed (or are less than) the Dissenting Shareholder's adjusted cost base of the Tone Resources Share and any reasonable costs of disposition, the Dissenting Shareholder will recognize a capital gain (or capital loss). The taxation of capital gains is discussed above under the heading "Taxation of Capital Gains or Capital Losses".

Non-Resident Shareholders Who Do Not Dissent

Shareholders Not Resident in Canada

The following portion of the summary is applicable to holders of Tone Resources Shares who, for purposes of the Tax Act or any applicable income tax treaty or convention, have not been and will not be resident or deemed to be resident in Canada at any time while they have held Tone Resources Shares or will hold Exchangeable Shares and/or shares of common stock of US Gold and who do not use or hold or are not deemed to use or hold Tone Resources Shares, Exchangeable Shares and/or shares of common stock of US Gold in carrying on a business in Canada, or a non-resident Shareholder. Special rules, which are not discussed in this summary, may apply to a non-resident that is an insurer carrying on business in Canada and elsewhere.

Disposition of Tone Resources Shares or Exchangeable Shares

A non-resident Shareholder will not be subject to capital gains tax under the Tax Act on the disposition of Tone Resources Shares in the offer or disposition of Exchangeable Shares unless Tone Resources Shares or Exchangeable Shares, as the case may be, constitute "taxable Canadian property" of the Shareholder for purposes of the Tax Act and the Shareholder is not entitled to relief under an applicable income tax treaty or convention.

Generally, Tone Resources Shares or the Exchangeable Shares, as the case may be, will not be taxable Canadian property at a particular time provided that such shares are listed on a "prescribed stock exchange" (which currently includes the TSX and AMEX) and the Shareholder, alone or together with persons with whom such Shareholder does not deal at arm's length, has not owned 25% or more of the issued shares of any class or series of shares in the capital of Tone Resources or Canadian Exchange Co., as the case may be, at any time during the 60-month period immediately preceding the particular time.

A non-resident Shareholder whose Tone Resources Shares constitute taxable Canadian property may be eligible to make a joint tax election with Canadian Exchange Co. See the section entitled "Shareholders Resident in Canada-Section 85 Election". Non-resident property holders should consult their own tax advisors with respect to the Canadian tax consequences, including the effects thereon of the provisions of any income tax treaty or convention, of disposing of such shares.

Dividends On Exchangeable Shares

Dividends paid or deemed to be paid to a non-resident Shareholder on Exchangeable Shares (including on a redemption of such shares by Canadian Exchange Co.) will be subject to Canadian withholding tax at the rate of 25% unless the rate is reduced under the provisions of an applicable income tax treaty or convention. See "Shareholders Resident in Canada – Redemption or Exchange of Exchangeable Shares". For example under the Canada-United States tax treaty, the withholding tax rate is generally reduced to 15% in respect of a dividend paid to a person who is the beneficial owner thereof and who is resident in the United States for purposes of the Canada-United States tax treaty.

Non-Resident Shareholders Who Dissent

Pursuant to the Arrangement, each Tone Resources Share of a Dissenting Shareholder will be deemed to be transferred to Tone Resources for cancellation. Accordingly, under the Tax Act, a Dissenting Shareholder will be deemed to receive a dividend equal to the amount by which the amount paid to the Dissenting Shareholder for the Tone Resources Share exceeds the "paid-up capital" (within the meaning of the Tax Act) of the Tone Resources Share immediately before the disposition. In the case of a Dissenting Shareholder who is a Non-Resident Shareholder, the deemed dividends will be subject to Canadian withholding tax at a rate of 25%, subject to any reduction in the rate of withholding to which the Shareholder is entitled under any applicable income tax treaty or convention. Where the Non-Resident Shareholder is a U.S. resident entitled to the benefits under the *Canada-U.S. Income Tax Convention* (1980) and is the beneficial owner of the dividends, the applicable rate of Canadian withholding tax is generally reduced to 15%.

In addition to the foregoing, a Dissenting Shareholder will be considered to have disposed of the Tone Resources Share for proceeds of disposition equal to the amount of consideration received for the Tone Resources

Share less the amount of any deemed dividend. As described above, under the heading "Disposition of Tone Resources Shares or Exchangeable Shares", a Non-Resident Shareholder will generally not realize a capital gain on the disposition of Tone Resources Shares. The taxation of capital gains is discussed above under the heading "Taxation of Capital Gains or Capital Losses".

Delisting of Shares

As noted under "Effect of the Arrangement on Markets and Listings" elsewhere in this Circular, the Tone Resources Shares will cease to be listed on the TSX-V (or any other prescribed stock exchange) following the Arrangement. It is intended that the Tone Resources Shares be listed on the TSX-V (or another prescribed stock exchange) at the time of their disposition pursuant to the Arrangement. Non-Resident Shareholders are cautioned that if the Tone Resources Shares are not listed on a prescribed stock exchange at the time they are disposed of:

(a) the Tone Resources Shares will be taxable Canadian property to the Non-Resident Shareholder;

(b) the Non-Resident Shareholder may be subject to income tax under the Tax Act in respect of any capital gain realized on such disposition, subject to any relief under an applicable income tax treaty or convention; and

(c) the notification and withholding provisions of Section 116 of the Tax Act will apply to the Non-Resident Shareholder.

Canadian Exchange Co. may be required to withhold and sell in the market a portion of the Exchangeable Shares that the Non-Resident Shareholder would otherwise be entitled to receive to satisfy its withholding obligations under the Tax Act. Non-Resident Shareholders should consult their own tax advisors for advice with respect to the potential income tax consequences to them of having their Tone Resources Shares acquired pursuant to the Arrangement.

Exchange of Options for Replacement Options

An Optionholder who exchanges such Option for a Replacement Option will not be considered to have disposed of the Option provided: (i) the only consideration received by the Optionholder on the exchange is a Replacement Option, (ii) the total value of the share of common stock of US Gold the Optionholder is entitled to acquire under the Replacement Option immediately after the exchange (in excess of the total amount payable by the Optionholder to acquire the common stock of US Gold) does not exceed the total value of the Tone Resources Shares the Optionholder was entitled to acquire under the Option immediately before the exchange (in excess of the amount payable by the Optionholder to acquire the Tone Resources Shares), and (iii) the aggregate exercise price for the Replacement Option is the same as the aggregate exercise price of the Option. As the only consideration an Optionholder will receive on the exchange of such Option will be a Replacement Option, and Tone Resources has advised counsel that the values and prices referred to in (ii) and (iii) above will be equal, no disposition should arise on the exchange of the Option for the Replacement Option.

Exchange of Warrants for Replacement Warrants

Pursuant to the Arrangement, a Warrantholder who does not enter into a Warrant Exchange Agreement and who exchanges a Warrant for a Replacement Warrant will be considered to have disposed of the Warrant for proceeds of disposition equal to the value of the Replacement Warrant immediately after the exchange which the Warrantholder receives. To the extent that such proceeds of disposition for such Warrants exceed (or are less than) the Warrantholder's adjusted cost base of the Warrant and any reasonable costs of disposition, the Warrantholder will recognize a capital gain (or capital loss). The taxation of capital gains for is discussed above under the heading "Taxation of Capital Gains or Capital Losses".

A person who enters into a Warrant Exchange Agreement will be able to exchange the Warrants for Tone Resources Shares and the Tone Resources Shares for Exchangeable Shares on a tax-deferred basis.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The material U.S. federal income tax consequences to Shareholders who exchange their Tone Resources Shares for Exchangeable Shares and Optionholders who exchange their Options for Replacement Options pursuant to the Arrangement are as described in the following summary, subject to the assumptions, caveats and conditions set forth in the summary. This summary is included for general information purposes only and does not purport to be a complete technical analysis or listing of all potential U.S. tax consequences that may be relevant to holders of Tone Resources Securities. It is not intended to be, nor should it be construed as being, legal or tax advice. For this reason, holders of Tone Resources Securities should consult their own tax advisors concerning the tax consequences of the proposed transaction. Further, this summary does not address any tax consequences arising under the income or other tax laws of any state, local or foreign jurisdiction or any tax treaties.

This discussion is based upon the provisions of the Code, the related Treasury regulations, administrative interpretations and court decisions, in each case as in effect or available as of the date of the offer, all of which are subject to change, possibly with retroactive effect. Any such change could affect the accuracy of the statements and the conclusions discussed below and the tax consequences of the proposed transaction.

This discussion with respect to the Exchangeable Shares applies only to persons that hold their Tone Resources Shares, and will hold their Exchangeable Shares, as capital assets within the meaning of Section 1221 of the Code, and assumes (without verification by US Gold or Canadian Exchange Co.) that Tone Resources is not, and has not been, a "controlled foreign corporation" for U.S. federal income tax purposes and that Tone Resources has never been treated as a U.S. domestic corporation pursuant to Section 897(i) of the Code. If Tone Resources is a controlled foreign corporation, or was a controlled foreign corporation during the period that U.S. Holders (defined below) have held their Tone Resources Shares, special U.S. tax rules not discussed herein may substantially affect the tax consequences of the proposed transaction to U.S. Holders. If Tone Resources is treated as a U.S. domestic corporation pursuant to Section 897(i) of the Code, the U.S. tax consequence of the proposed transaction to non-U.S. Holders may differ from those described below. This summary does not address all aspects of U.S. federal income taxation that may be relevant to holders of Tone Resources Shares in light of their particular circumstances or that may be applicable to them if they are subject to special treatment under the U.S. federal income tax laws. Specifically, this summary does not address tax consequences that may apply to a holder of Tone Resources Shares that is:

(a) a financial institution, thrift, insurance company or mutual fund;

(b) a tax-exempt organization;

(c) an S corporation, an entity taxable as a partnership for U.S. federal income tax purposes or other pass-through entity or an owner thereof;

(d) a dealer in stocks and securities or foreign currencies or a trader or an investor in Tone Resources Shares who elects the mark-to-market method of accounting for such stock;

(e) a Shareholder who received Tone Resources Shares from the exercise of employee stock options, stock purchase plans or otherwise as compensation, or from a tax-qualified retirement plan, individual retirement account or other qualified savings account;

(f) a U.S. Holder (defined below) that has a functional currency other than the U.S. dollar;

(g) an expatriate or former long-term resident of the United States;

(h) a Shareholder that owns (or is deemed to own) shares representing 10% or more of the voting power of Tone Resources;

(i) a Shareholder that, immediately following completion of the acquisition of Tone Resources by US Gold (through Canadian Exchange Co.), will own (or be deemed to own) Exchangeable Shares representing 5% or more of the total voting power or value of all shares of Canadian Exchange Co. stock; or

(j) a Shareholder who holds Tone Resources Shares as part of a hedge against currency risk, straddle or a constructive sale or conversion transaction, or other risk reduction or integrated investment transaction.

U.S. Federal Income Tax Consequences to U.S. Holders of Tone Resources Shares

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of Tone Resources Shares who is:

(a) an individual who is a citizen of the United States or who is resident in the United States for U.S. federal income tax purposes;

(b) a corporation or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state thereof or the District of Columbia;

(c) a trust, if either:

(i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust; or

(ii) the trust has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person; or

(d) an estate that is subject to U.S. federal income tax on its income regardless of its source.

An entity that is classified as a partnership for U.S. federal income tax purposes is neither a U.S. Holder nor a non-U.S. Holder. The U.S. federal income tax treatment of a partnership and its partners depends upon a variety of factors not specifically addressed herein, including the activities of the partnership and the partners. Holders of Tone Resources Shares that are partnerships for U.S. federal income tax purposes, and partners in any such partnership, should consult their tax advisors concerning the U.S. federal income tax consequences of the exchange of Tone Resources Shares in the offer and of owning and disposing of Exchangeable Shares or shares of common stock of US Gold.

Tone Resources believes that it has been and may continue to be a "passive foreign investment company" or "PFIC" within the meaning of Section 1297 of the Code. The PFIC rules are highly complex, and the U.S. federal income tax consequences to a U.S. Holder of Tone Resources Shares of the exchange of Tone Resources Shares for Exchangeable Shares of Canadian Exchange Co. will vary substantially depending upon whether Tone Resources is a PFIC and whether the holder has made certain elections potentially available to a holder of Tone Resources Shares under the PFIC rules. Each U.S. Holder of Tone Resources Shares is therefore strongly urged to consult with such holder's tax advisor regarding the consequences to such holder of the application of the PFIC rules, taking into account such holder's particular situation. See the discussion of the consequences of PFIC status under the heading "U.S. Federal Income Tax Consequences Arising from the Exchange by a U.S. Holder of Tone Resources Shares for Exchangeable Shares and Ancillary Rights" below.

U.S. Federal Income Tax Characterization of the Exchangeable Shares

There is no direct authority addressing the proper characterization and treatment of instruments with characteristics similar to the Exchangeable Shares and the ancillary rights for U.S. federal income tax purposes. Because the Exchangeable Shares are exchangeable into shares of US Gold common stock, have dividend rights based on the dividends paid with respect to US Gold common stock, and have the benefit of voting rights similar to the voting rights attributable to the shares of common stock of US Gold, there is a significant chance that, for U.S. federal income purposes, the U.S. Internal Revenue Service, or the IRS, or the United States courts may treat the Exchangeable Shares as shares of US Gold rather than as shares of Canadian Exchange Co. In the absence of specifically applicable authority and in view of the voting and other rights that holders of Exchangeable Shares have

with respect to Canadian Exchange Co., Tone Resources is advised that US Gold and Canadian Exchange Co. intend to take the position that the Exchangeable Shares constitute stock of Canadian Exchange Co., and not stock of US Gold, for U.S. federal income tax purposes. However, this characterization is not binding on the IRS, and the IRS or the courts could treat the Exchangeable Shares as shares of US Gold. Tone Resources is advised that US Gold and Canadian Exchange Co. have not requested, nor do they intend to request, an opinion from United States legal counsel or a ruling from the IRS regarding the U.S. federal income tax classification of the Exchangeable Shares.

U.S. Federal Income Tax Characterization of the Exchange by a U.S. Holder of Tone Resources Shares for Exchangeable Shares and Ancillary Rights

This summary assumes that, as contemplated:

(a) the Arrangement will be consummated by Canadian Exchange Co. and will be integrated with the Offer for U.S. federal income tax purposes;

(b) the sole consideration received by the Shareholders of Tone Resources for their Tone Resources Shares (in the Arrangement or in any other transaction that may be integrated with the Arrangement for U.S. federal income tax purposes) will be voting Exchangeable Shares of Canadian Exchange Co.;

(c) Tone Resources will thereafter be a corporate subsidiary of Canadian Exchange Co.; and

(d) US Gold will acquire additional shares of common stock of Canadian Exchange Co. for cash in conjunction with the consummation of the Offer and the Arrangement.

The Offer and the Arrangement have been and will be effected under the applicable provisions of Canadian law, which differ from analogous provisions of United States law. Whether the Offer and the Arrangement will qualify as a generally tax deferred transaction under Section 368(a) of the Code (a "reorganization") or under Section 351 of the Code will depend on the resolution of numerous factual issues, some of which will not be known until the effective time of consummation of the Offer and the Arrangement. There is no United States legal authority dealing with the tax consequences of a transaction identical to the Offer and the Arrangement, nor is there authority addressing the nature and status of securities like the Exchangeable Shares, and we have not requested, nor do we intend to request, an opinion from United States legal counsel or a ruling from the IRS regarding the tax characterization or consequences of the Offer and the Arrangement.

Based on current authority and the foregoing assumptions and subject to the discussion below:

(a) if the Exchangeable Shares are regarded for U.S. federal income tax purposes as shares of common stock of US Gold, the Offer and the Arrangement should, more likely than not, qualify as a reorganization for United States federal income tax purposes pursuant to Section 368(a) of the Code; and

(b) if the Exchangeable Shares are regarded instead as shares of stock of Canadian Exchange Co. and provided that the ancillary rights are not regarded as property rights that are separate and distinct from the Exchangeable Shares, the Offer and the Arrangement should, more likely than not, qualify as a reorganization; and

(c) if the ancillary rights are treated as property rights that are separate from the Exchangeable Shares, the Offer and the Arrangement will not qualify as a reorganization pursuant to Section 368(a) of the Code, but exchanges in the Offer and the Arrangement are intended to qualify, in conjunction with the exchanges of Exchangeable Shares for Shares pursuant to the Offer and the exchanges of Exchangeable Shares pursuant to the concurrent offers for Nevada Pacific and White Knight and the acquisition of additional common shares of Canadian Exchange Co. by US Gold, as tax-deferred transactions pursuant to Section 351 of the Code.

We believe that the ancillary rights should not be regarded as property rights that are separate and distinct from the Exchangeable Shares because, among other things, they are central to the definition of the economic and voting

rights of the Exchangeable Shares and are not transferable apart from the Exchangeable Shares, but no assurances can be given that the IRS or the courts will agree with this position.

U.S. Federal Income Tax Consequences Arising from the Exchange by a U.S. Holder of Tone Resources Shares for Exchangeable Shares and Ancillary Rights

Subject to the discussion of the PFIC rules below, if the Arrangement qualifies as part of a reorganization, the following United States federal income tax consequences will result to U.S. Holders, provided that the ancillary rights are not regarded as property rights that are separate and distinct from the Exchangeable Shares:

(a) no gain or loss will be recognized by a U.S. Holder that exchanges Tone Resources Shares for Exchangeable Shares in the Arrangement;

(b) the tax basis of a U.S. Holder in the Exchangeable Shares acquired in exchange for Tone Resources Shares in the Arrangement will be equal to such U.S. Holder's adjusted tax basis in Tone Resources Shares exchanged; and

(c) the holding period of a U.S. Holder for the Exchangeable Shares acquired in exchange for Tone Resources Shares in the Arrangement will include such U.S. Holder's holding period for Tone Resources Shares exchanged.

As discussed above, it is possible that the IRS may take the position that the ancillary rights constitute property rights that are separate and distinct from the Exchangeable Shares. In that case, the Offer and the Arrangement would not qualify as a reorganization under Section 368(a) of the Code, but the exchange of Tone Resources Shares for Exchangeable Shares is intended to qualify as a transfer coming within Section 351 of the Code if the Exchangeable Shares are regarded as shares of Canadian Exchange Co. stock. If so, then, subject to the discussion of the PFIC rules below, the tax consequences of the Arrangement for a U.S. Holder will be the same as those just described for a reorganization, except that the U.S. Holder would be required to recognize gain (calculated as described in the immediately following paragraph), if any, realized from the consummation of the Arrangement up to the fair market value of the ancillary rights. The tax basis of such U.S. Holder in the Exchangeable Shares would in that case be equal to such U.S. Holder's adjusted tax basis in the Tone Resources Shares exchanged plus the amount of gain recognized minus the fair market value of the ancillary rights received.

Subject to the discussion of the PFIC rules below, if the Arrangement qualifies neither as part of a reorganization under Section 368(a) nor as a transfer coming within Section 351, a U.S. Holder who exchanges Tone Resources Shares for Exchangeable Shares will recognize gain or loss for U.S. federal income tax purposes equal to the difference between:

(a) the fair market value of the Exchangeable Shares and ancillary rights such holder receives; and

(b) such holder's adjusted tax basis for the Tone Resources Shares exchanged.

Such gain or loss will generally be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder's holding period for the Tone Resources Shares is more than one year as of the date of the exchange. In the case of a non-corporate holder of Tone Resources Shares, long-term capital gain will generally be taxed at a maximum U.S. federal income tax rate of 15%. The deductibility of capital losses is subject to limitations.

As mentioned above, Tone Resources has stated that it believes that it has been and may continue to be a PFIC within the meaning of Section 1297 of the Code. If so, the consequences of the exchange to U.S. Holders of Tone Resources Shares of exchanges in the Arrangement will differ very significantly from those described above. **The PFIC rules are extremely complex, and each U.S. Holder of Tone Resources Shares is strongly urged to consult with his or her tax advisor regarding the substantial effect such rules may have on the tax consequences to such U.S. Holder of an exchange of Tone Resources Shares for Exchangeable Shares in the Arrangement and regarding certain tax elections that may be available to such U.S. Holder pursuant to the PFIC rules.**

If Tone Resources is or has been a PFIC, the PFIC provisions of the Code will generally override the rules described in the preceding paragraphs regarding the tax treatment of reorganizations under Section 368(a), transfers under Section 351 and taxable transactions. Briefly, under the PFIC rules, when a U.S. Holder of Tone Resources Shares exchanges those shares for Exchangeable Shares, any gain realized by the holder on such exchange (measured by the excess, if any, of the fair market value of the Exchangeable Shares and ancillary rights received by the holder over the holder's adjusted tax basis for his or her Tone Resources Shares) is allocated ratably to each day of such holder's holding period for such shares. The portion of the gain allocable to the year in which the exchange occurs is taxed as ordinary income, not as capital gain. Tax is calculated with respect to the portions of the gain allocated to each of the prior years of the Shareholder's holding period by multiplying the portion allocable to each prior year by the highest tax rate applicable to ordinary income in effect for such prior year. In addition, interest is charged with respect to the tax attributable to the gain allocated to such prior years. Thus, a U.S. Holder who exchanges Tone Resources Shares will generally be subject to an amount of tax equal to the sum of:

(a) the tax on the gain allocable to the year in which the exchange occurs;

(b) the tax on the gain allocable to each of the prior years of his holding period; and

(c) an interest charge with respect to such prior year tax amounts.

These same rules would apply if the U.S. Holder of Tone Resources Shares sold those shares for cash.

As mentioned above, the provisions of Sections 368(a) and 351 of the Code that provide for tax-deferred treatment of certain share-for-share exchanges do not generally apply in the case of dispositions of shares of PFICs. Proposed U.S. Treasury Regulations provide for two exceptions to this general rule for certain specified types of dispositions of PFIC shares, but the Offer and Arrangement do not appear to come within these exceptions.

The PFIC rules provide for certain tax elections that may be utilized by a U.S. Holder who wishes to rid his or her shares of the "PFIC taint" so that these special, generally adverse PFIC tax rules will not be applicable with respect to sales or exchanges of those shares. **The rules governing the availability and consequences of these PFIC elections are complex. Each U.S. Holder of Tone Resources Shares is strongly urged to consult with his or her tax advisor regarding the availability and consequences of the PFIC elections in light of such holder's specific circumstances.**

As discussed above, there are a number of areas of uncertainty regarding the U.S. federal income tax treatment of exchanges in the offer. Each U.S. Holder is urged to consult with his or her own tax advisor regarding these matters.

U.S. Federal Income Tax Consequences Arising from Holding the Exchangeable Shares.

Receipt of Distributions

As discussed above, Tone Resources has been advised that Canadian Exchange Co. and US Gold intend to take the position that the Exchangeable Shares are shares of Canadian Exchange Co., and not shares of US Gold. If this position is accepted, distributions, if any, paid with respect to the Exchangeable Shares out of Canadian Exchange Co.'s current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be taxable as dividend income to U.S. Holders. Dividends paid with respect to the Exchangeable Shares are expected to qualify for the lower tax rates applicable to net capital gains. To the extent that the amount of any distribution exceeds Canadian Exchange Co.'s current and accumulated earnings and profits for a taxable year, the distribution will first be treated as a tax-free return of capital to the extent of the U.S. Holder's tax basis, and any excess will be treated as capital gain. Subject to certain conditions and limitations, Canadian income tax withheld on dividends with respect to the Exchangeable Shares generally may be deducted in determining a U.S. Holder's federal taxable income or credited against a U.S. Holder's federal income tax liability.

As also discussed earlier, the IRS may take the view that the Exchangeable Shares should be treated as shares of US Gold for U.S. federal income tax purposes. In that case, the determination of whether and to what extent a distribution is taxable as a dividend would be made by reference to the current and accumulated earnings and profits

of US Gold, rather than Canadian Exchange Co. Furthermore, the classification of the Exchangeable Shares as shares of US Gold rather than Canadian Exchange Co. may affect adversely the calculation of the amount of Canadian withholding tax that may be credited against a U.S. Holder's federal income tax liability.

Dispositions of Exchangeable Shares

Generally, a U.S. Holder will recognize gain or loss on any sale, exchange or other disposition of the Exchangeable Shares. The amount of gain or loss recognized will equal the difference between the holder's adjusted tax basis in the Exchangeable Shares and the amount realized from the sale, exchange or other disposition, unless the disposition transaction qualifies for non-recognition treatment. Gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period is more than one year. In the case of U.S. Holders who are individuals, trusts or estates, any such long-term capital gain may be taxed at preferential rates. The deductibility of losses may be subject to limitations.

If a U.S. Holder exchanges Exchangeable Shares for common shares of US Gold, the U.S. income tax consequences of that exchange will depend upon whether the Exchangeable Shares are classified as shares of Canadian Exchange Co. or as shares of US Gold for U.S. federal income tax purposes. If they are regarded as shares of Canadian Exchange Co., the exchange will be a taxable transaction, with the tax consequences described in the immediately preceding paragraph. If, on the other hand, the Exchangeable Shares are regarded as shares of US Gold, the exchange of Exchangeable Shares for common stock of US Gold should not be taxable.

Certain Passive Foreign Investment Company Considerations

If Canadian Exchange Co. were treated as a PFIC for U.S. federal income tax purposes, this could have potentially adverse U.S. tax consequences to U.S. Holders who dispose of or receive distributions with respect to Exchangeable Shares, which consequences may be different from the consequences discussed above under "U.S. Federal Income Tax Consequences Arising from Holding the Exchangeable Shares — Receipt of Distributions" and under "U.S. Federal Income Tax Consequences Arising from Holding the Exchangeable Shares — Dispositions of Exchangeable Shares". U.S. Holders should consult their own tax advisors with respect to the potential application of the rules governing passive foreign investment companies. The offerors do not intend or expect Canadian Exchange Co. to be a PFIC as defined in Section 1297(a) of the Code, but no assurances can be given in this regard.

U.S. Federal Income Tax Consequences Arising from Holding the Shares of Common Stock of US Gold

Receipt of Distributions

Distributions, if any, paid with respect to shares of common stock of US Gold out of US Gold's current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be taxable as dividend income to U.S. Holders. In the case of U.S. Holders who are individuals, trusts or estates, any such dividend income will be subject to tax at the same preferential rates as net capital gains if the applicable requirements are satisfied. To the extent that the amount of any distribution exceeds US Gold's current and accumulated earnings and profits for a taxable year, the distribution will first be treated as a tax-free return of capital to the extent of the U.S. Holder's tax basis, and any excess will be treated as capital gain.

Dispositions of Shares of Common Stock of US Gold

Generally, a U.S. Holder will recognize gain or loss on any sale, exchange or other disposition of the shares of common stock of US Gold equal to the difference between the U.S. Holder's adjusted tax basis in the shares of common stock of US Gold and the amount realized from the sale, exchange or other disposition. Gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period is more than one year. In the case of U.S. Holders who are individuals, trusts or estates, any such long-term capital gain may be taxed at preferential rates. The deductibility of losses may be subject to limitations.

U.S. Federal Income Tax Consequences to Non-U.S. Holders of Tone Resources Shares

For purposes of this summary, the term non-U.S. Holder means a beneficial owner of Tone Resources Shares that is not treated as a partnership for U.S. federal income tax purposes, and that is not a U.S. Holder. (See the discussion of partnerships under the section entitled "U.S. Federal Income Tax Consequences to U.S. Holders of Tone Resources Shares", above.)

As stated previously, this summary does not address the U.S. federal income tax consequences to Shareholders that are subject to special rules. It also does not apply to a non-U.S. Holder that is affected by the provisions of an income tax treaty to which the United States is a party, and does not address currency exchange issues. **Any non-U.S. Holder that may be subject to any of these tax rules is urged to consult his or her own tax advisor to determine the tax consequences to him or her of the exchange in the Arrangement.**

U.S. Federal Income Tax Consequences Arising from the Exchange of Tone Resources Shares for Exchangeable Shares and from the Exchange of Exchangeable Shares for Shares of Common Stock of US Gold

Generally, subject to the discussion below, a non-U.S. Holder will not be subject to U.S. federal income tax on the income or gain (if any) realized on the exchange of Tone Resources Shares for Exchangeable Shares and ancillary rights, or upon the exchange of Exchangeable Shares for shares of common stock of US Gold, unless:

(a) the income or gain is effectively connected with the conduct by the non-U.S. Holder of a trade or business, or, if a tax treaty applies, attributable to a permanent establishment maintained by the non-U.S. Holder, in the United States; or

(b) the non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met, unless an applicable income tax treaty provides otherwise.

As noted above, if the Exchangeable Shares are regarded as shares of US Gold for U.S. federal income tax purposes, the exchange of Exchangeable Shares for shares of common stock of US Gold should not be taxable in any event.

U.S. Federal Income Tax Consequences Arising from Holding the Exchangeable Shares and Shares of Common Stock of US Gold.

Receipt of Distributions on Exchangeable Shares

Assuming, as discussed above under "U.S. Federal Income Tax Consequences to U.S. Holders of Tone Resources Shares — U.S. Federal Income Tax Characterization of the Exchangeable Shares", that the Exchangeable Shares are treated as shares of Canadian Exchange Co. for U.S. federal income tax purposes, rather than shares of common stock of US Gold, dividends received by a non-U.S. Holder with respect to the Exchangeable Shares should not be subject to U.S. withholding tax. However, a non-U.S. Holder will be taxed in the United States on the receipt of dividends from Canadian Exchange Co. in the same manner as a U.S. Holder if the non-U.S. Holder has an office or other fixed place of business within the United States to which the dividends are attributable and the dividends are either derived in the active conduct of a banking, financing or similar business within the United States or received by a corporation the principal business of which is trading stock or securities for its account (unless otherwise provided in an applicable treaty).

Receipt of Distributions on Shares of Common Stock of US Gold

Dividends received by a non-U.S. Holder with respect to shares of common stock of US Gold (and with respect to Exchangeable Shares if they are treated for U.S. tax purposes as shares of US Gold) could be subject to U.S. withholding tax at a rate of 30%. The withholding tax rate could be reduced by an applicable income tax treaty in effect between the United States and the non-U.S. Holder's country of residence. For example, the withholding rate under the Canada-United States tax treaty on dividends paid by a U.S. corporation to residents of Canada is generally 15%. In addition:

(a) a non-U.S. Holder will be taxed in the same manner as a U.S. Holder on dividends paid that are effectively connected with the non-U.S. Holder's conduct of a trade or business in the United States (unless otherwise provided in an applicable treaty) and will not be subject to the U.S. withholding tax provided that the non-U.S. Holder provides the proper certification; and

(b) a corporate non-U.S. Holder may also be subject to an additional branch profits tax at a 30% rate (or such lower rate as may be specified in an applicable income tax treaty) on dividend income that is effectively connected with a U.S. trade or business.

Dispositions of Shares of Common Stock of US Gold or Exchangeable Shares

Subject to the rules discussed below, a non-U.S. Holder will not be subject to U.S. federal income tax on gain (if any) realized on the sale or exchange of Exchangeable Shares or on the sale or exchange of shares of common stock of US Gold, unless:

(a) the gain is effectively connected with the conduct by the non-U.S. Holder of a trade or business, or, if a tax treaty applies, attributable to a permanent establishment maintained by the non-U.S. Holder, in the United States; or

(b) such non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met, unless an applicable income tax treaty provides otherwise; or

In addition, under the *Foreign Investment in Real Property Tax Act of 1980* ("**FIRPTA**"), if US Gold is treated as a "U.S. Real Property Holding Corporation" ("**USRPHC**") and the requirements set forth below are satisfied, then gain or loss recognized by a non-U.S. Holder on the sale or exchange of Exchangeable Shares or shares of common stock of US Gold will be subject to regular U.S. federal income tax, as if such gain or loss were effectively connected with the conduct of a U.S. trade or business by the holder. US Gold will be treated as a USRPHC if at any time during the shorter of (x) the five-year period ending on the date of the sale or exchange of Exchangeable Shares or shares of common stock of US Gold (as the case may be) or (y) the period during which a holder held Exchangeable Shares or shares of common stock of US Gold, the fair market value of US Gold's United States real property interests equals or exceeds 50% of the sum of the fair market values of all of its interests in real property and all of its other assets used or held for use in a trade or business (as defined in applicable regulations). It is anticipated that US Gold will be a USRPHC after consummation of the proposed transaction.

If US Gold is treated as a USRPHC after the consummation of the proposed transaction, gain or loss from the sale or exchange of Exchangeable Shares or shares of common stock of US Gold will be subject to tax under FIRPTA in the following circumstances:

(a) in the case of a non-U.S. Holder who owns only shares of common stock of US Gold (actually and constructively), the shares of common stock of US Gold are treated as "regularly traded on an established securities market" and the non-U.S. Holder holds more than 5% of the total fair market value of the shares of common stock of US Gold outstanding (on a non-diluted basis) at the relevant determination time; and

(b) in the case of a non-U.S. Holder who owns only Exchangeable Shares (actually and constructively, other than shares of common stock of US Gold constructively owned by reason of ownership of Exchangeable Shares), either:

(i) the Exchangeable Shares are treated as "regularly traded on an established securities market" and such non-U.S. Holder holds more than 5% of the total fair market value of the Exchangeable Shares outstanding at the relevant determination time; or

(ii) the Exchangeable Shares are not treated as "regularly traded on an established securities market", but the shares of common stock of US Gold are "regularly traded on an established securities market", and such non-U.S. Holder holds Exchangeable Shares with a fair market value on the relevant date of determination greater than 5% of the total fair market value of the shares of common stock of US Gold outstanding (on a non-diluted basis) on such date; or

(iii) in the case of a non-US holder who actually or constructively owns shares of common stock of US Gold or Exchangeable Shares, such shares and Exchangeable Shares are not treated as "regularly traded on an established securities market".

The shares of common stock of US Gold are traded on the AMEX and the TSX, and that the Exchangeable Shares are traded on the TSX. AMEX and the TSX should each be considered an "established securities market" for FIRPTA purposes. The shares of common stock of US Gold trading on the AMEX generally will be considered to be "regularly traded" on AMEX for FIRPTA purposes for any calendar quarter during which they are regularly quoted by brokers or dealers making a market in such shares within the meaning of applicable Treasury regulations.

If income from the sale or exchange of Exchangeable Shares or shares of common stock of US Gold is subject to tax based on FIRPTA, the transferee of such shares may be required to deduct and withhold a tax equal to 10% of the amount realized on the disposition, unless certain exceptions apply. Any tax withheld may be credited against the U.S. federal income tax owed by the non-U.S. Holder for the year in which the sale or exchange occurs.

The foregoing summary of the possible application of FIRPTA rules to non-U.S. Holders is only a summary of certain material aspects of these rules. If at any time the Exchangeable Shares are traded on an established securities market located in the United States, different rules, not described herein, may apply. Because the U.S. federal income tax consequences to a non-U.S. Holder under FIRPTA may be significant and are complex and subject to uncertainty, non-U.S. Holders are urged to discuss those consequences with their tax advisors.

Backup Withholding and Information Reporting

Information returns may be filed with the U.S. Internal Revenue Service in connection with payments on the shares of common stock of US Gold or Exchangeable Shares and the proceeds from a sale or other disposition of such stock. Holders of shares of common stock of US Gold or Exchangeable Shares may be subject to U.S. backup withholding tax on these payments if they fail to provide their taxpayer identification numbers to the paying agent and comply with certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the U.S. Internal Revenue Service.

Exchange of Options for Replacement Options

An Optionholder who exchanges such Option for a Replacement Option will not be considered to have disposed of the Option provided: (i) the only consideration received by the Optionholder on the exchange is a Replacement Option, (ii) the total value of the share of common stock of US Gold the Optionholder is entitled to acquire under the Replacement Option immediately after the exchange (in excess of the total amount payable by the Optionholder to acquire the common stock of US Gold) does not exceed the total value of the Tone Resources Shares the Optionholder was entitled to acquire under the Option immediately before the exchange (in excess of the amount payable by the Optionholder to acquire the Tone Resources Shares), and (iii) the aggregate exercise price for the Replacement Option is the same as the aggregate exercise price of the Option. As the only consideration an

Optionholder will receive on the exchange of such Option will be a Replacement Option, and Tone Resources has advised counsel that the values and prices referred to in (ii) and (iii) above will be equal, no disposition should arise on the exchange of the Option for the Replacement Option.

THE PRECEDING DISCUSSION OF U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT LEGAL OR TAX ADVICE. IT IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES IMPOSED UNDER THE CODE. EACH SECURITYHOLDER IS ENCOURAGED TO CONSULT ITS OWN TAX ADVISOR AS TO PARTICULAR TAX CONSEQUENCES OF THE ARRANGEMENT AND TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF EXCHANGEABLE SHARES OR SHARES OF COMMON STOCK OF US GOLD, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR NON-U.S. TAX LAWS, AND OF ANY PROPOSED CHANGES IN APPLICABLE LAWS.

RISK FACTORS

The following risk factors should be considered by Securityholders in evaluating whether to approve the Arrangement Resolution.

Risks Relating to the Arrangement and/or the Combined Business of US Gold and Tone Resources

There can be no certainty that all conditions precedent to the Arrangement will be satisfied. Failure to complete the Arrangement could negatively impact Tone Resources' Share price.

The completion of the Arrangement is subject to a number of conditions precedent, certain of which are outside the control of Tone Resources, including receipt of the Final Order. There can be no certainty, nor can Tone Resources provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If the Arrangement is not completed, the market price of the Tone Resources Shares may decline to the extent that the market price currently reflects a favourable market assumption that the Arrangement will be completed.

The Exchangeable Shares issued under the Arrangement may have a market value different than expected.

Under the Arrangement, Shareholders will receive 0.26 of an Exchangeable Share for every Tone Resources Share. If the market price of US Gold common shares declines, the value of the consideration received by Shareholders will decline as well. For example, during the 12-month period ended April 30, 2007, the closing price of US Gold common shares on the AMEX varied from a low of US $3.73 to a high of US $9.45 and ended that period at US $5.90. Variations like these may occur as a result of changes in, or market perceptions of changes in, the business, operations or prospects of US Gold, general market and economic conditions and other factors over which Tone Resources and US Gold have no control.

The integration of Canadian Exchange Co., including its operating subsidiaries, and US Gold may not occur as planned.

The Offer was made initially, and the Arrangement is being pursued, with the expectation that their successful completion will result in increased earnings and cost savings by allowing Canadian Exchange Co., its subsidiaries, and US Gold to take advantage of the synergies of consolidation and enhanced growth opportunities of the combined company. These anticipated benefits will depend in part on whether the operations of US Gold, Canadian Exchange Co. and White Knight and Nevada Pacific (which with Tone Resources, are referred to as the Acquired Companies or the operating subsidiaries), can be integrated in an efficient and effective manner. Many operational and strategic decisions with respect to the combined company have not yet been made. These decisions and the integration of these companies will present challenges to management, including the integration of systems and personnel of these companies, and special risks, including possible unanticipated liabilities, significant one-time write-offs or restructuring charges, unanticipated costs and the loss of key employees. There can be no assurance that there will be operational or other synergies realized by the combined company, or that the integration of these companies' operations, systems, management and cultures will be timely or effectively accomplished, or ultimately will be successful in increasing earnings and reducing costs.

Tone Resources, Canadian Exchange Co., and US Gold will incur substantial costs in connection with the Offer and the Arrangement even if it is never completed.

Tone Resources, Canadian Exchange Co. and US Gold expect to incur expenses related to the Offer and the Arrangement of approximately US $11 million, consisting of legal and accounting fees and financial printing and other related charges in connection with the proposed Arrangement. These amounts are preliminary estimates and the actual amounts may be higher or lower. Moreover, Tone Resources is likely to incur additional expenses in future periods in connection with the integration of any acquired company's business with the business of Tone Resources. Some of these expenses will be incurred even if Tone Resources does not complete the proposed Arrangement.

The Exchange of Tone Resources Shares may be taxable, and Tone Resources' potential status as a PFIC may have adverse U.S. Federal tax consequences to U.S. Holders.

US Gold and Canadian Exchange Co. have structured the Offer and the Arrangement with the intent that the exchange of Tone Resources Shares for Exchangeable Shares will qualify as a tax-deferred exchange under Sections 368 or 351 of the Code for U.S. federal income tax purposes. There is, however, no authority or guidance from the Internal Revenue Service addressing the U.S. tax treatment of the Exchangeable Shares or the particular structure of the transaction. Accordingly, it is possible that the exchange of Tone Resources Shares for Exchangeable Shares pursuant to the Arrangement will be considered a taxable exchange. In addition, Tone Resources believes that it is a passive foreign investment company, referred to as a "PFIC," under Section 1297 of the Code for U.S. federal income tax purposes. If Tone Resources is considered to be a PFIC, a U.S. shareholder of Tone Resources who has not made certain elections under the PFIC rules will be subject to tax on gain realized with respect to the exchange of such U.S. shareholder's Tone Resources Shares for Exchangeable Shares under a special tax regime applicable to PFICs and will not be eligible for tax-deferred treatment. Investors should be aware that the U.S. federal income tax consequences of the Arrangement may depend upon their individual situation, including their situation with respect to the PFIC rules, and that participating in the Arrangement may subject them to state, local or foreign tax consequences that are not discussed in this Circular. Investors are strongly urged to consult their tax advisor for advice on the tax implications of the exchange of their of Tone Resources Shares for Exchangeable Shares.

There may be other U.S. tax risks associated with investments in Canadian Exchange Co.

The U.S. tax treatment of the Exchangeable Shares is uncertain. In particular, it is unclear whether the Internal Revenue Service or the courts would respect the Exchangeable Shares as shares of Canadian Exchange Co. or instead regard them as shares of US Gold, and the U.S. tax consequences of the receipt, ownership and disposition of the Exchangeable Shares could vary depending upon the manner in which the Exchangeable Shares are characterized for U.S. income tax purposes. In addition, U.S. Holders should be aware that Canadian Exchange Co. could be considered to be a PFIC for U.S. federal income tax purposes. Although Canadian Exchange Co. has advised Tone Resources that it believes that it currently is not a PFIC and does not expect to become a PFIC in the near future, the tests for determining PFIC status are dependent upon a number of factors, some of which are beyond its control, and Canadian Exchange Co. cannot assure investors that it is not and will not become a PFIC in the future. If Canadian Exchange Co. were deemed to be a PFIC, then a U.S. Holder who disposes or is deemed to dispose of Exchangeable Shares at a gain, or who receives a so called "excess distribution" on the Exchangeable Shares, generally would be required to treat such gain or excess distribution as ordinary income allocated rateably to all days in the U.S. Holder's holding period, would be taxable at the highest applicable rate for the "prior year PFIC period", i.e., days in the U.S. Holder's prior taxable years during which Canadian Exchange Co. was a PFIC, and would pay an interest charge on the tax due for such prior years. Investors are strongly urged to consult their tax advisor for advice on the tax implications of the receipt, ownership and disposition of the Exchangeable Shares and regarding certain tax elections that may be available to shareholders of a PFIC.

Non-U.S. resident Shareholders may have difficulty effecting service of process against some of US Gold's U.S. directors or obtaining or collecting a judgment against US Gold.

US Gold is incorporated under the laws of the State of Colorado. Consequently, it may be difficult for non-U.S. resident shareholders to realize in the United States upon judgments of foreign courts predicated upon civil liabilities under Canadian or other foreign countries' securities legislation. A judgment of a foreign court predicated

solely upon such civil liabilities would possibly be enforceable in the United States by a U.S. court if the foreign court in which the judgment was obtained had jurisdiction, as determined by the foreign court, in the matter. There is substantial doubt whether an original action could be brought successfully in the United States against any of such persons or US Gold predicated solely upon such civil liabilities.

Risks Relating to Tone Resources

Whether or not the Arrangement is completed, Tone Resources will continue to face many of the risks that it currently faces with respect to its business and affairs.

Tone Resources depends on a limited number of personnel and the loss of any of these individuals could adversely affect its business.

Tone Resources is dependent on three persons, namely its Chairman and Chief Executive Officer, President and Chief Operating Officer, and Vice President and Chief Financial Officer. Robert R. McEwen, its Chairman and Chief Executive Officer, is responsible for strategic direction and the oversight of Tone Resources' business. Ann S. Carpenter, its President and Chief Operating Officer, is responsible for company management and overseeing Tone Resources' exploration and regulatory compliance. William F. Pass, its Vice President and Chief Financial Officer, is responsible for Tone Resources' public reporting and administrative functions. Tone Resources relies heavily on these individuals for the conduct of its business. The loss of any of its existing officers would significantly and adversely affect Tone Resources' business and its ability to realize the perceived benefits of the acquisitions of the Acquired Companies. In that event, Tone Resources would be forced to identify and retain an individual to replace the departed officer. Tone Resources may not be able to replace one or more of these individuals on terms acceptable to it. Tone Resources has no life insurance on the life of any officer.

Risks Relating to US Gold

The integration of the Acquired Companies could present significant challenges and may disrupt and adversely impact US Gold's business or may not occur as planned.

The Arrangement described in this Circular has been made with the expectation that its successful completion will result in improved operations by allowing US Gold to take advantage of the synergies of consolidation and enhanced growth opportunities of the combined company. These anticipated benefits to US Gold will depend in part on whether the operations of US Gold, Canadian Exchange Co. and the Acquired Companies can be integrated in an efficient and effective manner. These integration efforts will require the dedication of US Gold's management resources, which will temporarily divert attention from the day-to-day business of the combined company. Some operational and strategic decisions, and certain staffing decisions, with respect to the combined company have not yet been made. These decisions and the integration of these companies will present challenges to US Gold's management, including the integration of systems and personnel of these companies, and special risks, including possible unanticipated liabilities, unanticipated costs, including costs associated with complying with regulatory requirements to which US Gold was not previously subject, and the loss of certain key employees of the Acquired Companies. The process of combining these organizations may cause an interruption of, or a loss of momentum in, the activities of any or all of the combined company's business, which could have an adverse effect on the revenues and operating results of the combined company for an indeterminate period of time. The failure to successfully complete this integration process may prevent US Gold from achieving the anticipated potential benefits of these acquisitions. If US Gold fails to realize the anticipated benefits of any of these acquisitions, the market value of US Gold's stock and the Exchangeable Shares may be adversely affected.

Operational Risks

US Gold will require significant additional capital to continue its existing and newly acquired exploration activities, and, if warranted, to develop mining operations.

Substantial expenditures will be required to determine if proven and probable reserves exist at US Gold's properties and to develop mining and metallurgical processes to extract metal or develop the mining and processing facilities and infrastructure at any of US Gold's existing or newly-acquired properties or mine sites. US Gold will be required to expend significant amounts for geological and geochemical analysis, assaying, and, if warranted,

feasibility studies with regard to the results of its exploration. US Gold may not benefit from these investments if US Gold is unable to identify commercially exploitable mineralized material. If US Gold is successful in identifying reserves, US Gold will require significant additional capital to construct a mill and other facilities necessary to extract those reserves. US Gold's ability to obtain necessary funding, in turn, depends upon a number of factors, including the status of the national and worldwide economy and the price of gold. US Gold may not be successful in obtaining the required financing for these or other purposes on terms that are favourable to US Gold or at all, in which case, its ability to continue operating would be adversely affected. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and the possible, partial or total loss of US Gold's potential interest in certain properties.

The ongoing operations and past mining activities of the Acquired Companies are subject to environmental risks, which US Gold will assume after its acquisition of those companies and which could expose it to significant liability and delay, suspension or termination of its operations.

All phases of the operations of the Acquired Companies are subject to federal, state and local environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. Future changes in environmental regulation, if any, may adversely affect US Gold's operations, make its operations prohibitively expensive, or prohibit them altogether. Environmental hazards may exist on the properties in which US Gold may hold interests in the future, including the properties of the Acquired Companies that are unknown to US Gold at present and that have been caused by US Gold, one of the Acquired Companies, or previous owners or operators, or that may have occurred naturally. Under applicable federal and state environmental laws, prior property owners may be liable for remediating any damage that those owners may have caused. Mining properties that the Acquired Companies may have transferred may cause US Gold to be liable for remediating any damage that those companies may have caused. The liability could include response costs for removing or remediating the release and damage to natural resources, including ground water, as well as the payment of fines and penalties.

US Gold depends on a limited number of personnel and the loss of any of these individuals could adversely affect its business.

US Gold is dependent on three persons, namely its Chairman and Chief Executive Officer, President and Chief Operating Officer, and Vice President and Chief Financial Officer. Robert R. McEwen, its Chairman and Chief Executive Officer, is responsible for strategic direction and the oversight of US Gold's business. Ann S. Carpenter, its President and Chief Operating Officer, is responsible for company management and overseeing US Gold's exploration and regulatory compliance. William F. Pass, its Vice President and Chief Financial Officer, is responsible for US Gold's public reporting and administrative functions. US Gold relies heavily on these individuals for the conduct of its business. The loss of any of its existing officers would significantly and adversely affect US Gold's business and its ability to realize the perceived benefits of the acquisitions of the Acquired Companies. In that event, US Gold would be forced to identify and retain an individual to replace the departed officer. US Gold may not be able to replace one or more of these individuals on terms acceptable to it. US Gold has no life insurance on the life of any officer.

The nature of mineral exploration and production activities involves a high degree of risk and the possibility of uninsured losses that could materially and adversely affect US Gold's operations.

Exploration for minerals is highly speculative and involves greater risk than many other businesses. Many exploration programs do not result in the discovery of mineralization, and any mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Few properties that are explored are ultimately advanced to the stage of producing mines. US Gold's current exploration efforts are, and any future development or mining operations US Gold may elect to conduct will be, subject to all of the operating hazards and risks normally incident to exploring for and developing mineral properties, such as, but not limited to:

(a) economically insufficient mineralized material;

(b) fluctuations in production costs that may make mining uneconomical;

(c) labour disputes;

(d) unanticipated variations in grade and other geologic problems;

(e) environmental hazards;

(f) water conditions;

(g) difficult surface or underground conditions;

(h) industrial accidents;

(i) metallurgical and other processing problems;

(j) mechanical and equipment performance problems;

(k) failure of pit walls or dams;

(l) unusual or unexpected rock formations;

(m) personal injury, fire, flooding, cave-ins and landslides;

(n) decrease in reserves due to a lower gold price;

(o) unavailability of skilled labour and technical professional personnel; and

(p) long lead times for ordering mine equipment.

Any of these risks can materially and adversely affect, among other things, the development of US Gold's properties, production quantities and rates, costs and expenditures and production commencement dates. US Gold currently has no insurance to guard against any of these risks. If US Gold determines that capitalized costs associated with any of its mineral interests are not likely to be recovered, US Gold would incur a write-down of its investment in these interests. All of these factors may result in losses in relation to amounts spent which are not recoverable.

US Gold does not insure against all risks to which it may be subject in its planned operations.

While US Gold currently maintains insurance to insure against general commercial liability claims, US Gold's insurance will not cover all of the potential risks associated with its operations. For example, US Gold does not have insurance on the mill at its Tonkin property and US Gold does not have business interruption insurance. US Gold may also be unable to obtain insurance to cover other risks at economically feasible premiums or at all. Insurance coverage may not continue to be available, or may not be adequate to cover liabilities. US Gold might also become subject to liability for environmental, pollution or other hazards associated with mineral exploration and production which may not be insured against, which may exceed the limits of its insurance coverage or which US Gold may elect not to insure against because of premium costs or other reasons. Losses from these events may cause US Gold to incur significant costs that could materially adversely affect US Gold's financial condition and its ability to fund activities on its properties. A significant loss could force US Gold to reduce or terminate its operations.

US Gold will be required to evaluate its internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and any adverse results from such evaluation could result in a loss of investor confidence in US Gold's financial reports and have a material adverse effect on the price of its common stock.

Under Section 404 of the *Sarbanes-Oxley Act of 2002*, US Gold expects that it will be required to furnish a report by its management on internal control over financial reporting for the fiscal year ending December 31, 2007. Such a report must contain, among other matters, an assessment of the effectiveness of US Gold's internal control over financial reporting, including a statement as to whether or not its internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in US Gold's internal control over financial reporting identified by its management. This report must also contain a statement that US Gold's auditors have issued an attestation report on US Gold's management's assessment of such internal control over financial reporting. While US Gold believes its internal control over financial reporting is effective, US Gold is still constructing the system and processing documentation and performing the evaluations needed to comply with Section 404, which is both costly and challenging. The completion of the acquisition transactions described in the Offer and the subsequent integration of the Acquired Companies into US Gold's operations may make it more difficult for US Gold to comply with Section 404. US Gold may not be able to complete its evaluation, testing and required remediation, if any, in a timely fashion. If US Gold is unable to assert that its internal control over financial reporting is effective, or if US Gold discloses significant deficiencies or material weaknesses in its internal control over financial reporting, investors could lose confidence in the accuracy and completeness of US Gold's financial reports, which would have a material adverse effect on its stock price.

The laws of the State of Colorado and US Gold's Articles of Incorporation may protect its directors from certain types of lawsuits.

The laws of the State of Colorado provide that US Gold's directors will not be liable to it or its shareholders for monetary damages for all but certain types of conduct as directors of the company. US Gold's articles of incorporation permit it to indemnify its directors and officers against all damages incurred in connection with its business to the fullest extent provided or allowed by law. The exculpation provisions may have the effect of preventing shareholders of US Gold from recovering damages against US Gold's directors caused by their negligence, poor judgment or other circumstances. The indemnification provisions may require US Gold to use its limited assets to defend its directors and officers against claims, including claims arising out of their negligence, poor judgment, or other circumstances.

Market Risks

US Gold may overpay for the shares of the Acquired Companies.

The price that US Gold agreed to pay for the Acquired Companies was based in part on the perceived benefits of those acquisitions. However, there is no assurance that the acquisition of the Acquired Companies will result in any or all of the benefits that US Gold envisions. In the event that one or more of the acquisitions does not prove to be beneficial to US Gold, the market price of US Gold's common stock may decline and Shareholders may lose some or all of their investment.

A market for the Exchangeable Shares may not develop.

Because the shares of Canadian Exchange Co. may be exchanged, under the circumstances described in this Circular, for shares of US Gold's common stock on a one-for-one basis, the economic value of those shares should be closely linked to the trading value of US Gold's common stock. Nevertheless, there can be no assurance that the Exchangeable Shares of Canadian Exchange Co. will be valued similarly to US Gold's common stock. If an active trading market in the Exchangeable Shares of Canadian Exchange Co. does not develop, or if the Exchangeable Shares do not continue to meet the listing requirements of the TSX, the market price of those shares may decline. Furthermore, although the Exchangeable Shares of Canadian Exchange Co. are exchangeable for US Gold's common stock, under the circumstances described in this Circular, for an equivalent number of shares of common stock of US Gold, the Exchangeable Shares of Canadian Exchange Co. have a minimal trading history and will be less widely held than US Gold's common stock. This may cause those shares to trade at a lower market price, or to be less liquid, than either the Tone Resources Shares or US Gold's common stock.

Fluctuating gold prices could negatively impact US Gold's business plan.

The potential for profitability of US Gold's gold mining operations and the value of its mining properties, currently and following completion of any of the proposed acquisitions of the Acquired Companies, are directly related to the market price of gold. The price of gold may also have a significant influence on the market price of US Gold's common stock. If US Gold obtains positive drill results and progresses a property to a point where a commercial production decision can be made, US Gold's decision to put a mine into production and to commit the funds necessary for that purpose must be made long before any revenue from production would be received. A decrease in the price of gold at any time during future exploration and development may prevent US Gold's properties from being economically mined or result in the write-off of assets whose value is impaired as a result of lower gold prices. The price of gold is affected by numerous factors beyond US Gold's control, including inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, the purchase or sale of gold by central banks, and the political and economic conditions of major gold producing countries throughout the world.

During the last five years, the average annual market price of gold has ranged between US $310 per ounce and US $604 per ounce, as shown in the table below:

Average Annual Market Price of Gold

2002	2003	2004	2005	2006
US $310	US $364	US $406	US $445	US $604

Although it may be possible for US Gold in the future to protect against some price fluctuations by hedging if US Gold identifies commercially viable reserves on its properties, the volatility of mineral prices represents a substantial risk, which no amount of planning or technical expertise can fully eliminate. In the event gold prices decline and remain low for prolonged periods of time, US Gold might be unable to develop its properties or produce any revenue.

US Gold's stock price may be volatile and as a result investors could lose all or part of their investment.

In addition to normal market volatility, the value of investors' investment could decline due to the impact of any of the following factors upon the market price of US Gold's common stock:

(a) changes in the worldwide price for gold;

(b) disappointing results from US Gold's exploration or development efforts;

(c) failure to meet US Gold's revenue or profit goals or operating budget;

(d) decline in demand for US Gold's common stock;

(e) downward revisions in securities analysts' estimates or changes in general market conditions;

(f) technological innovations by competitors or in competing technologies;

(g) investor perception of US Gold's industry or US Gold's prospects; and

(h) general economic trends.

In addition, U.S. stock markets generally have experienced extreme price and volume fluctuations and the market prices of securities generally have been highly volatile. These fluctuations are often unrelated to operating performance of a company and may adversely affect the market price of US Gold's common stock. As a result, investors may be unable to resell their shares at a fair price.

Risks Relating to US Gold's Business

The feasibility of mining US Gold's properties have not been established, meaning that US Gold has not completed exploration or other work necessary to determine if it is commercially feasible to develop the properties.

US Gold is currently an exploration stage company. US Gold and the Acquired Companies have no proven or probable reserves on their properties. A "reserve", as defined by regulation of the SEC, is that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. A reserve requires a feasibility study demonstrating with reasonable certainty that the deposit can be economically extracted and produced. A "mineral reserve" as defined under Canadian securities laws is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. US Gold has not carried out a current feasibility study with regard its properties or the properties of the Acquired Companies. As a result, US Gold currently has no reserves and there are no assurances that US Gold will be able to prove that there are reserves or probable reserves on its properties or any of the properties US Gold will acquire if the transactions described in this Circular are completed.

The mineralized material identified in US Gold's Tonkin property does not and may never demonstrate economic viability. Additionally, the mineralized material on the properties of the Acquired Companies, does not and may never have demonstrated economic viability. Substantial expenditures are required to establish reserves through drilling and there is no assurance that reserves will be established. The feasibility of mining US Gold's Tonkin property has not been, and may never be, established. Whether a mineral deposit can be commercially viable depends upon a number of factors, including the particular attributes of the deposit, including size, grade and proximity to infrastructure; metal prices, which can be highly variable; and government regulations, including environmental and reclamation obligations. If US Gold is unable to establish some or all of the mineralized material as proven or probable reserves in sufficient quantities to justify commercial operations, US Gold may not be able to raise sufficient capital to develop a mine, even if one is warranted. If US Gold is unable to establish such reserves, the market value of its securities may decline, and you may lose some or all of your investment.

US Gold has incurred substantial losses since US Gold's inception in 1979, and may never be profitable.

Since US Gold's inception in 1979, US Gold has not been profitable. As of December 31, 2006, US Gold's accumulated deficit was approximately US $111.0 million, including a non-cash expense of approximately $51.0 million related to derivative instrument accounting. To become profitable, US Gold must identify additional mineralization and establish reserves at its mining property, and then either develop its property or locate and enter into agreements with third party operators. It could be years before US Gold receives any revenues from gold production, if ever. US Gold may suffer significant additional losses in the future and may never be profitable. US Gold does not expect to receive revenue from operations in the foreseeable future, if at all. Even if US Gold does achieve profitability, US Gold may not be able to sustain or increase profitability on a quarterly or annual basis.

Historical production of gold at US Gold's Tonkin property and in the area of its newly merged Gold Bar complex properties may not be indicative of the potential for future development or revenue.

Historical production of gold from these two areas came from relatively shallow deposits over a very limited period of time. Although US Gold commenced exploration of deeper zones in 2006 in an effort to identify additional mineralized material, due to the uncertainties associated with exploration, including variations in geology and structure, there is no assurance that US Gold's efforts will be successful. Investors in US Gold's securities should not rely on its historical operations as an indication that US Gold will ever place its properties into commercial production again. US Gold expects to incur losses unless and until such time as commercial production is achieved on one or more of its properties, generating sufficient revenue to fund its continuing operations.

US Gold's continuing reclamation obligations related to past mining activity at the Tonkin property could require significant additional expenditures. US Gold is responsible for the reclamation obligations related to disturbances located on the Tonkin property and the properties of the Acquired Companies. The current estimate of reclamation costs for existing disturbances on the property and the properties of the Acquired Companies to the degree required by the Federal Bureau of Land Management (BLM) and Nevada Division of Environmental Protection is approximately US $5.7 million. As required by applicable regulations, US Gold currently has in place

a cash bond in the amount of US $3.5 million to secure the reclamation of the property and the properties of the Acquired Companies and anticipates increasing that amount in respect of the Tonkin property by approximately US $376,000 upon approval of the revised reclamation plan filed in September 2006 and bonding associated with the property-wide exploration permit on the Tonkin property. Reclamation bond estimates are required to be updated every three years or prior to new disturbances taking place that are not already bonded. US Gold updated the reclamation obligation during September 2006 as noted above. There is a risk that any cash bond, even if augmented upon update of the reclamation obligations, could be inadequate to cover the costs of reclamation which could subject US Gold to additional costs for the actual reclamation obligations. The satisfaction of bonding requirements and continuing reclamation obligations will require a significant amount of capital. There is a risk that US Gold will be unable to fund these additional bonding requirements, and further that the regulatory authorities may increase reclamation and bonding requirements to such a degree that it would not be commercially reasonable to continue exploration activities.

Title to mineral properties can be uncertain, and US Gold is at risk of loss of ownership of the property.

US Gold's ability to explore and operate its properties depends on the validity of title to each property. The mineral properties making up the Tonkin property and the property of the Acquired Companies consist of leases of unpatented mining claims and unpatented millsite claims. Unpatented mining claims provide only possessory title and their validity is often subject to contest by third parties or the federal government, which makes the validity of unpatented mining claims uncertain and generally more risky. These uncertainties relate to such things as the sufficiency of mineral discovery, proper posting and marking of boundaries, assessment work and possible conflicts with other claims not determinable from descriptions of record. Since a substantial portion of all mineral exploration, development and mining in the United States now occurs on unpatented mining claims, this uncertainty is inherent in the mining industry. US Gold has not obtained a title opinion on its entire property or on any of the properties of the Acquired Companies, with the attendant risk that title to some claims, particularly title to undeveloped property, may be defective. There may be valid challenges to the title to US Gold's property which, if successful, could impair development and/or operations.

US Gold remains at risk that the mining claims may be forfeited either to the United States, or to rival private claimants due to failure to comply with statutory requirements as to location and maintenance of the claims or challenges to whether a discovery of a valuable mineral exists on every claim.

A significant portion of the lode claims comprising US Gold's Tonkin property are subject to a lease in favour of a third party which may expire in 2009 and which provides for a 5% royalty on production.

A total of 348 of US Gold's mining and millsite claims are subject to this lease. The lease requires annual payments of $150,000 or 455 ounces of gold, whichever is greater, and payment of a royalty of 5% of the gross sales price of gold or silver from the property before deduction of any expenses from the gross sales price. This lease may expire January 1, 2009 and covers a majority of the claims in the mine corridor where most of US Gold's mineralized material has been identified. In the event US Gold is unable to extend the lease or purchase the claims from the owner, US Gold may be forced to forfeit the underlying claims, which in turn may adversely affect their ability to explore and develop the property. If US Gold is successful in identifying sufficient mineralization to warrant placing the property into production, they will be obligated to pay the leaseholder a royalty of 5% of the production. The payment of this royalty, together with other royalties payable to third parties in respect of certain claims, will reduce US Gold's potential revenue.

US Gold cannot assure its shareholders that it will have an adequate supply of water to complete desired exploration or development of its mining property.

In accordance with the laws of the State of Nevada, US Gold and its operating subsidiaries has obtained permits to drill the water wells that US Gold currently uses to service its properties and US Gold plans to obtain all required permits for drilling water wells to serve other property US Gold may acquire in the future. However, the amount of water that US Gold is entitled to use from those wells must be determined by the appropriate regulatory authorities. A final determination of these rights is dependent in part on US Gold's ability to demonstrate a beneficial use for the amount of water that it intends to use. Unless US Gold is successful in developing its properties to a point where it can commence commercial production of gold or other precious metals, US Gold may

not be able to demonstrate such beneficial use. Accordingly, there is no assurance that US Gold will have access to the amount of water needed to operate a mine at its properties.

Estimates of mineralized material at US Gold's merged properties are based on drill results from shallow deposits and are not necessarily indicative of the results US Gold may achieve from drilling at greater depths.

Previous drilling throughout the merged properties was focused on producing gold from shallow deposits in an effort to achieve immediate revenue. US Gold's proposed drilling program, which commenced in 2006 and continues in 2007 targets mineralization at greater depths and at different locations on its property. Estimates of mineralization in shallow zones is not necessarily indicative of mineralization at greater depths. In addition, estimates of mineralization are based on limited samples and many assumptions, and are inherently imprecise. US Gold's ability to identify and delineate additional mineralization depends on the results of US Gold's future drilling efforts and its ability to properly interpret those results. US Gold may be unable to identify any additional mineralization or reserves.

US Gold's industry is highly competitive, attractive mineral lands are scarce, and US Gold may not be able to obtain quality properties.

US Gold competes with many companies in the mining industry, including large, established mining companies with substantial capabilities, personnel and financial resources. There is a limited supply of desirable mineral lands available for claim-staking, lease or acquisition in the United States, and other areas where US Gold may conduct exploration activities. US Gold may be at a competitive disadvantage in acquiring mineral properties since US Gold competes with these individuals and companies, many of which have greater financial resources and larger technical staffs. From time to time, specific properties or areas which would otherwise be attractive to US Gold for exploration or acquisition may be unavailable to it due to their previous acquisition by other companies or US Gold's lack of financial resources. Competition in the industry is not limited to the acquisition of mineral properties but also extends to the technical expertise to find, advance, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a worldwide basis. Such competition may result in US Gold being unable not only to acquire desired properties, but to recruit or retain qualified employees or to acquire the capital necessary to fund US Gold's operation and advance US Gold's properties. US Gold's inability to compete with other companies for these resources would have a material adverse effect on US Gold's results of operation and business.

Risks Related to US Gold's Securities

The exercise of outstanding options and warrants and the future issuances of US Gold's common stock will dilute current Shareholders and may reduce the market price of US Gold's common stock.

As of May 22, 2007, US Gold has outstanding options and warrants to purchase a total of 11,268,000 shares of US Gold's common stock, which if completely exercised, would dilute existing US Gold shareholders' ownership by approximately 15.5%. A significant portion of the outstanding options are exercisable at prices significantly below the current market price of US Gold's common stock as of May 22, 2007. If the market price of US Gold's stock remains at or above the exercise price, it is likely that these options will be exercised. US Gold's board of directors has the authority to authorize the offer and sale of additional securities with certain limits without the vote of or notice to existing Shareholders. Based on the need for additional capital to fund expected growth, it is likely that US Gold will issue additional securities to provide such capital and that such additional issuances may involve a significant number of shares. Issuance of additional securities underlying outstanding options as authorized by US Gold's board of directors in the future will dilute the percentage interest of existing Shareholders and may reduce the market price of US Gold's common stock.

A small number of existing Shareholders own a significant portion of US Gold's common stock, which could limit your ability to influence the outcome of any Shareholder vote.

US Gold's executive officers and directors, together with US Gold's largest non-executive shareholders, beneficially own approximately **[49.2]**% of US Gold common stock as of May 22, 2007. After completion of the Arrangement described in this Circular, US Gold anticipates that its executive officers and directors, together with

US Gold's largest non-executive shareholders, will beneficially own approximately **[49.2]**% of US Gold common stock. Under US Gold's articles of incorporation and the laws of the State of Colorado, the vote of a majority of the shares voting at a meeting at which a quorum is present is generally required to approve most shareholder action. As a result, these individuals and entities will be able to significantly influence the outcome of shareholder votes for the foreseeable future, including votes concerning the election of directors, amendments to US Gold's articles of incorporation or proposed mergers or other significant corporate transactions. **[NTD: Update information to date closer to mailing]**

US Gold has never paid a dividend on US Gold's common stock and US Gold does not anticipate paying any in the foreseeable future.

US Gold has not paid a dividend on US Gold's common stock to date, and US Gold may not be in a position to pay dividends in the foreseeable future. US Gold's ability to pay dividends will depend on US Gold's ability to successfully develop one or more properties and generate revenue from operations. Further, US Gold's initial earnings, if any, will likely be retained to finance its growth. Any future dividends will depend upon US Gold's earnings, its then-existing financial requirements and other factors, and will be at the discretion of US Gold's Board of Directors.

Governmental and Regulatory Risks

If US Gold is unable to satisfy the compliance order issued with regard to its Tonkin property, US Gold may forfeit its mine permit.

In May 2005, the Nevada Division of Environmental Protection issued a notice of alleged violation relating to disturbances at a portion of the Tonkin property where mining was formerly conducted under the mine permit. As a result of that notice, US Gold is under a compliance order, which required it to submit and implement a final closure plan for the previous mining operation by November 15, 2006. In accordance therewith, US Gold provided the Nevada Division of Environmental Protection with all requested documents related to the final closure plan and substantially completed work in accordance with the plan. US Gold is continuing to work with the Nevada Division of Environmental protection to finalize further minor improvements and installations at the site, after which US Gold anticipates achieving final closure to this compliance order. US Gold's failure or inability to satisfy the compliance order could cause adverse affects on its ability to obtain additional necessary mining-related permits.

US Gold is subject to changes in the regulatory environment where it operates and may face additional regulatory requirements as a result of the acquisition of the Acquired Companies.

US Gold's mining operations and exploration activities are subject to extensive regulation governing various matters, including licensing, production, taxes, water disposal, toxic substances, mine safety, development and permitting, exports and imports, occupational health and safety, and environmental protections. As a result of acquiring the operating subsidiaries, US Gold may face additional regulatory requirements to which it is not currently subject. For example, Nevada Pacific conducts mining operations in Mexico and is subject to Mexican environmental laws and foreign investment regulations under the Law of Foreign Investment, and must comply with the terms of exploration and exploitation concessions granted by the Mexican government in connection with its mining operations. Continued compliance with the regulations currently applicable to US Gold and compliance with the new regulations to which US Gold may become subject as a result of the acquisition of the Acquired Companies are expected to increase US Gold's costs, including the costs of planning, designing, drilling, operating, developing, constructing, and closure and reclamation. In addition, these laws and regulations are subject to frequent change and reinterpretation. Amendments to current laws and regulations governing operations and activities of mining companies or more stringent implementation or interpretation of these laws and regulations could have a material adverse impact on US Gold.

US Gold operations are subject to permitting requirements which could require it to delay, suspend or terminate its operations on its mining property.

US Gold's operations, including its ongoing two-year exploration drilling program, require permits from the state and federal governments. US Gold may be unable to obtain these permits in a timely manner, on reasonable

terms, or at all. If US Gold cannot obtain or maintain the necessary permits, or if there is a delay in receiving these permits, US Gold's timetable and business plan for exploration of the merged properties will be adversely affected.

Legislation has been proposed that would significantly affect the mining industry.

Periodically, members of the U.S. Congress have introduced bills which would supplant or alter the provisions of the *General Mining Law of 1872*, which governs the unpatented claims that US Gold controls with respect to its Tonkin property. One such amendment has become law and has imposed a moratorium on patenting of mining claims, which reduced the security of title provided by unpatented claims such as those comprising the properties of US Gold and the Acquired Companies. If additional legislation is enacted, it could substantially increase the cost of holding unpatented mining claims by requiring payment of royalties, and could significantly impair US Gold's ability to develop mineral resources on unpatented mining claims. Such bills have proposed, among other things, to make permanent the patent moratorium, to impose a federal royalty on production from unpatented mining claims and to declare certain lands as unsuitable for mining. Although it is impossible to predict at this time what royalties may be imposed in the future, the imposition of such royalties could adversely affect the potential for development of such mining claims, and the economics of existing operating mines on federal unpatented mining claims. Passage of such legislation could adversely affect the business of US Gold.

RIGHTS OF DISSENTING SHAREHOLDERS

There is no mandatory statutory right of dissent and appraisal in respect of plans of arrangement under the BCBCA. However, as contemplated in the Plan of Arrangement, Tone Resources and Canadian Exchange Co. have arranged for Shareholders who object to the Arrangement Resolution to have the Dissent Rights which are set out in their entirety in the Interim Order, a copy of which is attached as Appendix C to this Circular. The following summary of the Dissent Rights is qualified in its entirety by reference to the Interim Order.

A Registered Shareholder who intends to exercise the Dissent Rights must deliver a Dissent Notice to Tone Resources at 165 South Union Blvd., Suite 565, Lakewood Colorado, U.S.A. 80228, to be actually received not later than 5:00 p.m. (Vancouver time) on June 21, 2007 and must not vote any Tone Resources Shares held in favour of the Arrangement. A Shareholder who is a Non-Registered Holder but wishes to exercise the Dissent Rights must arrange for the Registered Shareholder holding the Shareholder's Tone Resources Shares to deliver the Dissent Notice. The Dissent Notice must contain all of the information specified in the Interim Order.

If the Arrangement Resolution is passed at the Meeting, Tone Resources must send by registered mail to every Dissenting Shareholder, prior to the date set for the hearing of the Final Order, a notice (a "**Notice of Intention**") stating that, subject to receipt of the Final Order, Tone Resources intends to complete the Arrangement, and advising the Dissenting Shareholders that, if the Dissenting Shareholder intends to proceed with the exercise of the Dissenting Rights, it must deliver to Tone Resources, within 14 days of the mailing of the Notice of Intention, a written statement containing the information specified by the Interim Order, together with the certificates representing the Dissent Shares.

A Dissenting Shareholder delivering such a written statement may not withdraw from the dissent and, at the Effective Time, will be deemed to have transferred to Tone Resources all of the Dissent Shares held. Tone Resources will pay to each Dissenting Shareholder the amount agreed to between Tone Resources and the Dissenting Shareholder for the Dissent Shares. Either Tone Resources or a Dissenting Shareholder may apply to Court if no agreement on the terms of the sale of the Dissent Shares has been reached and the Court may:

(a) determine the fair value that the Dissent Shares had immediately before the passing of the Arrangement Resolution, excluding any appreciation or depreciation in anticipation of the Arrangement unless exclusion would be inequitable, or order that such fair value be established by arbitration or by reference to the registrar, or a referee of the court;

(b) join in the application each other Dissenting Shareholder not having reached an agreement for the sale of Dissent Shares to Tone Resources; and

(c) make consequential orders and give directions it considers appropriate.

If a Dissenting Shareholder fails to strictly comply with the requirements of the Dissent Rights set out in the Interim Order, such shareholder would lose the Dissent Rights, Tone Resources would return to the Dissenting Shareholder any certificates representing Dissent Shares delivered to Tone Resources and, if the Arrangement is completed, that Dissenting Shareholder shall be deemed to have participated in the Arrangement on the same terms as a Shareholder.

Shareholders wishing to exercise the Dissent Rights should consult their legal advisers with respect to the legal rights available to them in relation to the Arrangement and the Dissent Rights. Shareholders should note that the exercise of Dissent Rights can be a complex, time-consuming and expensive procedure.

The Arrangement provides that it is a condition to the completion of the Arrangement for the benefit of Canadian Exchange Co. that Dissent Rights shall not have been exercised by Shareholders holding more than 5% of the number of Tone Resources Shares outstanding on May 18, 2007. If Shareholders holding in excess of that number of Tone Resources Shares exercise their Dissent Rights, unless the condition is waived, the Arrangement would not occur.

INFORMATION RELATING TO CANADIAN EXCHANGE CO. AND US GOLD

US Gold

US Gold is engaged in the exploration for gold and other precious metals. US Gold holds a 100% interest in the Tonkin property in Eureka County, Nevada, subject to paramount title in the United States and an interest in each of the properties of the Acquired Companies, being the 18 properties held by White Knight of which 15 are in Nevada's Cortez Trend, the eight projects (10 claim groups) in Elko, Eureka, Lander and Pershing counties in Nevada held by Tone Resources and the Magistral Gold Mine in Mexico and the exploration stage properties in Nevada held by Nevada Pacific. Additional information regarding the properties held by White Knight, Tone Resources and Nevada Pacific is included in "Appendix A - Information on White Knight" to the White Knight Offer , "Appendix A - Information on Tone Resources" to the Offer and "Appendix A - Information on Nevada Pacific" to the Nevada Pacific Offer, respectively, which are incorporated by reference in this Circular.

The Tonkin property consists of approximately 46 square miles of unpatented lode mining claims and mill site claims located on the Battle Mountain-Eureka Trend, also known as the Cortez Trend, approximately 45 miles northwest of the town of Eureka in north-central Nevada. US Gold is presently in the exploration stage at the Tonkin property. US Gold has not generated revenue from mining operations since 1990.

US Gold was organized under the laws of the State of Colorado on July 24, 1979 under the name Silver State Mining Corporation. US Gold changed its name to "U.S. Gold Corporation" and then to "US Gold Corporation" on June 21, 1988 and March 15, 2007, respectively.

In July 2005, Robert R. McEwen became US Gold's largest Shareholder by purchasing 11,100,000 shares of US Gold's common stock, representing 33.3% of US Gold's outstanding shares before the financing discussed immediately below. In August 2005, he became US Gold's Chairman and Chief Executive Officer. In November 2005, at a meeting of US Gold's Shareholders, nominees of Mr. McEwen were elected as a majority of US Gold's board of directors. At that meeting, US Gold's Shareholders also approved an increase in its authorized capital from 35,000,000 shares of common stock to 250,000,000 shares of common stock.

On February 22, 2006, US Gold completed a private placement of 16,700,000 subscription receipts, with gross proceeds to US Gold of US $75,150,000. As part of that private placement, Mr. McEwen bought 667,000 subscription receipts, including 667,000 shares of common stock and warrants to purchase 333,500 shares of US Gold's common stock. As of the date of this Circular, Mr. McEwen owns **[18,968,850]** shares of US Gold's common stock including **[6,868,350]** Exchangeable Shares and the **[333,500]** warrants, representing **[21.5]**% of US Gold's outstanding shares (assuming the exercise of Mr. McEwen's warrants). **[NTD: To be confirmed]**

On March 5, 2006, US Gold announced that it intended to acquire in stock transactions, all of the outstanding common shares of the Acquired Companies. On May 19, 2006, Mr. McEwen resigned as a director of Tone Resources. On January 18, 2007, US Gold announced its intention to commence the formal offers for each of the Acquired Companies, following the satisfaction of certain regulatory requirements. On February 12, 2007, US Gold formally commenced its offers for the Acquired Companies.

In connection these formal offers, US Gold held a special meeting of Shareholders at the Warwick Hotel, 1776 Grant Street, Denver, Colorado 80203 at 2:00 p.m., local time, on March 15, 2007, at which US Gold Shareholders, as of January 29, 2007, the record date, approved matters necessary to enable US Gold to acquire White Knight, Tone Resources and Nevada Pacific. An affirmative vote of a majority of the votes cast at the special meeting was required to approve the strategic offers. Abstentions and broker non-votes had no effect on the outcome of any of the proposals voted at US Gold's special meeting. The number of shares of US Gold's common stock outstanding and entitled to vote at the special meeting was 50,058,755. Holders of US Gold's common stock do not have dissenters' rights under Colorado law in connection with any of the matters acted on at the special meeting.

On March 23, 2007, following expiration of the offers to each of the Acquired Companies, US Gold and Canadian Exchange Co. notified the depository to accept for payment all the common shares of the Acquired Companies that had been validly tendered and not withdrawn. Details of the take-up are can be found in US Gold's annual report on Form 10-KSB for the fiscal year ended December 31, 2006, which is hereby incorporated by reference.

Information regarding the qualifications and compensation of US Gold's current directors and executive officers, such persons' beneficial ownership of US Gold's securities and the existence of certain relationships and transactions between such individuals and US Gold and its subsidiaries, can be found in US Gold's annual report on Form 10-KSB for the fiscal year ended December 31, 2006.

US Gold's principal executive offices are located at 165 South Union Blvd., Suite 565, Lakewood, Colorado, U.S.A. 80228 and its telephone number is (303) 238-1438. US Gold's website is www.usgold.com.

Effective April 25, 2007 US Gold's auditor is KPMG LLP located at Suite 2700, 707 Seventeenth Street, Denver, Colorado, 80202. Prior to the appointment of KPMG LLP, Stark Winter and Schenkein & Co. LLP located at 3600 S. Yosemite Street, Suite 600, Denver, Colorado, 80237, served as US Gold's auditor. US Gold's registrar and transfer agent is Computershare Investor Services Inc. located at 350 Indiana Street, Suite 800, Golden, Colorado, 80401.

Description of US Gold Capital Stock

US Gold's authorized capital consists of 250,000,000 shares of common stock, no par value per share. As of May 22, 2007, US Gold had [**60,352,835**] shares of common stock issued and outstanding.

The following discussion summarizes the rights and privileges of US Gold's capital stock. This summary is not complete, and you should refer to US Gold's articles of incorporation, as amended, which have been filed or incorporated as an exhibit to the amendment to US Gold's registration statement on Form SB-2 filed on February 8, 2007, which is hereby incorporated by reference.

The holders of US Gold's common stock are entitled to one vote for each share held of record on all matters submitted to stockholders, including the election of directors. Cumulative voting for directors is not permitted. Except as provided by special agreement, the holders of common stock are not entitled to any preemptive rights and the shares are not redeemable or convertible. All outstanding common stock is, and all common stock issuable upon exercise of warrants will be, when issued and paid for, fully paid and non-assessable. The number of authorized shares of common stock may be increased or decreased (but not below the number of shares then outstanding or otherwise reserved for issuance by us) by the affirmative vote of a majority of shares cast at a meeting of US Gold's security holders at which a quorum is present.

The holders of US Gold's common stock are entitled to dividends if, as and when declared by US Gold's board of directors from legally available funds. Upon any voluntary or involuntary liquidation, dissolution or winding-up of US Gold's affairs, the holders of US Gold's common stock are entitled to share, on a pro rata basis, all assets remaining after payment to creditors and prior to liquidation rights, if any, of any series of outstanding preferred stock.

US Gold's authorized share capital consists of 250,000,000 shares of common stock, no par value, and one share of preferred stock, no par value, designated Series A Special Voting Preferred Stock. See the section entitled "The Arrangement — Exchangeable Shares — Voting and Exchange Trust Agreement" of this Circular.

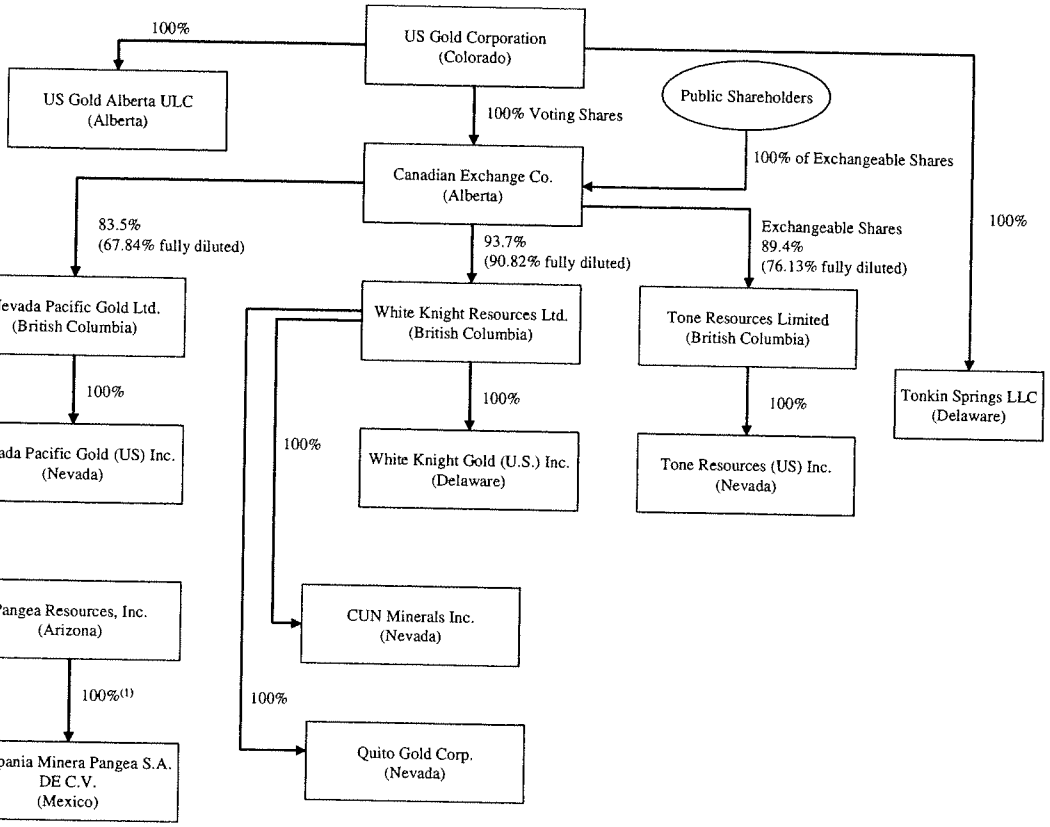
US Gold's articles of incorporation and bylaws do not include any provision that would delay, defer or prevent a change in control of US Gold. However, pursuant to the laws of the State of Colorado, certain significant transactions would require the affirmative vote of a majority of the shares eligible to vote at a meeting of Shareholders, which requirement could result in delays to or greater cost associated with a change in control of the company.

Additional information regarding US Gold's business and operations, description of property, management's discussion and analysis of financial condition and results of operations is included in US Gold's annual report on Form 10-KSB for the fiscal year ended December 31, 2006, which is hereby incorporated by reference, and US Gold's interim report on Form 10-Q for the three months ended March 31, 2007, which is hereby incorporated by reference, and in the section entitled "Background to the Offer" and "Appendix E – Unaudited Financial Statements of US Gold Canadian Acquisition Corporation", "Appendix H – Rights, Privileges, Restrictions and Conditions Attaching to the Exchangeable Shares of Unaudited Financial Statements of US Gold Canadian Acquisition Corporation", "Appendix I – Form of Voting and Exchange Trust Agreement", "Appendix J – Form of Support Agreement" and "Appendix M – Certain Information Regarding Tonkin Springs Gold Property of US Gold" in the Offer.

Additional information on US Gold can also be found in the section of this Circular entitled "Recent Developments".

Intercorporate Relationships

The corporate structure of US Gold after the take up of shares pursuant to the Offer, the White Knight Offer and Nevada Pacific Offer is as follows:



(1) One Share is held by Custodio Privado de Valores, S.A. de C.V.

Consolidated Capitalization of US Gold

	December 31, 2006	March 31, 2007	May 22, 2007
Common stock of US Gold (no par value, 250,000,000 shares authorized, shares issued and outstanding)	50,046,755	50,058,755	60,352,835[2]
Exchangeable Shares (no par value, unlimited shares authorized, issued and outstanding)	0	38,027,674[1]	27,733,594[1]
Total	**50,046,755**	**88,086,429**	**88,086,429**

Notes:

(1) Effective March 28, 2007, US Gold's then wholly-owned subsidiary, Canadian Exchange Co., took up and accepted the shares tendered by the shareholders of the Acquired Companies and on March 28, 2007 issued 38,027,674 Exchangeable Shares in payment for the tendered shares of the Acquired Companies. The Exchangeable Shares, by virtue of the redemption and exchange rights attaching to them and the provisions of certain voting and support agreements are intended to provide holders with the economic and voting rights that are, as nearly as practicable, equivalent to those of a share of common stock of US Gold. Accordingly, the Exchangeable Shares are included as part of the consolidated share capital of US Gold.

(2) As of May 22, 2007, 10,294,835 Exchangeable Shares had been exchanged for the same number of shares of common stock of US Gold.

Canadian Exchange Co.

US Gold Canadian Acquisition Corporation, or Canadian Exchange Co., is a corporation incorporated under the *Business Corporations Act* (Alberta). US Gold formed Canadian Exchange Co. solely for the purpose of making offers to acquire all of the outstanding shares of Tone Resources, Nevada Pacific and White Knight. In connection with these offers, among other things, Canadian Exchange Co. acquired the benefit of the Support Agreement

between US Gold and Alberta ULC (see the section entitled "The Offer — Other Terms — Subsequent Acquisition Transaction" of the Offer for a description of Alberta ULC), acquired Tone Resources Shares and shares of White Knight and Nevada Pacific and incurred liabilities in connection with the offers. Canadian Exchange Co.'s registered office is located at 2900 Manulife Place, 10180-101 Street, Edmonton, Alberta, Canada T5J 3V5 and its telephone number is (780) 423-7100.

Robert R. McEwen, Ann S. Carpenter and William F. Pass are the current directors of Canadian Exchange Co. Each of Mr. McEwen, Ms. Carpenter and Mr. Pass has served as a director of Canadian Exchange Co. since Canadian Exchange Co.'s incorporation on April 18, 2006. The term of office of each director will expire not later than the close of the next annual meeting of Shareholders of Canadian Exchange Co. In addition, Mr. McEwen currently serves as the Chairman and Chief Executive Officer, Ms. Carpenter currently serves as the President, and Mr. Pass currently serves as the Vice President, Secretary and Treasurer, of Canadian Exchange Co. Additional information regarding Mr. McEwen, Ms. Carpenter and Mr. Pass is included in US Gold's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006, which is incorporated by reference in this Circular.

Additional information regarding Canadian Exchange Co. is included in Appendix E to the Offer, which is incorporated into this Circular.

In addition to an unlimited number of common shares, Canadian Exchange Co. is authorized to issue the Exchangeable Shares, as described in the section entitled "The Arrangement — Exchangeable Shares — Description of Exchangeable Shares" of this Circular, having substantially the attributes set out in Appendix H to the Offer.

RECENT DEVELOPMENTS

On March 23, 2007, following expiration of the offers to each of Tone Resources, White Knight and Nevada Pacific, US Gold and Canadian Exchange Co. notified the depository to accept for payment the common shares of Tone Resources, White Knight and Nevada Pacific that had been validly tendered and not withdrawn and paid for such shares on March 28, 2007. Details of the take-up can be found in US Gold's annual report on Form 10-KSB for the fiscal year ended December 31, 2006, which is incorporated by reference. Information on the business of White Knight is attached as Appendix A (Certain Information Concerning White Knight) to the White Knight Offer, which is incorporated by reference and information on the business of Nevada Pacific is attached as Appendix A (Certain Information Concerning Nevada Pacific) to the Nevada Pacific Offer, which is incorporated by reference.

The financial statements of Nevada Pacific and White Knight are attached as Appendix C (Financial Statements of Nevada Pacific) and Appendix D (Financial Statements of White Knight) to the Offer, which is filed on SEDAR at www.sedar.ca. Additional financial information on Nevada Pacific may be found in the unaudited interim financial statements of Nevada Pacific for the six months ended December 31, 2006 and Management's Discussion and Analysis of Results of Operations and Financial Condition of Nevada Pacific for the six months ended December 31, 2006, which are filed on SEDAR at www.sedar.ca. Additional financial information on White Knight may be found in the unaudited interim financial statements of White Knight for the six months ended December 31, 2006 and Management's Discussion and Analysis of Results of Operations and Financial Condition of White Knight for the six months ended December 31, 2006, which are filed on SEDAR at www.sedar.ca.

On April 10, 2007 US Gold announced exploration results, including 0.73 ounces per ton (opt) over five feet within a larger intercept of 0.097 opt over 59.5 feet, from its Tonkin project. This high-grade occurrence is located in a flat lying northeast oriented structure, which is a prominent feature of major gold discoveries on the Cortez and Carlin Trends. Drilling also encountered mineralization of 0.096 opt over 14 feet in a vertical structure, which was the first such occurrence encountered on the property. US Gold also announced that it is merging the land positions and geologic data acquired in the recent takeovers of the Acquired Companies, in order to advance exploration on what US Gold believes are highly prospective properties.

On April 15, 2007 the Exchangeable Shares were listed on Toronto Stock Exchange and trading began on Monday April 16, 2007 under the symbol "UXE.TO". For information on this listing may be found in the material change report in Form 8-K of US Gold dated April 13, 2007 concerning the listing of the Exchangeable Shares on the TSX, a copy of which is incorporated by reference.

TONE RESOURCES SECURITIES AND THE PRINCIPAL HOLDERS THEREOF

As at May 22, 2007, 21,282,152 Tone Resources Shares were issued and outstanding. In addition, as at May 22, 2007, there were 710,500 Options and 2,710,000 Warrants outstanding. Robert McEwen, a director and officer of Tone Resources, US Gold and Canadian Exchange Co. holds Warrants to purchase 730,000 Tone Resources Shares.

Each Tone Resources Share entitles the holder thereof to one vote at all meetings of Shareholders. To the knowledge of the directors and senior officers of Tone Resources, the following table includes the name of each person or company who, as at May 18, 2007, beneficially owned, directly or indirectly, or exercised control or direction over, 10% or more of the Tone Resources Shares and the percentage of the issued and outstanding Tone Resources Shares represented by the number of Tone Resources Shares believed to be so owned, controlled or directed:

Name	Number of Tone Resources Shares Owned	Percentage of Issued and Outstanding Tone Resources Shares
Canadian Exchange Co.	18,792,726	88.3%

Market Prices and Trading Volumes of Tone Resources Shares

The Tone Resources Shares are listed and posted for trading on the TSX-V under the symbol "TNS". The following table sets forth, for the periods indicated, the reported high and low sale prices and the aggregate volume of trading of the Tone Resources Shares on the TSX-V:

Calendar Period	TSX-V		
	High (Cdn $)	Low (Cdn $)	Average Daily Volume
2007			
April 2007	-	-	-
March 2007	1.380	1.080	10591
February 2007	1.540	1.280	17588
January 2007	1.420	1.090	11174
2006			
December 2006	1.740	1.150	15625
November 2006	1.480	1.126	10614
October 2006	1.340	1.030	25316
September 2006	1.660	1.010	21123
August 2006	1.850	1.500	32582
July 2006	1.900	1.600	40245
June 2006	1.840	1.180	39814
May 2006	2.390	1.420	41485

Source: TSX Inc.

On February 9, 2007, being the last practicable trading day prior to the mailing of the Offer, the trading price for the Tone Resources Shares was $1.49 and on May 22, 2007, being the last practicable trading day prior to the date of this Circular, the trading price for the Tone Resources Shares was $[•].

Subsequent to the completion of the Arrangement, the Tone Resources Shares will be delisted from the TSX-V and Tone Resources will apply to cease to be a reporting issuer under the securities laws of applicable jurisdictions.

ADDITIONAL INFORMATION RELATING TO TONE RESOURCES

Authorized and Issued Capital

Tone Resources' authorized capital consists of an unlimited number of Tone Resources Shares. As at May 22, 2007, Tone Resources had 21,282,152 Tone Resources Shares issued and outstanding. In addition, Tone Resources had Options for the purchase of 710,500 Tone Resources Shares and 2,710,000 Warrants issued and outstanding as at May 18, 2007.

As all of Tone Resources' authorized and issued shares are of one class, Tone Resources' Articles of Incorporation provide that all authorized and issued shares rank equally in respect to the declaration and receipt of dividends and the rights to share in any profits or surplus on liquidation, dissolution or winding-up of Tone Resources. Each Tone Resources Share has attached to it one vote at meetings of Shareholders.

Dividends and Dividend Policy

Tone Resources has never declared any dividends on its shares. Further, Tone Resources does not intend to pay dividends in the future.

Previous Purchases and Sales

No securities of Tone Resources, excluding securities purchased or sold pursuant to the exercise of employee stock options, warrants and conversion rights, have been purchased or sold by Tone Resources during the 12 months preceding the date of the Circular.

Previous Distributions

No distribution of Tone Resources Shares were effected during the five years preceding the date of the Circular, except for the following:

Date	Description of Purchase or Sale	Number of Securities Purchased or Sold	Purchase or Sale Price per Security ($)	Aggregate Gross Proceeds ($)
October 31, 2001 to August 31, 2006[1]	–	–	–	–
September 11, 2006	exercise of warrants	100,000	0.25	25,000
October 23, 2006	exercise of option	18,750	0.35	6,562.50
October 31, 2006	exercise of warrants	10,000	0.25	2,500
October 31, 2006	exercise of options	15,000	0.50	7,500
December 5, 2006	exercise of warrants	15,000	0.25	3,750
December 15, 2006	exercise of warrants	300,000	0.25	75,000
February 12, 2007	exercise of options	25,000	0.50	12,500
February 27, 2007	exercise of options	94,000	0.50	47,000
March 19, 2007	exercise of options	450,000	0.50	225,000
May 2, 2007	exercise of options	248,982	0.50	124,491

Notes:

(1) See Consolidated Statement of Shareholders Equity in Tone Resources for the period October 31, 2001 (Date of Inception) to August 31, 2006 of Tone Resources included in Appendix B (Financial Statements of Tone Resources) to the Offer.

(2) Figures cited from the Tone Resources Unaudited Interim Financial Statements of November 30, 2006. Figures may overlap with previous disclosure by Tone Resources.

Commitments to Acquire Securities of Tone Resources

Except as described in this Circular and in connection with the Arrangement, neither Tone Resources nor any of Tone Resources' directors or executive officers, nor, to the knowledge of Tone Resources' directors and executive officers after reasonable inquiry, any of US Gold or Canadian Exchange Co.'s directors and executive officers or any of Tone Resources, US Gold or Canadian Exchange Co.'s associates or affiliates, any associate of

any of their directors or executive officers or any person or company owning, directly or indirectly, more than 10% of any class of Tone Resources, US Gold or Canadian Exchange Co.'s securities or has entered into any commitments to acquire any equity securities of Tone Resources.

Arrangements, Agreements or Understandings

Except as described in this Circular, or in the attached appendices or documents, neither Tone Resources nor, to the best of its knowledge, any of its directors, executive officers or other affiliates have any contract, arrangement, understanding or relationship with any other person with respect to any securities of Tone Resources, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any securities, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies. Except as described in the Circular, there have been no contacts, negotiations or transactions between Tone Resources or, to the best of its knowledge, any of its directors, executive officers or other affiliates on the one hand, and US Gold or Canadian Exchange Co. or their affiliates, on the other hand, relating to any merger, consolidation or acquisition, a tender offer or other acquisition of securities, an election of directors, or a sale or other transfer of a material amount of assets. Neither Tone Resources, nor, to the best of its knowledge, any of its directors, executive officers or other affiliates has had any transaction with US Gold or Canadian Exchange Co. or any of their executive officers, directors or affiliates that would require disclosure under the rules and regulations of the SEC applicable to the Arrangement.

Except as described in this Circular, there are no arrangements or agreements made or proposed to be made between US Gold, Canadian Exchange Co. and Tone Resources and any of the directors or executive officers of Tone Resources and no payments or other benefits are proposed to be made or given by US Gold or Canadian Exchange Co. to such directors or executive officers as compensation for loss of office or as compensation for remaining in or retiring from office if the Arrangement is consummated.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets out information as of the end of Tone Resources' most recently completed financial year with respect to compensation plans under which equity securities of Tone Resources are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	1,562,232	$0.48	183,094[1]
Equity compensation plans not approved by securityholders	Nil	n/a	n/a
Total	1,562,232	n/a	183,094

Note:

(1) Based on the maximum aggregate number of Tone Resources Shares reserved and authorized for issuance pursuant to Options granted under the Stock Option Plan, being 2,627,032 Tone Resources Shares. The total number of Tone Resources Shares reserved and authorized for issuance pursuant to Options granted under the Stock Option Plan was increased to 3,282,826 at the annual general meeting of Shareholders on February 8, 2007.

Stock Option Plan

Under the Stock Option Plan, 3,033,844 Tone Resources Shares are available for purchase upon the exercise of Options. This represents 14.26% of Tone Resources' current outstanding share capital. There are Options to purchase 710,500 Tone Resources Shares currently outstanding.

The Stock Option Plan provides that Options may be awarded to directors, employees and consultants of Tone Resources and any of its affiliates.

The Stock Option Plan provides that the Committee may issue the Options to insiders of Tone Resources. However, in no case will the Stock Option Plan result at any time in: (a) the number of shares reserved for issuance pursuant to Options granted to insiders exceeding 20% of Tone Resources' issued and outstanding share capital; or (b) the issuance to any one optionholder, within a one-year period, of a number of Tone Resources Shares exceeding 5% of Tone Resources' issued and outstanding share capital.

The exercise price of an Option is the market price prevailing on the date the option is granted less applicable discount, if any, permitted by the policies of the Exchanges and approved by the Board.

The options are exercisable over periods of up to five years as determined by the Directors. The Stock Option Plan states that in the event an Optionholder ceases to be a director or employee of Tone Resources other than for cause, the Option is exercisable at any time up to but not after the earlier of the expiry date and the date which is vested 90 days after the optionee ceases to be an employee, director, or consultant.

In the event a *bona fide* offer is made for all or any of the issued and outstanding Tone Resources Shares, all Options outstanding shall become immediately vested.

An Option may not be assigned. The Committee reserves the right to amend or terminate the Stock Option Plan at any time provided that no such amendment or termination shall adversely affect any outstanding Options granted under the Stock Option Plan without the consent of the optionee and the terms and conditions of any Option awarded thereunder are subject to all necessary approvals of any stock exchange or regulatory body having jurisdiction over the securities of Tone Resources.

Interest of Informed Persons in Material Transactions

Except as otherwise disclosed herein or as disclosed in a previous circular of Tone Resources, no informed person (i.e., insider) of Tone Resources, no proposed director of Tone Resources, and no associate or affiliate of any informed person or proposed director has had any material interest, direct or indirect, in any transaction since July 1, 2006 or in any proposed transaction which has materially affected or would materially affect Tone Resources.

On March 5, 2006, US Gold, a company in respect of which Robert McEwen serves as Chairman and Chief Executive Officer, announced its intention to acquire all of the outstanding shares of Tone Resources together with all of the outstanding shares of three other companies that were exploring in the Cortez Trend area in the State of Nevada. The announcement specified that US Gold intended to issue 0.26 common shares of US Gold for each outstanding Tone Resources Share, subject to a number of conditions, including the determination of the precise forms of the transactions, due diligence and Shareholder and regulatory approvals. On June 5, 2006, US Gold further announced that it intended to commence an offer for Tone Resources by mailing offer documents as soon as regulatory requirements were satisfied. On February 12, 2007, US Gold and Canadian Exchange Co., then a wholly-owned subsidiary of US Gold, mailed the Offer to Shareholders. On March 23, 2007 US Gold took up 89.4% of the issued and outstanding Tone Resources Shares pursuant to the Offer, including the Tone Resources Shares held by Robert McEwen.

Auditor

Amisano Hanson, Chartered Accountants, is the current auditor of Tone Resources.

Corporate Governance

Please refer to the disclosure under the heading "Corporate Governance Disclosure" in the management information circular of Tone Resources prepared in connection with Tone Resources' annual and general meeting held on February 8, 2007, which is incorporated by this reference, for a discussion of Tone Resources' corporate governance practices.

Additional Information Regarding Tone Resources

Additional information regarding Tone Resources may be found in documents it files with the securities regulatory authorities in certain of the provinces and territories of Canada, including annual and interim financial

statements, together with management's discussion and analysis related thereto, and Tone Resources' annual information form for the year ended August 31, 2006. Such documents are available on SEDAR at www.sedar.com. Annual financial information is provided in Tone Resources' comparative financial statements and management's discussion and analysis for the year ended August 31, 2006. Interim financial information is provided in Tone Resources' unaudited interim financial statements and management discussion and analysis for the six months ended February 28, 2007. Securityholders may request copies of Tone Resources' financial statements and management's discussions and analysis by writing to the Chief Financial Officer of Tone Resources at 165 South Union, Suite 565, Lakewood, Colorado, USA 80228.

COMPARISON OF SHAREHOLDERS RIGHTS

Comparison of Rights of Holders of US Gold Common Stock and Tone Resources Shares

US Gold is a corporation organized in the United States and the rights of US Gold's Shareholders are governed by the *Colorado Business Corporation Act*, or the Colorado Act, and US Gold's articles of incorporation, as amended, and bylaws. Tone Resources is a corporation organized in the Province of British Columbia and the rights of its Shareholders are governed by the *Business Corporations Act* (British Columbia), referred to as the BCBCA, and other laws of Canada, and Tone Resources' articles and notice of articles. Following the consummation of the Offer, Shareholders will become US Gold's shareholders and, as such, their rights will be governed by the Colorado Act and US Gold's articles of incorporation and bylaws.

The following is a summary of the material differences between the rights of holders of Tone Resources Shares and the rights of holders of US Gold's shares. This summary is not a complete comparison of rights that may be of interest, and you should therefore read the full text of the respective corporate charters, articles and bylaws, as applicable, of Tone Resources and US Gold.

	Tone Resources Shareholder Rights	US Gold Shareholder Rights
Authorized Capital Stock	Tone Resources' authorized capital share structure is an unlimited number of common shares without par value.	Following Shareholder approval at US Gold's special meeting in connection with the strategic offers, US Gold's authorized capital stock will be 250,000,001 shares consisting of 250,000,000 shares of common stock, no par value, and one share of preferred stock, no par value designated Series A Special Voting Preferred Stock. US Gold's articles of incorporation provide that, and pursuant to the Colorado Act, US Gold's board may declare dividends. Dividends may be paid in cash, in property or in shares of capital stock.
Dividends	Dividends may be declared at the discretion of Tone Resources' board, subject to the rights of any Shareholders holding shares with special rights to dividends. Dividends may be paid in cash, assets of Tone Resources, shares, bonds, debentures or other securities of Tone Resources, or in any one or more of those ways.	

	Tone Resources Shareholder Rights	US Gold Shareholder Rights
Size of the Board	The BCBCA and Tone Resources provide that a public corporation must have at least three directors. Tone Resources' articles provide that the number of directors may be determined by the Shareholders from time to time by ordinary resolution.	US Gold's bylaws provide that there shall be seven directors and the board may increase or decrease, to not less than three, the number of directors by resolution.
Removal and Retirement of Directors	Under the BCBCA, a director may be removed before the expiration of his or her term by a special resolution. Tone Resources' articles provide that the Shareholders may by special resolution remove any director and by ordinary resolution appoint another person to fill the vacancy. If the Shareholders do not elect or appoint a director to fill the vacancy simultaneously with the removal of a director, the remaining directors or the Shareholders may elect or appoint a director to fill the vacancy.	Under US Gold's bylaws, at a meeting called for the purpose of removing directors, Shareholders may, remove the entire board or any lesser number of directors, with or without cause by a majority vote of the shares entitled to vote at an election of directors.
Directors' Term	Under Tone Resources' articles, at each annual general meeting, Shareholders entitled to vote at the annual general meeting must elect the entire board. If Tone Resources does not hold an annual general meeting, the directors appointed at the last annual general meeting shall continue in office until his or her successor is elected or appointed or the date on which he or she otherwise no longer holds office in accordance with the BCBCA or Tone Resources' articles.	US Gold's bylaws, as amended, provide that each director elected shall hold office until such director's successor is elected and qualified.
Filling Vacancies on the Board	Under the BCBCA and Tone Resources' articles, the directors may appoint a person as a director either to fill a vacancy on the board or as an addition to the board. The number of additional directors so appointed, however, cannot at any time exceed one-third of the number of current directors who were elected or appointed pursuant to the articles. Any additional director shall hold office until the next annual general meeting, but shall be eligible for re-election at such meeting. Under Tone Resources' articles, if there are fewer directors in office than the number set in the articles as a quorum	US Gold's bylaws provide that any vacancy occurring in US Gold's board may be filled by the affirmative vote of a majority of US Gold's remaining directors, even if less than a quorum. A director elected to fill a vacancy shall be elected for the unexpired term of such director's predecessor in office, and shall hold such office until his successor is duly elected and shall qualify. If a directorship is to be filled by reason of an increase in the number of directors, either a majority of the directors then in office or a majority of Shareholders may elect the successor. The director so chosen shall hold office until the next annual meeting and until such director's

	Tone Resources Shareholder Rights	US Gold Shareholder Rights
	of directors (a majority of current directors or as set by the board), the board may only act to appoint directors up to the number established pursuant to the articles as a quorum of directors or calling a Shareholder meeting to fill those vacancies. If Tone Resources' has no directors or fewer directors in office than the number established pursuant to Tone Resources' articles as a quorum of directors, Shareholders may elect or appoint directors to fill vacancies.	successor has been elected and shall qualify.
Required Vote for Certain Transactions	Under the BCBCA, certain extraordinary corporate actions, such as continuances, certain mergers, sales, leases or other dispositions of all, or substantially all of, the property of a corporation (other than in the ordinary course of business), liquidations, dissolutions and certain arrangements, are required to be approved by special resolution of the Shareholders. For Tone Resources, a special resolution means a resolution passed at a general meeting by a majority of at least two-thirds of the votes cast on the resolution. In certain cases, an action that prejudices, adds restrictions to or interferes with a right or special right attached to issued shares of a class or series of shares must be approved separately by the holders of the class or series of shares being affected by special resolution.	To effect a merger or share exchange under the Colorado Act, a corporation's board must approve and adopt a plan of merger or plan of share exchange and recommend such plan to the Shareholders. Such plan must be adopted by a majority of the Shareholders of the corporation entitled to vote thereon unless the articles of incorporation require a greater vote. Under the Colorado Act, a corporation may sell, lease, exchange or otherwise dispose of all, or substantially all, of its property other than in the regular course of business on the terms and conditions and for the consideration determined by the board, if the board proposes and a majority of the Shareholders entitled to vote approve the transaction. US Gold's articles of incorporation and bylaws do not require a greater vote.
Calling a Meeting of Shareholders	Under Tone Resources' articles, the directors have the power at any time to call special meetings of Shareholders. Under the BCBCA, the holders of not less than 5% of the issued shares of a corporation that carry the right to vote at a general meeting may requisition that the directors call a meeting of Shareholders. Upon meeting the technical requirements set out in the BCBCA, the directors must call a meeting of Shareholders to be held not more than four months after receiving the requisition. If the directors do not	US Gold's bylaws provide that a special meeting of Shareholders may be called at any time by the president, by a majority of the board or upon written demand by Shareholders holding 10% or more of all the votes entitled to be cast on any issue proposed to be considered at the meeting.

	Tone Resources Shareholder Rights	US Gold Shareholder Rights
	call such meeting within 21 days after receiving the requisition, the requisitioning Shareholders or any of them holding in aggregate not less than 2.5% of the issued shares of the corporation that carry the right to vote at general meetings may call the meeting.	
Quorum of Shareholders	Tone Resources' articles provide that a quorum for the transaction of business at any general meeting of Shareholders is one person who, present or represented by proxy. If within one-half hour from the time appointed for a general meeting a quorum is not present, the general meeting, if convened by requisition of the Shareholders, shall be dissolved. In any other case the meeting shall stand adjourned to the same day in the next week at the same time and place. If at such adjourned meeting a quorum is not present within one half hour from the time appointed, the person or persons present and being or representing by proxy, a Shareholder or Shareholders entitled to attend and vote at the meeting shall constitute a quorum.	US Gold's articles of incorporation provide that the holders of one-third of US Gold's stock entitled to vote at the meeting, present in person or represented by proxy, constitutes a quorum at any meeting of US Gold's Shareholders.
Notice of Meeting of Shareholders	Under the BCBCA, notices of the date, time and place of a general meeting of Shareholders must be sent not less than 21 days nor more than two months before the meeting to each director and to each Shareholder entitled to attend the meeting. Under Tone Resources' articles, the notice for a Shareholder meeting for which special business will be conducted must state the nature of the special business to be discussed or approved. If a document is being considered by the Shareholders, that document must be attached to the notice.	The Colorado Act and US Gold's bylaws provide that, whenever Shareholders are required or permitted to take any action at a meeting, a written notice of the meeting stating, among other things, the place, date and time of the meeting must be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at the meeting. Moreover, if the number of US Gold authorized shares is to be increased, at least 30 days written notice of the Shareholder meeting must be given.
Record Date for Notice of Meetings of Shareholders	The BCBCA and Tone Resources' articles provides that the directors may fix in advance a date as the record date for the determination of Shareholders entitled to receive notice of and vote at a meeting of Shareholders, but such	Under the Act and US Gold's bylaws, US Gold's board may fix in advance a date as the record date, provided that such date is not less than 10 days nor more than 60 days prior to the meeting. If US Gold's board does not fix the

	Tone Resources Shareholder Rights	US Gold Shareholder Rights
	record date shall not precede the meeting date (i) by more than two months or (ii) by more than four months in the case of a meeting requisitioned by Shareholders. If Tone Resources is a public company, the record date shall not be less than 21 days prior to the meeting date. If Tone Resources is not a public company, the record date shall not be less than 10 days prior to the meeting date. If no record date is fixed, the record date for the determination of Shareholders entitled to receive notice of or vote at a meeting of Shareholders shall be at 5:00 p.m. on the day immediately preceding the day on which the notice is given or, if no notice is given, the beginning of the meeting.	record date, the record date shall be 30 days prior to the Shareholder meeting.
Dissenters' or Appraisal Rights	The BCBCA provides that Shareholders of a corporation are entitled to exercise dissent rights in respect of certain matters and to be paid the fair value of their shares in connection therewith. The dissent right is applicable where the corporation resolves to: • alter its articles to alter the restrictions on the powers of the corporation or on the business it its permitted to carry on; • approve certain mergers; • approve an arrangement, where the terms of the arrangement permit dissent; • sell, lease or otherwise dispose of all or substantially all of its undertaking; or • continue the corporation into another jurisdiction.	The Colorado Act provides that a holder of shares of any class or series has the right, in certain circumstances, to dissent and obtain fair value of his or her shares. The Colorado Act grants these dissenters' rights in the case of mergers or consolidations and certain sales or transfers of assets or a purchase of assets for stock. No dissenters' rights are available for shares of any class or series that is listed on a national securities exchange or designated as a national market system security on an inter-dealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 Shareholders, unless the agreement of merger or consolidation requires the holders to accept for their shares anything other than: • shares of stock of the surviving corporation; • shares of stock of another corporation that are either listed on a national securities exchange or designated as a national market system security on an inter-dealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 Shareholders; • cash in lieu of fractional shares of

	Tone Resources Shareholder Rights	US Gold Shareholder Rights
		the stock described in the two preceding bullets; or • any combination of the above. In addition, dissenters' rights are not available to holders of shares of the surviving corporation if the merger did not require the vote of the Shareholders of the surviving corporation.
Indemnification of Directors and Officers	Under the BCBCA, a corporation may indemnify an individual who is or was a director or officer of the corporation. However, indemnification is prohibited if: • such eligible party did not act honestly and in good faith with a view to the best interests of such corporation (or the other entity, as the case may be); and • in the case of a proceeding other than a civil proceeding, such eligible party did not have reasonable grounds for believing that such person's conduct was lawful. The BCBCA allows for the corporation to pay the expenses actually and reasonably incurred by the eligible party, provided that, the corporation receives from such eligible party an undertaking to repay the amounts advanced if it is ultimately determined that such payment is prohibited. Despite the foregoing, on application of a corporation or eligible party, a court may: • order a corporation to indemnify an eligible party in respect of an eligible proceeding; • order a corporation to pay some or all of the expenses incurred by an eligible party in an eligible proceeding; • order enforcement of or any payment under an indemnification	US Gold's bylaws provide that it shall indemnify any person who is made or threatened to be made a party to any threatened, pending or completed action or suit or proceeding by reason of the fact that such person is or was a director, officer, employee or agent of US Gold or is or was serving at US Gold's request as a director, officer, employee or agent of another entity against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defence or settlement of such action or suit if such person acted in good faith and in a manner he or she reasonably believed to be in the best interests of US Gold; but no indemnification shall be made by us in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to US Gold unless and only to the extent that the court determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses which the court deems proper. Such indemnification is authorized and conditioned upon a determination of a majority of US Gold's disinterested directors, or if no such quorum is available, by independent legal counsel in a written opinion, that the indemnification of such person is proper in the circumstances because such person has met the standard of conduct. US Gold's bylaws also provide that to the extent a director, officer, employee or agent of US Gold has been successful

	Tone Resources Shareholder Rights	US Gold Shareholder Rights
	agreement; • order the corporation to pay some or all of the expenses actually and reasonably incurred by a person in obtaining the order of the court; and/or • make any other order the court considers appropriate. Tone Resources' articles require it to indemnify directors of Tone Resources, former directors of Tone Resources or alternate directors of Tone Resources and their heirs and legal personal representative against all judgments, penalties, fines or amounts paid in settlement to which that person is or may be liable and Tone Resources must pay the expenses actually and reasonably incurred by that person after the final disposition of any legal proceeding or investigative action, whether current, threatened, pending or completed for which the director, former director or alternate director of Tone Resources has been made a party or is found liable. Under its articles, Tone Resources may indemnify any other person. The failure of a director, alternate director or officer of Tone Resources to comply with the BCBCA or the articles will not invalidate any indemnity that person is entitled to under the articles.	on the merits in defence of any action, suit or proceeding referred to above or defence of any claim, issue or matter, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with such defence. In addition, the Colorado Act and US Gold's bylaws allows for the advance payment of expenses of an officer or director who is indemnified prior to the final disposition of an action, provided that, in the case of a current director or officer, such person undertakes to repay any such amount advanced if it is later determined that such person is not entitled to indemnification with regard to the action for which the expenses were advanced. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions, or otherwise, US Gold has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.
Director Liability	Under the BCBCA, directors of a corporation who vote for or consent to a resolution that authorizes the corporation to do any of the following are jointly and severally liable to restore to the corporation any amount paid or distributed as a result and not otherwise recovered by the corporation: • carry on its business or exercise any power that it is restricted by its articles from carrying on or exercising; • pay a commission or allow a discount contrary to the provisions of the BCBCA;	US Gold's articles of incorporation provide that directors shall not be personally liable to US Gold or its Shareholders for monetary damages for breach of fiduciary duty, except as prohibited by the Colorado Act, as follows: • for any breach of the director's duty of loyalty to US Gold or its Shareholders; • for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; • for unlawful dividends under the

	Tone Resources Shareholder Rights	US Gold Shareholder Rights
	• pay a dividend or acquire or redeem any of its shares where there are reasonable grounds for believing that the corporation is insolvent or the payment of the dividend or the acquisition or redemption would render the corporation insolvent; or • indemnify a person in contravention of the BCBCA. A director is not liable for the foregoing if the director relied, in good faith, on: • financial statements of the corporation represented to the director by an officer of the corporation or in a written report of the auditor of the corporation to fairly reflect the financial position of the corporation; • a written report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by that person; • a statement of fact represented to the director by an officer of the corporation to be correct; or • any record, information or representation that the court considers provides reasonable grounds for the actions of the director, whether or not that record was forged, fraudulently made or inaccurate. Furthermore, a director is not liable if the director did not know and could not reasonably have known that the act done by the director or authorized by the resolution voted for or consented to by the director was contrary to the BCBCA.	Colorado Act; or • for any transaction from which the director derived an improper personal benefit.
Transactions with Directors and Officers	Under the BCBCA, subject to certain exceptions, a director or senior officer of a corporation holds a "disclosable interest" in a contract or transaction if: (i) the contract is material to the corporation; (ii) the corporation has	Under the Colorado Act, contracts and transactions between US Gold and one or more of its directors and officers, or between US Gold and any other entity in which one or more of US Gold's directors or officers are directors or

Tone Resources Shareholder Rights	US Gold Shareholder Rights
entered, or proposes to enter, into the contract or transaction; and (iii) the director or senior officer has a direct or indirect material interest in the contract or transaction. Subject to certain exceptions under the BCBCA and unless the court orders otherwise, a director or senior officer of a corporation is liable to account to the corporation for any profit that accrues to the director or senior officer under or as a result of a contract or transaction in which the director or senior officer holds a disclosable interest. The exemptions from the requirement to account to the corporation for any profit include where the disclosable interest is disclosed to the directors of the corporation and the directors approve of the contract or transaction with any directors that hold a disclosable interest abstaining from the vote or the contract is approved by a special resolution of the Shareholders. If all directors have a disclosable interest in a contract or transaction, any or all of those directors may vote on a directors' resolution to approve the contract or transaction. Directors with a disclosable interest may be counted in the quorum at the directors' meeting to approve the contract or transaction whether or not such directors vote at the directors' meeting. Tone Resources' articles also provide that a director or senior officer who holds any office or possesses any property or interest that conflicts materially with his or her duties or interests as a director or senior officer must disclose the nature of such conflict to the board.	officers or have a financial interest may be void or voidable unless: (i) the material facts of the director's or officer's relationship or interest are disclosed or known to the board or committee and the board or committee authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, (ii) the material facts of the director's or officer's relationship or interest are disclosed or known to the Shareholders and the contract or transaction is approved in good faith by a vote of the Shareholders, or (iii) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified by the board, a committee or the Shareholders. In addition, US Gold adopted a corporate opportunity policy that defines the business opportunity in which US Gold has an interest and prohibits its officers and directors from taking advantage of those opportunities without the approval of a majority of the disinterested directors or a committee of US Gold's board appointed for that purpose.

	Tone Resources Shareholder Rights	US Gold Shareholder Rights
Special Rights and Restrictions	Tone Resources' articles make no provision for special rights or restrictions on any class of share of Tone Resources.	US Gold's articles establish the following special rights and restrictions for the Series A Special Voting Preferred Stock: • the preferred share is entitled to as many votes as there are Exchangeable Shares issued and outstanding which are not owned by US Gold or its subsidiaries; • the holder of the preferred share is not entitled to dividends or distributions upon liquidation, dissolution or winding-up of US Gold; • the preferred share is not redeemable; and • the preferred share shall be retired and cancelled when there are no longer any Exchangeable Shares issued and outstanding which are not owned by US Gold or its subsidiaries and there is no agreement, commitment or obligation of Canadian Exchange Co. to issue any Exchangeable Shares to any person other than US Gold or its subsidiaries.

INFORMATION CONCERNING THE MEETING AND PROXIES

Solicitation of Proxies

This Circular is being furnished in connection with the solicitation of proxies by or on behalf of the management of Tone Resources for use at the Meeting and the cost of such solicitation will be borne by Tone Resources. The solicitation will be primarily by mail, but directors, officers, employees and agents of Tone Resources may also solicit proxies by telephone or in person. Employees will not receive any extra compensation for such activities.

Appointment of Proxyholder

The persons named in the enclosed form of proxy are officers of Tone Resources. A registered holder of Tone Resources Securities has the right to appoint as his or her proxyholder a person or company (who need not be a Securityholder) to attend and to act on his or her behalf at the Meeting other than the persons designated in the form of proxy accompanying this Circular. A Securityholder may do so by inserting the name of such other person in the blank space provided in the form of proxy (printed on blue paper) or by completing another proper form of proxy and, in either case, by delivering the completed proxy to Tone Resources' registrar and transfer agent, Pacific Corporate. For postal delivery, the completed proxy should be mailed using the envelope provided. To deliver by facsimile, please send the proxy to the Proxy Department of Pacific Corporate (604) 689-8144. The completed proxy may also be delivered in person or by registered mail to Tone Resources

Limited c/o Pacific Corporate Trust Company, 2nd Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9, Attention: Proxy Department. To be effective, proxies must be received before 5:00 p.m. (Vancouver Time) on June 21, 2007 (or the business day preceding the Meeting if it is postponed or adjourned).

Revocation of Proxy

A Securityholder may revoke a proxy by delivering another properly completed form of proxy bearing a later date in accordance with the procedures specified under the heading "Information Concerning the Meeting and Proxies – Appointment of Proxyholder", by depositing an instrument in writing executed by him or her, or by his or her attorney authorized in writing, at the registered office of Tone Resources at any time up to and including the last business day preceding the day of the Meeting at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting or in any other manner permitted by law.

Exercise of Proxy

The Tone Resources Securities represented by a properly executed proxy will be voted for or against in accordance with the instructions of the Securityholder on any vote that may be called for and, if the Securityholder specifies a choice with respect to any matter to be acted upon at the Meeting, Tone Resources Securities represented by properly executed proxies will be voted accordingly.

In the absence of any instructions to the contrary, the Tone Resources Securities represented by proxies received by management will be voted FOR the approval of the Arrangement Resolution.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the date of this Circular, management of Tone Resources knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting. If any other matters do properly come before the Meeting, it is intended that the person appointed as proxy shall vote on such other business in such manner as that person then considers to be proper.

Explanation of Voting Rights for Beneficial Owners of Tone Resources Securities

Only registered Securityholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Tone Resources Securities beneficially owned by a person (a "**Non-Registered Holder**") are registered either:

(a) in the name of an Intermediary that the Non-Registered Holder deals with in respect of the shares (intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered retirement savings plans, registered retirement income funds, registered education savings plans and similar plans); or

(b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, Tone Resources will be distributing copies of the Notice of Meeting, this Circular and the form of proxy (collectively, the "**Meeting Materials**") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive the Meeting Materials will either:

(a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. Because the Intermediary has already

signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Holder when submitting the proxy. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deliver it to Tone Resources as set out above; or

(b) more typically, be given a form which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a "proxy authorization form") which the Intermediary must follow.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own. Should a Non-Registered Holder who receives either form of proxy wish to vote at the Meeting in person, the Non-Registered Holder should strike out the persons named in the form of proxy and insert the Non-Registered Holder's name in the blank space provided. In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the form of proxy or proxy authorization form is to be delivered.

Quorum and Voting Rights

The presence, in person or by proxy, of any one Shareholder is necessary for a quorum at the Meeting. The Board has fixed the close of business on May 18, 2007 as the record date for the purpose of determining the Securityholders entitled to receive notice of the Meeting and to attend and vote at the Meeting, but the failure of any Securityholder to receive notice of the Meeting does not deprive the Securityholder of the right to vote at the Meeting

STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides holders of Tone Resources Securities with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, if there is misrepresentation in a circular or a notice that is required to be delivered to such securityholders. However, such rights must be exercised within prescribed time limits. Securityholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer.

MATERIAL CHANGES AND OTHER INFORMATION

Except for the Arrangement and as otherwise disclosed publicly by Tone Resources, there is no information which indicates that any material change has occurred in the affairs of Tone Resources since the date of the last available published financial statements of Tone Resources.

EXPERTS

Interest of Experts

To Tone Resources' knowledge after reasonable inquiry, no person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Circular or prepared or certified a report or valuation described or included in this Circular beneficially owns, directly or indirectly, 1% or more of the Tone Resources Securities or the securities of any of Tone Resources' associates or affiliates.

Technical Reports

Certain scientific and technical information contained in Appendix A (Information Concerning Nevada Pacific) of the Nevada Pacific Offer relating to Nevada Pacific's Magistral Mine, which is incorporated by reference, was based on a current technical report filed on SEDAR (www.sedar.com) in accordance with the

requirements of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"). This report is entitled "Technical Report on Magistral Gold Mine, Sinaloa, Mexico" dated September 13, 2006 and was prepared by Richard Addison, P.E. and Leonel Lopez, C.P.G. of Pincock, Allen & Holt. Each of Messrs. Addison and Lopez is an independent qualified person under NI 43-101.

Certain scientific and technical information contained in Appendix A (Information Concerning White Knight) of the White Knight Offer relating to White Knight's Gold Pick Property, which is incorporated by reference, was based on a current technical report filed on SEDAR (www.sedar.com) in accordance with the requirements of NI 43-101. This report is entitled "NI 43-101 Technical Report on the New Pass Property, Churchill County, Nevada" dated April 12, 2006 with additions made to the S. Arentz III portion by S. Arentz III on October 18, 2006 and was prepared by Paul A Pelke and Sam S. Arentz III of Mine Development Associates. Each of Messrs. Pelke and Arentz is an independent qualified person under NI 43-101.

Certain scientific and technical information contained in Appendix M (Certain Information Regarding Tonkin Springs Gold Property of U.S. Gold Corporation) of the Offer relating to the Tonkin property in Nevada of US Gold, which is incorporated by reference, was based on a current technical report filed on SEDAR (www.sedar.com) in accordance with the requirements of NI 43-101. This report is entitled "Updated Technical Report on the Tonkin Springs Gold Property, Nevada, U.S.A." dated June 30, 2006 and was prepared by Richard M. Gowans and Alan Noble at Micon International Limited. Each of Messrs. Gowans and Noble is an independent qualified person under NI 43-101.

Independent Registered Accounting Firm

The consolidated financial statements of US Gold as and for the years ended December 31, 2006 and 2005, which are incorporated by reference, have been included in reliance upon the reports of Stark Winter Schenkein & Co. LLP, independent registered accounting firm, upon the authority of said firm as experts in accounting and auditing.

APPROVAL OF BOARD

The contents and the sending of this Circular have been approved by the Board of Directors of Tone Resources.

DATED this 23rd day of May, 2007.

BY ORDER OF THE BOARD OF DIRECTORS

(*signed*)

Robert R. McEwen
Director and Chief Executive Officer

CONSENT OF STARK WINTER SCHENKEIN & CO. LLP

We hereby consent to the use of our report dated March 20, 2006 relating to US Gold Corporation, which appears in the management information circular of Tone Resources Limited dated May 23, 2007 relating to the plan of arrangement between Tone Resources Limited, US Gold Corporation and US Gold Canadian Acquisition Corporation (the "**Circular**"). We also consent to the reference to us under the heading "Experts" in the Circular and any amendments thereto.

(signed) STARK WINTER SCHENKEIN & CO. LLP

Denver, Colorado
[•], 2007

APPENDIX A
ARRANGEMENT RESOLUTION
SPECIAL RESOLUTION OF THE SECURITYHOLDERS

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the arrangement (as may be amended or varied, the "**Arrangement**") under Section 288 of the *Business Corporations Act* (British Columbia) involving Tone Resources Limited ("**Tone Resources**") and its securityholders, as more particularly described and set forth in the plan of arrangement (as may be varied, amended or supplemented, the "**Plan of Arrangement**") attached as Schedule B to the Arrangement Agreement referred to below, be and is hereby authorized, approved and adopted;

2. the Arrangement Agreement dated May 17, 2007 among US Gold Canadian Acquisition Corporation, US Gold Corporation and Tone Resources, a copy of which is attached as Appendix B to the Management Information Circular of Tone Resources dated May 23, 2007, as may be amended, varied or supplemented from time to time (the "**Arrangement Agreement**"), the actions of the directors of Tone Resources in approving the Arrangement and the Arrangement Agreement and the actions of the directors and officers of Tone Resources in executing and delivering the Arrangement Agreement and causing the performance by Tone Resources of its obligations thereunder be and are hereby confirmed, ratified, authorized and approved;

3. notwithstanding that this resolution has been passed (and the Arrangement authorized, approved and adopted) by the securityholders of Tone Resources or that the Arrangement has been approved by the Supreme Court of British Columbia (the "**Court**"), the directors of Tone Resources be and are hereby authorized and empowered without further approval of the securityholders of Tone Resources (i) to amend the Arrangement Agreement or the Plan of Arrangement to be extent permitted by the Arrangement Agreement or such Plan, and (ii) not to proceed with the Arrangement at any time prior to the Effective Time (as defined in the Arrangement Agreement); and

4. any one director or officer of Tone Resources be and is hereby authorized, empowered and instructed, acting for, in the name and on behalf of Tone Resources, to execute or cause to be executed, under the seal of Tone Resources or otherwise, and to deliver or to cause to be delivered, all such other documents and to do or to cause to be done all such other acts and things as in such person's opinion may be necessary or desirable in order to carry out the intent of the foregoing paragraphs of this resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing.

APPENDIX B

ARRANGEMENT AGREEMENT

THIS AGREEMENT made as of the 17th day of May, 2007.

BETWEEN:

US GOLD CANADIAN ACQUISITION CORPORATION, a corporation existing under the laws of the Province of Alberta

("**Canadian Exchange Co.**")

AND:

US GOLD CORPORATION, a corporation existing under the laws of the State of Colorado

("**US Gold**")

AND:

TONE RESOURCES LIMITED, a company existing under the laws of the Province of British Columbia

("**Tone Resources**")

WHEREAS:

A. Canadian Exchange Co. and US Gold made a formal offer by way of a take-over bid circular dated February 12, 2007 (the "**Offer**") to acquire all of the outstanding Tone Resources Shares (as defined below), on the basis of 0.26 of an Exchangeable Share (as defined below) for each Tone Resources Share;

B. On March 23, 2007, Canadian Exchange Co. took up 18,792,726 Tone Resources Shares tendered pursuant to the Offer and not withdrawn, being approximately 89.4% of the outstanding Tone Resources Shares (on an undiluted basis), and paid for such Tone Resources Shares on or about March 28, 2007; and

C. Canadian Exchange Co. proposes to acquire any and all outstanding Tone Resources Shares not tendered to the Offer by way of a plan of arrangement involving Canadian Exchange Co., US Gold and Tone Resources.

NOW THEREFORE THIS AGREEMENT WITNESSES THAT, in consideration of the premises and the respective covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the Parties (as defined below), the Parties hereby covenant and agree as follows:

ARTICLE 1
DEFINITIONS AND PRINCIPLES OF INTERPRETATION

1.1 Definitions

In this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following capitalized words and terms shall have the following meanings:

"**Affiliate**" has the meaning ascribed thereto by the BCBCA on the date hereof.

"**Agreement**" means this arrangement agreement including the schedules hereto as the same may be supplemented, varied or amended from time to time.

"**Arrangement**" means the arrangement involving Canadian Exchange Co., US Gold and Tone Resources under the provisions of Section 288 of the BCBCA on the terms and conditions set forth in this Agreement resulting, *inter alia*, in the acquisition by Canadian Exchange Co. of all of the outstanding Tone Resources Shares which are not already held by Canadian Exchange Co. on the terms and conditions set out in the Plan of Arrangement and any amendments or variations thereto.

"**Arrangement Resolution**" means the resolution of the Securityholders approving the Plan of Arrangement to be considered at the Meeting, substantially in the form attached hereto as Schedule A.

"**BCBCA**" means the *Business Corporations Act* (British Columbia), including the regulation made thereunder, as now in effect and as it may be amended from time to time prior to the Effective Date.

"**Business Day**" means any day, other than a Saturday, Sunday or a statutory or civic holiday observed in Vancouver, British Columbia.

"**Constating Documents**" means the articles, notice of articles, bylaws and similar constating documents of a corporation.

"**Court**" means the Supreme Court of British Columbia.

"**Dissent Rights**" means the rights of dissent in respect of the Arrangement described in Section 3.1 of the Plan of Arrangement.

"**Effective Date**" has the meaning ascribed thereto in the Plan of Arrangement.

"**Effective Time**" has the meaning ascribed thereto in the Plan of Arrangement.

"**Exchangeable Share**" means an exchangeable share in the capital of Canadian Exchange Co.

"**Final Order**" means the final order of the Court approving the Arrangement under Section 291 of the BCBCA as such order may be varied by the Court at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed, amended or varied on appeal.

"**Governmental Entity**" means any:

(a) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau or agency, domestic or foreign;

(b) any subdivision, agent, commission, board, or authority of any of the foregoing; or

(c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.

"**including**" means including without limitation.

"**Information Circular**" means the notice and management information circular of Tone Resources to be sent to Securityholders in connection with the Meeting,

including the appendices attached thereto and documents incorporated by reference therein.

"**Interim Order**" means the interim order of the Court, as the same may be varied, in respect of the Arrangement, as contemplated by Section 2.3 providing for, among other things, the calling and holding of the Meeting.

"**Laws**" means all laws, statutes, codes, ordinances, decrees, rules, orders-in-council, regulations, bylaws, statutory rules, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards and terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity, statutory body, or self-regulatory authority (including stock exchanges or markets), and the term "applicable" with respect to such Laws and in the context that refers to one or more Persons, means that such Laws apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Governmental Entity having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities.

"**Meeting**" means the special meeting of the Securityholders (including any adjournments or postponements thereof) to be held to consider and, if deemed advisable, to approve the Arrangement.

"**Misrepresentation**" has the meaning ascribed thereto in the Securities Act.

"**Offer**" has the meaning ascribed thereto in Recital A.

"**Offerors**" means, collectively, Canadian Exchange Co. and US Gold.

"**Option**" means an outstanding option to purchase Tone Resources Shares granted by Tone Resources under the Stock Option Plan prior to the Effective Time.

"**Optionholders**" means holders of Options.

"**OSC Rule 61-501**" means Ontario Securities Commission Rule 61-501 entitled "Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions", as incorporated by Policy 5.9 – "Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions" of the Corporate Finance Manual of TSX Venture Exchange Inc.

"**Party**" means any of Canadian Exchange Co., US Gold and Tone Resources, and "**Parties**" means more than one of them.

"**Person**" includes any individual, firm, partnership, limited liability company, unlimited liability company, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status.

"**Plan of Arrangement**" means the plan of arrangement in the form attached hereto as Schedule B, as amended, varied or supplemented from time to time in accordance with Section 5.1 of the Plan of Arrangement or Section 5.1 hereof or at the direction of the Court in the Final Order.

"**Replacement Option**" has the meaning ascribed thereto in the Plan of Arrangement.

"**Replacement Warrant**" has the meaning ascribed thereto in the Plan of Arrangement.

"**Securities Act**" means the *Securities Act* (British Columbia), as now in effect and as it may be amended from time to time prior to the Effective Date.

"**Securityholders**" means the holders of Tone Resources Securities.

"**Shareholders**" means the holders of Tone Resources Shares.

"**Stock Option Plan**" means the stock option plan for directors, officers, employees and consultants of Tone Resources dated November 12, 2002, as amended.

"**Tone Resources Securities**" means, collectively, the Tone Resources Shares, the Warrants and the Options.

"**Tone Resources Shares**" means common shares in the capital of Tone Resources.

"**Warrant**" means an outstanding warrant to purchase Tone Resources Shares granted by Tone Resources prior to the Effective Time.

"**Warrantholders**" means holders of Warrants.

1.2 Currency

All amounts of money which are referred to in this Agreement are expressed in lawful money of Canada unless otherwise specified.

1.3 Interpretation Not Affected By Headings, etc.

The division of this Agreement into articles, sections and other portions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of the provisions of this Agreement. Unless otherwise indicated, all references to an article, section or other portion followed by a number and/or a letter refer to the specified article, section or other portion of this Agreement. The terms "**this Agreement**", "**hereof**", "**herein**", "**hereunder**" and similar expressions refer to this Agreement as a whole and not to any particular article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.

1.4 Number and Gender

Unless the context otherwise requires, words importing the singular number only shall include the plural and vice versa and words importing the use of either gender shall include both genders and neuter.

1.5 Date for Any Action

In the event that any date on which any action is required to be taken hereunder by any party is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.6 Governing Law

This Agreement shall be governed by and be construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein and shall be treated in all respects as a British Columbia contract.

1.7 Schedules

The following are the schedules attached to and incorporated by reference in this Agreement:

Schedule A	—	Form of Arrangement Resolution
Schedule B	—	Form of Plan of Arrangement

ARTICLE 2
ARRANGEMENT AND RELATED MATTERS

2.1 Implementation Steps by Resources

Tone Resources covenants in favour of the Offerors that Tone Resources shall:

(a) as soon as reasonably practicable, apply in a manner acceptable to the Offerors, acting reasonably, under Section 291 of the BCBCA for an order approving the Arrangement and for the Interim Order, and thereafter proceed with and diligently seek the Interim Order;

(b) lawfully convene and hold the Meeting for the purpose of considering the Arrangement Resolution (and for no other purpose unless agreed to by the Offerors) as soon as reasonably practicable, and in any event, on or before June 25, 2007;

(c) subject to obtaining the approvals as are required by the Interim Order, as soon as reasonably practicable after the Meeting, proceed with and diligently pursue the application to the Court for the Final Order approving the Arrangement;

(d) subject to obtaining the Final Order and the satisfaction or waiver of the other conditions herein contained in favour of each Party, as soon as reasonably practicable thereafter, take all steps and actions, including making all necessary filings with Government Entities to give effect to the Arrangement pursuant to the BCBCA in a manner and form acceptable to the Offerors, acting reasonably;

(e) instruct counsel acting for it to bring the applications and make the filings referred to in Sections 2.1(a), 2.1(c) and 2.1(d) in co-operation with counsel to the Offerors on a timely basis;

(f) prepare, or assist and co-operate in the preparation of, all material to be filed by Tone Resources with the Court or any securities regulatory authority in connection with the Arrangement (including the Information Circular), and permit the Offerors and their legal counsel to participate in the preparation thereof or provide comments thereon, prior to the service (if applicable) and/or filing of that material and give reasonable consideration to such comments. Tone Resources shall also provide to the Offerors' legal counsel on a timely basis copies of any notice of appearance or other court documents served on Tone Resources or its

counsel in respect of the application for the Final Order or any appeal therefrom and of any notice, whether written or oral, received by Tone Resources indicating any intention to appeal the Final Order; and

(g) not file any material with the Court in connection with the Arrangement or serve any such material, and not agree to modify or amend materials so filed or served, except as contemplated hereby or with the prior written consent of the Offerors, such consent not to be unreasonably withheld or delayed.

2.2 Implementation Steps by the Offerors

Each of the Offerors covenants in favour of Tone Resources that the Offerors shall cooperate with, assist and consent to Tone Resources seeking the Interim Order and the Final Order.

2.3 Interim Order

The petition for the application referred to in Section 2.1(a) shall request that the Interim Order provide, among other things:

(a) for the class of persons to whom notice is to be provided in respect of the Arrangement and the Meeting and for the manner in which such notice is to be provided;

(b) that the requisite approval for the Arrangement Resolution shall be (i) two-thirds of the votes cast on the Arrangement Resolution by Securityholders present in person or by proxy at the Meeting and entitled to vote thereat; and (ii) two-thirds of the votes cast on the Arrangement Resolution by Shareholders present in person or by proxy at the Meeting and entitled to vote thereat;

(c) that, in all other respects, the terms, restrictions and conditions of the Constating Documents of the Tone Resources, including quorum requirements and all other matters, shall apply in respect of the Meeting;

(d) for the grant of the Dissent Rights; and

(e) for the notice requirements with respect to the presentation of the application to the Court for the Final Order.

2.4 Plan of Arrangement

2.4.1 At the Effective Time, subject to and on the terms and conditions contained in this Agreement and in the Plan of Arrangement, each Tone Resources Share (other than Tone Resources Shares held by Canadian Exchange Co. and Dissent Shares (as defined in the Plan of Arrangement)) shall be exchanged for 0.26 of an Exchangeable Share (disregarding fractions), and each Option and Warrant which is outstanding on the Effective Date (unless the holder of the Warrant has entered into a Warrant Exchange Agreement (as defined in the Plan of Arrangement)) shall be exchanged for a Replacement Option and Replacement Warrant, respectively.

2.4.2 From and after the Effective Time, the Plan of Arrangement shall have all of the effects provided by applicable Laws, including the BCBCA. The closing of the transactions contemplated hereby shall take place at the offices of Fraser Milner Casgrain LLP located at Suite 1500, 1040 West Georgia Street, Vancouver, British Columbia at the Effective Time.

2.5 Information Circular

2.5.1 As promptly as reasonably practicable after the execution and delivery of this Agreement, and, for the purpose of giving effect to Section 2.1(b), Tone Resources, in consultation with the Offerors, will prepare the Information Circular together with any other documents required by the BCBCA or other applicable Laws in connection with the Arrangement and the Meeting with a view to mailing the Information Circular on or about May 25, 2007, and convening the Meeting on or about June 25, 2007. Tone Resources will file the Information Circular and any other documentation required to be filed under applicable Law in all jurisdictions where the Information Circular is required to be filed by Tone Resources, and will mail or cause to be mailed on or about May 25, 2007 the Information Circular and any other documentation required to be mailed under applicable Law to the Securityholders and any other required Persons, all in accordance with the terms of the Interim Order and applicable Law. The Offerors will provide such assistance as Tone Resources may reasonably request in such regard.

2.5.2 Tone Resources shall diligently do all such acts and things as may be necessary to comply, in all material respects, with National Instrument 54-101 of the Canadian Securities Administrators in relation to the Meeting and, without limiting the generality of the foregoing, shall, if necessary and in consultation with the Offerors, use all commercially reasonable efforts to abridge the timing contemplated by such National Instrument as provided in Section 2.20 thereof (it being agreed that such efforts may not necessarily include the making of an application for a waiver of or exemption from such National Instrument).

2.6 Preparation of Documentation, etc.

2.6.1 Each of the Offerors and Tone Resources shall proceed diligently, in a coordinated fashion and use their respective commercially reasonable efforts to cooperate in the preparation of the Information Circular as described in Section 2.5, any exemption applications or orders and any other documents deemed reasonably necessary by any of them to discharge its obligations under applicable Laws in connection with the Arrangement.

2.6.2 Each of the Offerors and Tone Resources shall furnish to the other Parties, on a timely basis, all information required to effect the foregoing actions, and each covenants that no information so furnished by it in writing in connection with those actions or otherwise in connection with the consummation of the Arrangement will contain any Misrepresentation. Each of the Parties will ensure that the information relating to it which is provided in the Information Circular will not contain any Misrepresentation.

2.6.3 Each of the Offerors and Tone Resources shall promptly notify the other Parties if, at any time before the Effective Time, it becomes aware that the Information Circular contains a Misrepresentation or that otherwise requires an amendment or supplement to the Information Circular. In any such event, each of the Parties will cooperate in the preparation of a supplement or amendment to the Information Circular, as the case may be, that corrects that Misrepresentation, and Tone Resources will cause the same to be distributed to the Securityholders and filed as required under applicable Law.

2.6.4 Tone Resources shall ensure that the Information Circular complies with all applicable Laws and, without limiting the generality of the foregoing, that the Information Circular does not contain a Misrepresentation (except that this covenant does not apply to any information provided by the Offerors for use therein). The Offerors shall ensure that no information regarding the Offerors, or their respective subsidiaries, directors, officers and shareholders delivered to Tone Resources for inclusion in the Information Circular contains a Misrepresentation. Without limiting the generality of the foregoing, Tone Resources shall ensure that the Information Circular provides the Securityholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters to be placed before them at the Meeting.

ARTICLE 3
ADDITIONAL MUTUAL COVENANTS

3.1 Consummation of the Arrangement

Each of the Parties hereby covenants and agrees to perform all obligations required or desirable to be performed by it under this Agreement, and to do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by this Agreement and, without limiting the generality of the foregoing, to:

(a) use all commercially reasonable efforts to defend all lawsuits or other legal, regulatory or other proceedings to which it is a party challenging or affecting this Agreement or the Arrangement;

(b) use all commercially reasonable efforts to have lifted or rescinded any injunction or restraining order or other order relating to it which may adversely affect the ability of the Parties to consummate the Arrangement;

(c) effect all necessary registrations, filings and submissions of information required by Governmental Entities;

(d) use its reasonable efforts to:

(i) apply for and carry out the terms of the Interim Order and Final Order applicable to it; and

(ii) comply promptly with all requirements which applicable Laws may impose on it with respect to the transactions contemplated hereby and by the Arrangement;

(e) use, to the extent necessary to permit implementation of the Arrangement, all commercially reasonable efforts to have lifted or rescinded any injunction or restraining order or other order relating to it, including any cease trade orders of securities regulatory authorities, which may adversely affect the ability of the parties to consummate the transactions contemplated hereby;

(f) take no action that would interfere with or be inconsistent with the completion of the Arrangement; and

(g) take, or cause to be taken, all reasonable action and to do, or cause to be done all things reasonably necessary, proper or advisable under all applicable Laws to complete the Arrangement.

3.2 Closing Matters

Each of the Offerors and Tone Resources shall deliver or cause to be delivered, on the Effective Date, such certificates, resolutions and other documents as may be reasonably required in connection with the Arrangement by either of the other Parties, acting reasonably.

3.3 Actions to Satisfy Conditions

Each Party agrees to take all such actions as are within its power to control, and to use all commercially reasonable efforts to cause other actions to be taken which are not within its power to control, so as to be able to comply with any conditions set forth in Article 4 which are for the benefit of any other Party.

ARTICLE 4
CONDITIONS

4.1 Mutual Conditions Precedent

The respective obligations of each Party to complete the transactions contemplated by this Agreement shall be subject to the satisfaction, at or before the Effective Time, of the following conditions precedent, and each Party shall cause such conditions to be fulfilled insofar as they relate to matters within its control:

(a) the Interim Order shall have been obtained in form and substance satisfactory to each of the Parties, acting reasonably;

(b) the Arrangement Resolution shall have been approved by the vote of Securityholders at the Meeting in accordance with the requirements of the Interim Order;

(c) the Final Order shall have been obtained in form and substance satisfactory to the Parties, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to any of the Parties, on appeal or otherwise;

(d) the number of Tone Resources Shares held by Shareholders that have validly exercised their Dissent Rights in respect of the Arrangement shall not exceed 5% of the number of Tone Resources Shares outstanding on May 18, 2007;

(e) there shall not exist any prohibition under applicable Law against the completion of the Arrangement; and

(f) there shall not be in force any order or decree restraining or enjoining or materially modifying or imposing material conditions on the consummation of the transaction contemplated under this Agreement or under the Plan of Arrangement, and there shall be no proceeding, whether of a judicial or administrative nature or otherwise brought by a Governmental Entity, that relates to or results from the transactions contemplated under this Agreement that would, if successful, result in an order or ruling that would preclude completion of, or materially modify or impose material conditions on, the transaction contemplated under this Agreement or under the Plan of Arrangement in accordance with the terms and conditions hereof or thereof.

4.2 Satisfaction of Conditions

The conditions set out in this Article 4 shall be conclusively deemed to have been satisfied, waived or released on the receipt by each of the Parties of a certificate, signed by a senior officer of the other Parties, dated the Effective Date, confirming that such conditions have been satisfied or waived by each of the Parties and further confirming the occurrence of the Effective Date.

ARTICLE 5
AMENDMENT AND TERMINATION

5.1 Amendment

This Agreement may, at any time and from time to time before or after the holding of the Meeting but not later than the Effective Time, be amended by written agreement of the Parties, and any such amendment may, without limitation:

(a) change the time for performance of any of the obligations or acts of the Parties;

(b) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; and

(c) waive compliance with or modify any conditions precedent herein contained,

provided, however, that, after receipt of approval of Securityholders there shall be no amendment that by Law requires further approval by Securityholders without further approval of such holders.

5.2 Rights of Termination

This Agreement may, at any time before or after the holding of the Meeting, but not later than the Effective Time:

(a) be terminated by the agreement of the Parties (without further action on the part of the Securityholders, whether terminated before or after the holding of the Meeting); or

(b) be terminated by any of the Parties if there shall be passed any Law that makes consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited.

ARTICLE 6
GENERAL

6.1 Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

6.2 Time of Essence

Time is of the essence of this Agreement.

6.3 Further Assurances

Each Party shall, from time to time, and at all times hereafter, at the request of any of the other Parties, but without further consideration, do all such further acts and execute and deliver all such further documents and instruments as shall be reasonably required in order fully to perform and carry out the terms and intent hereof.

6.4 Invalidity of Provisions

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or equity, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date hereinbefore written.

US GOLD CANADIAN ACQUISITION CORPORATION

By: _____
Name: William F. Pass
Title: Vice President, Secretary and Treasurer

US GOLD CORPORATION

By: _____
Name: William F. Pass
Title: Vice President, Secretary and Treasurer

TONE RESOURCES LIMITED

By: _____
Name: William F. Pass
Title: Vice President, Secretary and Treasurer

SCHEDULE A

FORM OF ARRANGEMENT RESOLUTION

RESOLUTION OF THE SECURITYHOLDERS OF TONE RESOURCES LIMITED

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The arrangement (as such may be amended or varied, the "**Arrangement**") under Section 288 of the *Business Corporations Act* (British Columbia) involving Tone Resources Limited (the "**Company**") and its securityholders, as more particularly described and set forth in the plan of arrangement (as such may be varied, amended or supplemented, the "**Plan of Arrangement**") attached as Schedule B to the Arrangement Agreement referred to below, be and is hereby authorized, approved and adopted.

2. The Arrangement Agreement dated May 17, 2007 among US Gold Canadian Acquisition Corporation, US Gold Corporation and the Company, a copy of which is attached as Appendix B to the Management Information Circular of the Company dated May **[23]**, 2007, as such may be amended, varied or supplemented from time to time (the "**Arrangement Agreement**"), the actions of the directors of the Company in approving the Arrangement and the Arrangement Agreement, and the actions of the directors and officers of the Company in executing and delivering the Arrangement Agreement and causing the performance by the Company of its obligations thereunder, be and are each hereby confirmed, ratified, authorized and approved.

3. Notwithstanding that this resolution has been passed (and the Arrangement authorized, approved and adopted) by the securityholders of the Company or that the Arrangement has been approved by the Supreme Court of British Columbia (the "**Court**"), the directors of the Company be and are hereby authorized and empowered without further approval of the securityholders of the Company (i) to amend the Arrangement Agreement or the Plan of Arrangement to be extent permitted by the Arrangement Agreement or such Plan, and (ii) not to proceed with the Arrangement at any time prior to the Effective Time (as defined in the Arrangement Agreement).

4. Any one director or officer of the Company be and is hereby authorized, empowered and instructed, acting for, in the name and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or to cause to be delivered, all such other documents and to do or to cause to be done all such other acts and things as in such person's opinion may be necessary or desirable in order to carry out the intent of the foregoing paragraphs of this resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing.

SCHEDULE B

PLAN OF ARRANGEMENT UNDER SECTION 288 OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA)

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

"**Arrangement**" means an arrangement under the provisions of Section 288 of the BCBCA on the terms and conditions set forth in this Plan of Arrangement, subject to any amendment or modification thereto made in accordance with the terms of the Arrangement Agreement and this Plan of Arrangement, or made at the direction of the Court in the Final Order.

"**Arrangement Agreement**" means the arrangement agreement made as of the 17th day of May, 2007 between Canadian Exchange Co., US Gold and Tone Resources, as the same may be supplemented, varied or amended from time to time.

"**BCBCA**" means the *Business Corporations Act* (British Columbia), including the regulation made thereunder, as in effect on the Effective Date.

"**Business Day**" means any day, other than a Saturday, Sunday or a statutory or civic holiday observed in Vancouver, British Columbia.

"**Canadian Exchange Co.**" means US Gold Canadian Acquisition Corporation, a corporation existing under the *Business Corporations Act* (Alberta).

"**Court**" means the Supreme Court of the British Columbia.

"**Depositary**" means Pacific Corporate Trust Company at its principal office in Vancouver, British Columbia.

"**Dissent Notice**" means a notice of dissent duly and validly given by a Registered Shareholder in respect of the Arrangement in the manner provided for or contemplated in Article 3.

"**Dissent Rights**" has the meaning ascribed thereto in Section 3.1.

"**Dissent Shares**" means the Tone Resources Shares held by Dissenting Shareholders.

"**Dissenting Shareholder**" means a Registered Shareholder who has duly and validly exercised his or her Dissent Rights pursuant to Article 3 and the Interim Order.

"**Effective Date**" means the date upon which all of the conditions to the completion of the Arrangement as set out in Article 4 of the Arrangement Agreement have been satisfied or waived in accordance with such Agreement, or such other date as the parties to the Arrangement Agreement may agree upon in writing.

"**Effective Time**" means 2:30 p.m. (Vancouver time) on the Effective Date.

"**Exchangeable Share**" means a exchangeable share in the capital of Canadian Exchange Co.

"**Final Order**" means the final order of the Court approving the Arrangement following the application therefor contemplated by the Arrangement Agreement, as such order may be varied or modified by the highest court to which appeal may be applied for.

"**Governmental Entity**" means any:

(a) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau or agency, domestic or foreign;

(b) any subdivision, agent, commission, board, or authority of any of the foregoing; or

(c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.

"**Holder**" means a holder of Tone Resources Shares whose name appears on the records of Tone Resources as the registered holder of such Tone Resources Shares.

"**including**" means including without limitation.

"**Information Circular**" means the notice and management information circular of Tone Resources to be sent to Securityholders in connection with the Meeting, including the appendices attached thereto and documents incorporated by reference therein.

"**Interim Order**" means the interim order of the Court made in connection with the approval of the Arrangement following the application therefor contemplated by the Arrangement Agreement.

"**Laws**" means all laws, statutes, codes, ordinances, decrees, rules, standards, orders-in-council, regulations, bylaws, statutory rules, principles of law, published policies and guidelines (whether or not having the force of law), judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, including general principles of common and civil law, and terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity, statutory body, or self-regulatory authority (including stock exchanges or markets).

"**Letter of Transmittal**" means the letter of transmittal to be forwarded by Tone Resources to Shareholders together with the Information Circular or such other form of letter of transmittal acceptable to Canadian Exchange Co., acting reasonably.

"**Liens**" means any mortgage, hypothec, prior claim, lien, pledge, assignment for security, security interest, lease, option, right of third parties or other charge or encumbrance, including the lien of retained title of a conditional vendor, and any easement, servitude, right-of-way or other encumbrance on title to real or immovable property or personal or movable property.

"**Meeting**" means the special meeting of the Securityholders (including any adjournment or postponement thereof) to be held to, among other things, consider and, if deemed advisable, approve the Arrangement.

"**Option**" means an option to purchase Tone Resources Shares granted by Tone Resources under the Stock Option Plan which is outstanding on the Effective Date.

"**Optionholders**" means holders of Options.

"**Person**" includes any individual, firm, partnership, limited liability company, unlimited liability company, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status.

"**Plan of Arrangement**", "**hereof**", "**herein**", "**hereunder**" and similar expressions means this plan of arrangement, including any appendices hereto, and any amendments, variations or supplements hereto made from time to time in accordance with the terms hereof or the Arrangement Agreement or made at the direction of the Court in the Final Order.

"**Replacement Option**" has the meaning ascribed thereto in Section 2.2(c).

"**Replacement Warrant**" has the meaning ascribed thereto in Section 2.2(d).

"**Securityholders**" means the holders of Tone Resources Securities.

"**Shareholders**" means the Holders of Tone Resources Shares.

"**Stock Option Plan**" means the stock option plan for directors, officers, employees and consultants of Tone Resources dated November 12, 2002, as amended.

"**Tone Resources**" means Tone Resources Limited, a company existing under the BCBCA.

"**Tone Resources Securities**" means, collectively, the Tone Resources Shares, the Warrants and the Options.

"**Tone Resources Shares**" means common shares in the capital of Tone Resources.

"**US Gold**" means US Gold Corporation, a corporation existing under the laws of the State of Colorado.

"**US Gold Share**" means a share of common stock of US Gold.

"**Warrant**" means a warrant to purchase Resources Shares granted by Tone Resources which is outstanding on the Effective Date.

"**Warrant Exchange Agreement**" means an agreement between a Warrantholder and Canadian Exchange Co., substantially in the form attached hereto as Appendix A, with such changes or modifications as Canadian Exchange Co. may require, whereby the Warrantholder would continue to hold his or her Warrants, but upon exercise of such Warrants, the Tone Resources Shares received by the Warrantholder would immediately be exchanged for Exchangeable Shares on the basis of 0.26 of an Exchangeable Share for each Tone Resources Share.

"**Warrantholders**" means holders of Warrants.

1.2 Number and Gender

In this Plan of Arrangement, unless the context otherwise requires, words importing the singular number include the plural and vice versa, and words importing any gender include all genders.

1.3 Interpretation Not Affected by Headings, etc.

The division of this Plan of Arrangement into Articles, Sections, subsections and other parts and the insertion of headings are for convenience only and shall not affect the construction or interpretation of this Plan of Arrangement.

1.4 Date for any Action

If any date on or by which any action is required or permitted to be taken hereunder is not a Business Day, such action shall be required to be taken on or by the next succeeding day which is a Business Day.

1.5 Time

All times expressed herein or in any Letters of Transmittal are local time (Vancouver, British Columbia) unless otherwise stipulated herein or therein.

1.6 Currency

All references to currency in this Plan of Arrangement are to Canadian dollars, being the lawful money of Canada.

1.7 Statutory References

Unless otherwise expressly provided herein, any reference in this Plan of Arrangement to a statute includes all regulations made thereunder, all amendments to such statute or regulations in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulations.

ARTICLE 2
THE ARRANGEMENT

2.1 Binding Effect

This Plan of Arrangement will become effective at the Effective Time, and thereafter will be binding on each of the Securityholders, Tone Resources, Canadian Exchange Co. and US Gold.

2.2 Arrangement

At the Effective Time, without any further act or formality, each of the events set out below shall occur and shall be deemed to occur in the following sequence:

(a) each Tone Resources Share (other than Tone Resources Shares held by Canadian Exchange Co. and the Dissent Shares) shall be transferred to Canadian Exchange Co., free and clear of any Liens, and each Holder thereof shall be entitled to receive, in exchange therefor, 0.26 of an Exchangeable Share. If the foregoing calculation results in a Tone Resources Share being exchangeable for a fraction of an Exchangeable Share, then the number of Exchangeable Shares to be issued to the Holder will be either rounded up (if the fractional interest is 0.5 or more) or down (if the fractional interest is less than 0.5) to the next whole number. For rounding purposes, all Tone Resources Shares held by a Shareholder will be aggregated;

(b) with respect to each Tone Resources Share transferred in accordance with Section 2.2(a):

(i) the Holder thereof shall cease to be the registered holder of such share and the name of such Holder shall be removed from the register of Tone Resources Shares with respect to such Tone Resources Share as of the Effective Time;

(ii) the certificate representing such Tone Resources Share shall be deemed to have been cancelled as of the Effective Time;

(iii) the Holder thereof shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer such Tone Resources Share to Canadian Exchange Co. in accordance with Section 2.2(a); and

(iv) Canadian Exchange Co. shall, and shall be deemed to be, the transferee of such share, free and clear of all Liens, and shall be entered in the register of Tone Resources Shares as the Holder thereof as of the Effective Time;

(c) each Option shall be exchanged for an option of US Gold (a "**Replacement Option**") to purchase that number of US Gold Shares equal to 0.26 times the number of Tone Resources Shares subject to such Option. Such Replacement Option shall provide for an exercise price per US Gold Share equal to the exercise price per share of such Option immediately prior to the Effective Time divided by 0.26. If the foregoing calculation results in a Replacement Option being exercisable for a fraction of a US Gold Share, then the number of US Gold Shares subject to such Replacement Option will be either rounded up (if the fractional interest is 0.5 or more) or down (if the fractional interest is less than 0.5) to the next whole number of US Gold Shares and the total exercise price for the Replacement Option will be increased or reduced accordingly. The term to expiry, conditions to and manner of exercising, vesting schedule, if any, and all other terms and conditions of such Replacement Option will be unchanged, and any document or agreement previously evidencing such Option shall thereafter evidence and be deemed to evidence such Replacement Option; and

(d) each Warrant shall, unless the holder thereof shall have entered into a Warrant Exchange Agreement with Canadian Exchange Co. prior to the Expiry Time, be exchanged for a warrant of Canadian Exchange Co. (a "**Replacement Warrant**")

to purchase that number of Exchangeable Shares equal to 0.26 times the number of Tone Resources Shares subject to such Warrant. Such Replacement Warrant shall provide for an exercise price per Exchangeable Share equal to the exercise price per share of such Warrant immediately prior to the Effective Time divided by 0.26. If the foregoing calculation results in a Replacement Warrant being exercisable for a fraction of an Exchangeable Share, then the number of Exchangeable Shares subject to such Replacement Warrant will be either rounded up (if the fractional interest is 0.5 or more) or down (if the fractional interest is less than 0.5) to the next whole number of Exchangeable Shares and the total exercise price for the Replacement Warrant will be increased or reduced accordingly. The term to expiry, conditions to and manner of exercising and all other terms and conditions of such Replacement Warrant will be unchanged, and any document or agreement previously evidencing such Warrant shall thereafter evidence and be deemed to evidence such Replacement Warrant.

ARTICLE 3
DISSENT RIGHTS

3.1 Rights of Dissent

A Holder may exercise the dissent rights ("**Dissent Rights**") conferred by the Interim Order in connection with the Arrangement in the manner set out in Section 238 of the BCBCA, as modified by the Interim Order, provided that the Dissent Notice is received by Tone Resources by no later than 5:00 p.m. (Vancouver time) on the date which is two Business Days prior to the date of the Meeting. Without limiting the generality of the foregoing, Holders who duly exercise such Dissent Rights and who are ultimately determined to be entitled to be paid fair value for their Tone Resources Shares shall be deemed to have transferred such Tone Resources Shares, as of the Effective Time, without any further act or formality, to Tone Resources in consideration of a payment of cash by Tone Resources equal to such fair value. In no case shall Tone Resources or Canadian Exchange Co. be required to recognize such Holders as Shareholders at and after the Effective Time, and the names of such Holders shall be removed from the register of Tone Resources Shares as of the Effective Time.

3.2 Rights of Dissenting Holders of Resources Shares

In the event that a Holder gives a Dissent Notice but is not entitled, for any reason, to be paid the fair value of the Tone Resources Shares in respect of which the Dissent Notice was given as contemplated in Section 242 of the BCBCA and the Interim Order, such

Holder shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting Shareholder.

ARTICLE 4
DELIVERY OF SHARE CERTIFICATES

4.1 Delivery to Registered Holders

4.1.1 As soon as reasonably practicable after the later of (X) the Effective Date, and (Y) delivery to the Depositary of a duly completed Letter of Transmittal, together with the certificates representing Tone Resources Shares, Canadian Exchange Co. shall cause the Depositary:

(a) to forward or cause to be forwarded by first class mail to the Shareholder at the address specified in the Letter of Transmittal;

(b) if requested by the Shareholder in the Letter of Transmittal, to make available at the offices of the Depositary for pick up by the Shareholder; or

(c) if the Letter of Transmittal neither specifies an address nor contains a request as described in (b) above, to forward or cause to be forwarded by first class mail to the Tone Resources Shareholder at the address of the Tone Resources Shareholder as shown on the share register maintained by Tone Resources immediately prior to the Effective Time;

a share certificate representing the number of Exchangeable Shares issuable to such Shareholder hereunder in respect of the Tone Resources Shares described in such Letter of Transmittal, provided that in no event shall any holder of Tone Resources Shares be entitled to a fractional Exchangeable Share.

4.1.2 As soon as reasonably practicable prior to Canadian Exchange Co. being required to make any delivery contemplated by Section 4.1 or Section 4.2, Canadian Exchange Co. will provide the Depositary with the certificates representing the Exchangeable Shares referred to therein, and such certificates shall be held in trust for the Shareholders and otherwise as contemplated in this Plan of Arrangement.

4.2 Lost Certificates

If any certificate which immediately prior to the Effective Time represented Tone Resources Shares that were deemed to be transferred to Canadian Exchange Co. pursuant to Section 2.2(b) has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Shareholder claiming such certificate to be lost, stolen or destroyed and the delivery of a duly completed Letter of Transmittal, in exchange for such lost, stolen or destroyed certificate, within 10 Business Days after the later of:

(a) the Effective Date; and

(b) the delivery to the Depositary of a duly completed Letter of Transmittal, an affidavit of loss and the bond or other indemnity referred to below,

Canadian Exchange Co. will cause the Depositary:

(i) to forward or cause to be forwarded by first class mail to the Shareholder at the address specified in the Letter of Transmittal;

(ii) if requested by the Shareholder in the Letter of Transmittal, to make available at the offices of the Depositary for pick up by the Shareholder; or

(iii) if the Letter of Transmittal neither specifies an address nor contains a request as described in (ii) above, to forward or cause to be forwarded by first class mail to the Shareholder at the address of the Shareholder as shown on the share register maintained by Tone Resources immediately prior to the Effective Time;

a share certificate representing the number of Exchangeable Shares issuable to such Shareholder hereunder in respect of the Tone Resources Shares for which a duly completed Letter of Transmittal and the bond or other indemnity referred to below have been delivered to the Depositary pursuant to the provisions hereof. A condition precedent to the delivery of any such share certificate or cheque shall be that the person entitled to the same shall give a bond reasonably satisfactory to Canadian Exchange Co. and the Depositary in such reasonable sum as Canadian Exchange Co. may direct or otherwise indemnify Canadian Exchange Co. and the Depositary in a manner reasonably satisfactory to them against any claim that may be made against either of them with respect to the certificate alleged to have been lost, stolen or destroyed.

4.3 Extinction of Rights

If any Shareholder fails for any reason to deliver to the Depositary for cancellation the certificates formerly representing Tone Resources Shares (or an affidavit of loss and bond or other indemnity pursuant to Section 4.2) together with a duly completed Letter of Transmittal, on or before the sixth anniversary of the Effective Date, such Shareholder shall be deemed to have surrendered and forfeited to Canadian Exchange Co. any Exchangeable Shares held by the Depositary in trust for such Shareholder to which such Shareholder is entitled. Subject to this Section 4.3, at and after the Effective Time, any certificate formerly representing Tone Resources Shares shall represent only the right to receive a certificate representing the Exchangeable Shares for which such Tone Resources Shares are exchanged pursuant to Section 2.2(a), provided that such certificates shall, on the sixth anniversary of the Effective Date, cease to represent a claim of any nature whatsoever, shall be deemed to have been surrendered to Canadian Exchange Co. and shall be cancelled.

4.4 Withholding

Canadian Exchange Co., US Gold, Tone Resources and the Depositary shall be entitled to deduct and withhold from any consideration otherwise payable under this Plan of Arrangement to any Securityholder such amounts as Canadian Exchange Co., US Gold, Tone Resources or the Depositary is required or permitted to deduct and withhold with respect to such payment under the *Income Tax Act* (Canada) or any provision of provincial, local or foreign tax law, in each case as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the relevant Securityholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required or permitted to be deducted or withheld from any payment to a relevant Securityholder exceeds the cash portion of the consideration, if any, otherwise payable to such Securityholder, Canadian Exchange Co., US Gold, Tone Resources and the Depositary are hereby authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to Canadian Exchange Co., US Gold, Tone Resources or the Depositary to enable it to comply with such deduction or withholding requirement and Canadian Exchange Co., US Gold, Tone Resources or the Depositary shall remit to such Securityholder any unapplied balance of the net proceeds of such sale.

ARTICLE 5
AMENDMENT

5.1 Amendment of Plan of Arrangement

5.1.1 Canadian Exchange Co., US Gold and Tone Resources may amend, vary and/or supplement this Plan of Arrangement at any time and from time to time, provided that any amendment, variation or supplement must be contained in a written document which is filed with the Court and, if made following the Meeting, approved by the Court and communicated to Securityholders in the manner required by the Court (if so required).

5.1.2 Any amendment, variation or supplement to this Plan of Arrangement may be proposed by any of Canadian Exchange Co., US Gold and Tone Resources at any time prior to or at the Meeting with or without any prior notice or communication and, if so proposed and approved at the Meeting, shall become part of this Plan of Arrangement for all purposes.

5.1.3 Any amendment, variation or supplement to this Plan of Arrangement which is approved or directed by the Court following the Meeting shall be effective only if it is consented to by each of Canadian Exchange Co., US Gold and Tone Resources (acting reasonably).

5.1.4 This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the terms of the Arrangement Agreement.

5.1.5 Notwithstanding the foregoing provisions of this Section 5.1, no amendment, variation or supplement to this Plan of Arrangement may be made prior to the Effective Time except in accordance with the terms of the Arrangement Agreement.

ARTICLE 6
FURTHER ASSURANCES

6.1 Other Documents and Instruments

Notwithstanding that the transactions or events set out herein shall occur and shall be deemed to occur in the sequence set out in this Plan of Arrangement without any further authorization, act or formality, Canadian Exchange Co., US Gold and Tone Resources shall make, do and execute, or cause and cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be

required by any of them in order further to document or evidence any of the transactions or events set out herein, including any resolutions of directors authorizing the issue, exchange, transfer, purchase for cancellation or surrender of shares and any share transfer powers evidencing the transfer of shares and any receipts therefor.

APPENDIX A

FORM OF WARRANT EXCHANGE AGREEMENT

THIS AGREEMENT is made effective as of the _____ day of _____, 2007.

BETWEEN:

[NAME OF WARRANTHOLDER], of [**Address of Warrantholder**]

(the "**Warrantholder**")

AND:

US GOLD CANADIAN ACQUISITION CORPORATION, a company incorporated under the laws of Alberta having a registered and records office at 2900 Manulife Place, 10180 – 101 Street, Edmonton, Alberta, T5J 3V5

("**Canadian Exchange Co.**")

WHEREAS:

A. The Warrantholder is the legal, beneficial and registered owner of the following warrants (the "**Warrants**") to purchase common shares (the "**Shares**") in the capital of Tone Resources Limited (the "**Company**"):

Warrant Certificate No.	Number of Shares	Exercise Price	Date of Issue	Date of Expiry

B. The Company, Canadian Exchange Co. and US Gold Corporation entered into an arrangement agreement made as of May 17, 2007 (the "**Arrangement Agreement**"), which provides for implementation of a plan of arrangement (the "Arrangement") whereby, if approved by Shareholders, Securityholders and the Supreme Court of British Columbia, (i) each of the Shares not held by Canadian Exchange Co. would be exchanged for 0.26 of an exchangeable share of Canadian Exchange Co. (an "**Exchangeable Share**"), (ii) options of the Company

would be exchanged for Replacement Options (as defined in the Arrangement Agreement) and (iii) warrants of the Company would be exchanged for Replacement Warrants (as defined in the Arrangement Agreement), unless the holders enter into this Agreement; and

C. In connection with the Arrangement, the Warrantholder and Canadian Exchange Co. wish to enter into this Agreement so that upon exercise of any Warrant, the Shares issuable thereunder will immediately be exchanged for an equivalent number of Exchangeable Shares.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and agreements herein contained, the parties hereto (the "**Parties**") hereby covenant and agree as follows:

1.0 **INTERPRETATION**

1.1 The division of this Agreement into sections and subsections, and the insertion of headings herein, are for convenience of reference only and will not affect the construction or interpretation hereof. All references in this Agreement to a designated section or other subdivision will, unless the context otherwise requires, be to the designated section or other subdivision of this Agreement.

1.2 Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.3 This Agreement and each of the documents delivered pursuant hereto will be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

1.4 The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision hereof and any such invalid or unenforceable provision will be deemed to be severable.

1.5 Unless otherwise defined, each capitalized term used herein will have the meaning ascribed to it in the Arrangement Agreement.

2.0 **REPRESENTATIONS AND WARRANTIES**

2.1 The Warrantholder represents and warrants to Canadian Exchange Co. that:

(a) the Warrantholder has all necessary power, authority and right to enter into and perform his obligations under this Agreement;

(b) this Agreement has been duly and validly executed and delivered by the Warrantholder and constitutes a legal, valid and binding obligation of the Warrantholder, enforceable against him in accordance with its terms;

(c) the Warrants are legally and beneficially owned by the Warrantholder, free and clear of all Liens whatsoever, other than pursuant to this Agreement;

(d) no person, other than Canadian Exchange Co., has any agreement or option, or right capable of becoming an agreement or option, to acquire the Warrants or any Shares issuable thereunder, or any part thereof or interest therein;

(e) no consent, approval or authorization of any third party or of any governmental authority is required to be obtained on the part of the Warrantholder to permit the execution or delivery of this Agreement, or the consummation of the transactions contemplated hereby, except such consents, approvals or authorizations as have been obtained; and

(f) the Warrantholder is not a non-resident of Canada for the purposes of section 116 of the *Income Tax Act* of Canada (the "**Tax Act**").

2.2 Canadian Exchange Co. represents and warrants to the Warrantholder that:

(a) Canadian Exchange Co. is a corporation validly existing under the laws of Alberta and has all necessary power, authority and right to enter into and perform its obligations under this Agreement; and

(b) this Agreement has been duly and validly executed and delivered by Canadian Exchange Co. and constitutes a legal, valid and binding obligation of Canadian Exchange Co., enforceable against it in accordance with its terms.

2.3 The representations, warranties and acknowledgements contained in this Agreement will survive the exchange of the Exchanged Shares (as defined below).

3.0 **EXCHANGE OF SHARES**

3.1 The Warrantholder agrees to sell to Canadian Exchange Co., and Canadian Exchange Co. agrees to purchase from the Warrantholder, any and all Shares issuable upon exercise of the Warrants (the "**Exchanged Shares**") immediately upon the issuance of such Exchanged Shares (each, a "**Closing**"), free and clear of all Encumbrances on the terms set out in this Agreement.

3.2 Canadian Exchange Co. shall, at each Closing, issue to the Warrantholder fully paid and non-assessable Exchangeable Shares, at a ratio of 0.26 of an Exchangeable Share for each Exchanged Share, subject to adjustment pursuant to Section 6.1, in exchange and as the purchase price for the Exchanged Shares issued at such Closing.

3.3 Canadian Exchange Co. shall deliver a certificate representing the Exchangeable Shares issued pursuant to Section 3.2, registered in the name of the Warrantholder or as requested in the exercise form, to the Warrantholder at the address provided in Section 9.1 or in accordance with any delivery instructions provided in the exercise form as soon as practicable after the issuance of such Exchangeable Shares, but in any event within seven days thereof.

3.4 At each Closing, the Warrantholder shall either provide Canadian Exchange Co. with: (i) a statutory declaration or certificate that the Warrantholder is not a non-resident for the purposes of section 116 of the Tax Act, or (ii) a certificate issued by the Canada Revenue Agency pursuant to section 116 of the Tax Act specifying a certificate limit that is not less than the fair market value of the Exchanged Shares as of the date of Closing in respect of the sale of the Exchanged Shares hereunder, each in a form acceptable to Canadian Exchange Co., acting reasonably. Failing the delivery of such statutory declaration or certificate, as required under the preceding sentence, Canadian Exchange Co. shall be entitled to deduct and withhold from the Exchangeable Shares to be issued pursuant to Section 3.2 such amounts as Canadian Exchange Co. is required or permitted to deduct and withhold with respect thereto under the Tax Act or any provision of provincial, local or foreign tax law, in each case as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Warrantholder, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required or permitted to be deducted or withheld from any payment to the Warrantholder exceeds the cash portion of the consideration, if any, otherwise payable to such the Warrantholder, Canadian Exchange Co. is hereby authorized to sell or otherwise dispose of such number of Exchangeable Shares issued pursuant to Section 3.2 as is necessary to provide sufficient funds to Canadian

Exchange Co to enable it to comply with such deduction or withholding requirement and Canadian Exchange Co shall remit to the Warrantholder any unapplied balance of the net proceeds of such sale.

4.0 **RESTRICTIONS ON TRANSFER**

4.1 The Warrantholder shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of the Warrants or the Exchanged Shares, or any part thereof or interest therein, and the Warrantholder will not request or direct the Company to record the transfer of the Warrants or the Exchanged Shares, except to Canadian Exchange Co. pursuant to this Agreement.

5.0 **POWER OF ATTORNEY**

5.1 The Warrantholder hereby irrevocably constitutes and appoints Canadian Exchange Co. as its true and lawful attorney and agent, with full power of substitution, for and on behalf of and in the name of the Warrantholder, to do all such things and execute and deliver, all such deeds, transfers, assignments, assurances and other documents as may be necessary or desirable to effectively complete the sale and transfer of the Exchanged Shares to Canadian Exchange Co. pursuant to this Agreement, and the Warrantholder shall have no claim or cause of action against Canadian Exchange Co., or against any third party, as a result of Canadian Exchange Co. so acting as its attorney. Such appointment and power of attorney, being coupled with an interest, shall not be revoked by the insolvency or bankruptcy of the Warrantholder, and the Warrantholder hereby ratifies and confirms and agrees to ratify and confirm all that Canadian Exchange Co. may lawfully do or cause to be done by virtue of such appointment and power. In furtherance of this Section 5.1, the Warrantholder shall, if requested by Canadian Exchange Co., execute such instruments of transfer in such forms as may be requested by Canadian Exchange Co.

6.0 **ADJUSTMENTS**

6.1 In the event of any stock dividend, share split, reclassification, exchange, substitution, recapitalization or other change or event affecting the outstanding Shares or the Exchangeable Shares of Canadian Exchange Co., the ratio referred to in Section 3.2 shall be adjusted so that the Warrantholder, upon exchange of the Exchanged Shares, receives the number of Exchangeable Shares that the Warrantholder would have received for the Exchanged Shares if the Warrant had been exercised immediately before such stock dividend, share split, reclassification, exchange, substitution, recapitalization or other change or event.

7.0 **INCOME TAX CONSEQUENCES**

7.1 The Warrantholder and Canadian Exchange Co. hereby acknowledge and agree that the transactions contemplated herein are not intended to give rise to any income tax liability whatsoever, and it is their intention that the share exchange contemplated hereby shall be effected pursuant to the provisions of section 85 of the Tax Act. Upon request by the Warrantholder, Canadian Exchange Co. will make a joint tax election under Subsection 85(1) or Subsection 85(2), as applicable, of the Tax Act (and the corresponding provisions of any applicable provincial tax legislation) with the Warrantholder, after such Warrantholder receives Exchangeable Shares, hereunder, and at the amount elected by the Warrantholder, subject to the limitations under the Tax Act.

8.0 **INDEMNIFICATION**

8.1 The Warrantholder will, upon demand, indemnify, defend and hold harmless Canadian Exchange Co. from and against any and all demands, claims, actions, proceedings, losses, damages, liabilities, costs and expenses suffered or incurred by Canadian Exchange Co., directly or indirectly, by reason of a breach of or any inaccuracy in any of the representations or warranties contained in Section 2.1 hereof.

8.2 Canadian Exchange Co. will, upon demand, indemnify, defend and hold harmless the Warrantholder from and against any and all demands, claims, actions, proceedings, losses, damages, liabilities, costs and expenses suffered or incurred by the Warrantholder, directly or indirectly, by reason of a breach of or any inaccuracy in any of the representations or warranties contained in Section 2.2 hereof.

9.0 **NOTICES**

9.1 All notices and other communications required or permitted to be made or given pursuant to this Agreement, to be effective, will be in writing and will be delivered personally, telecopied or sent by first class prepaid mail to the Party concerned at the address for such Party specified below.

If to the Warrantholder, to:

[**Name of Warrantholder**]
[**Address of Warrantholder**]

Telephone No.: [____] [_____]

If to Canadian Exchange Co., to:

165 South Union Blvd., Suite 565
Lakewood, Colorado, 80228

Attention: William F. Pass
Telephone No.: (303) 238-1438
Facsimile No.: (303) 238-1724

with a copy to:

Fraser Milner Casgrain LLP
1500 - 1040 West Georgia Street
Vancouver, B.C. V6E 4H8

Attention: Gary Sollis
Telephone No.: (604) 443-7130
Facsimile No.: (604) 683-5214

9.2 Except as otherwise provided in this Agreement, any such notice or communication will be deemed to have been given, if delivered by hand or by facsimile or by other method of electronic communication, on the day given or received, and if mailed, four business days following the date of posting; provided that if there will be at the time of mailing or within four business days thereof a mail strike or other labour dispute that might affect delivery by mail, then the notice or other communication will be effective only when actually delivered or received.

10.0 **GENERAL**

10.1 Time will be of the essence of this Agreement.

10.2 Each of the Warrantholder and Canadian Exchange Co. will, at the request of the other do any and all such further acts and things and execute and deliver any and all such further documents and instruments as are necessary or desirable to carry out the intent of this Agreement.

10.3 This Agreement contains the whole agreement among the Parties in respect of the Warrants and the Exchanged Shares and supersedes all prior correspondence, agreements and understandings, oral or written, by or between the Parties with respect thereto. There are no warranties, representations, terms, conditions or collateral agreements, express or implied,

between the Parties with respect to the subject matter of this Agreement, except as set out herein and in the documents provided for herein.

10.4 No amendment, waiver or consent under this Agreement will be binding unless made in writing and signed by the Party to be bound thereby. No waiver of any provision of this Agreement will be deemed to be or will constitute a waiver of any other provision, nor will any such wavier constitute a continuing waiver, unless otherwise expressly provided therein.

10.5 Canadian Exchange Co. will be responsible for and pay all legal and other costs, including all legal and other costs incurred by the Warrantholder, in respect of the transactions contemplated by this Agreement.

10.6 This Agreement will be binding upon and will enure to the benefit of the Parties and their respective successors and permitted assigns. This Agreement may not be assigned by either the Warrantholder or Canadian Exchange Co. without the prior written consent of the other, which consent may not be unreasonably withheld.

10.7 This Agreement may be executed in one or more counterparts and such counterparts may be transmitted by electronic facsimile, and each such counterpart will be deemed to be an original and together such counterparts will constitute one document.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

SIGNED, SEALED AND DELIVERED by **[NAME OF WARRANTHOLDER]** in the presence of:

_____
Signature

_____
Address

_____
Occupation

_____
[NAME OF WARRANTHOLDER]

US GOLD CANADIAN ACQUISITION CORPORATION

_____

Authorized Signatory

APPENDIX C

NO.
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTIONS 288 TO 299
OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, C.57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT AMONG
TONE RESOURCES LIMITED AND ITS SECURITYHOLDERS

TONE RESOURCES LIMITED

PETITIONER

DRAFT

INTERIM ORDER

BEFORE | TUESDAY, THE

| 22ND DAY OF MAY, 2007

THE APPLICATION of the Petitioner, coming on for hearing without notice at Vancouver, British Columbia on the 22nd day of May, 2007; and on hearing Stuart B. Morrow, counsel for the Petitioner and Susan A. Griffin, Q.C., counsel for US Gold Corporation and US Gold Canadian Acquisition Corporation; and on reading the Affidavit #1 of William F. Pass, sworn May 21, 2007:

THIS COURT ORDERS THAT:

DEFINITIONS

1. As used in this Interim Order, unless otherwise defined, terms beginning with capital letters shall have the respective meanings set out in the Notice of Special Meeting of Securityholders (the "**Notice**") and accompanying Management Information Circular of the Petitioner (the "**Circular**"), attached as Exhibit "A" to the Affidavit #1 of William F. Pass,

sworn May 21, 2007 (the "**Pass Affidavit #1**"), and the Plan of Arrangement that is attached as Schedule "B" to the Petition herein.

MEETING

2. The Petitioner is directed, subject to paragraph 4 and 18 of this Interim Order, to call, hold and conduct on June 25, 2007 a special meeting (the "**Meeting**") of the holders (the "**Shareholders**") of its issued and outstanding common shares (the "**Shares**"), the holders (the "**Optionholders**") of its options to purchase its common shares (the "**Options**") and the holders (the "**Warrantholders**") of its warrants (the "**Warrants**") (the Shareholders, Optionholders and Warrantholders collectively referred to as the "**Securityholders**" and the Shares, Options, and Warrants collectively referred to as the "**Securities**") for the purpose, *inter alia*, of considering and, if deemed advisable, approving with or without modification, a special resolution (the "**Arrangement Resolution**") authorizing, approving and agreeing to adopt a Plan of Arrangement (the "**Arrangement**") substantially in the form attached as Schedule "B" to the Petition herein, and to transact such other business as may properly come before the Meeting or any adjournment thereof.

AMENDMENTS

3. The Petitioner is authorized to make, in the manner contemplated by and subject to the Arrangement Agreement, such amendments, revisions or supplements to the Arrangement as it may determine without any additional notice to the Securityholders. The Arrangement as so amended, revised or supplemented, shall be the Arrangement to be submitted to the Meeting and the subject of the Arrangement Resolution.

ADJOURNMENTS AND POSTPONEMENTS

4. Notwithstanding the provisions of the *Business Corporations Act*, S.B.C. 2002, c. 57, as amended (the "**BCBCA**") and the articles of the Petitioner, the Board by resolution shall be entitled to adjourn or postpone the Meeting on one or more occasions without the necessity of first convening the Meeting or first obtaining any vote of the Securityholders respecting the adjournment or postponement, subject to the Arrangement Agreement.

5. Notice of any such adjournment shall be given by press release, news release, newspaper advertisement, or by notice sent to the Securityholders by one of the methods specified in paragraph 7 of this Interim Order, as determined to be the most appropriate method of communication by the Board.

RECORD DATE

6. The record date (the "**Record Date**") for determining Securityholders entitled to receive notice of and attend and vote at the Meeting is the close of business on May 18, 2007 as previously approved by the Board and published by the Petitioner.

NOTICE OF MEETING

7. The Notice, Circular, letter of transmittal and form of proxy for use by the Securityholders (collectively, the "**Meeting Materials**"), including this Interim Order and the Petition herein attached as Appendices "C" and "D" to the Circular, in substantially the form contained in Exhibits "A" through "C" to the Pass Affidavit #1, with such amendments and inclusions thereto as counsel for the Petitioner may deem necessary or desirable, provided that such amendments and inclusions are not inconsistent with the terms of this Interim Order, shall be sent by the Petitioner to:

(a) the Securityholders determined as at the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing and the date of the Meeting by one or more of the following methods:

(i) by prepaid ordinary mail, addressed to the Securityholder at his, her or its address as it appears on the applicable security registers of the Petitioner as at the Record Date; or

(ii) in the case of Non-Registered Holders, by providing, at least four business days before the twenty-first (21st) day prior to the Meeting, the requisite number of copies of the Meeting Materials to intermediaries and registered nominees to facilitate the broad distribution of the Meeting Materials to Non-Registered Holders;

(iii) by email or facsimile transmission to any Securityholder who identifies himself, herself or itself to the satisfaction of the Petitioner (acting through its representatives), who requests such email or facsimile transmission and, if required by the Petitioner, agrees to pay the charges, if any, for such transmission; or

(iv) by delivery, in person or by recognized courier service, to the addresses specified in paragraph 7(a)(i) above;

(b) to the directors of the Petitioner by mailing the Meeting Materials by prepaid ordinary mail, or by email or facsimile transmission, to such persons at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing or transmission and the date of the Meeting;

and that substantial compliance with this paragraph shall constitute good and sufficient notice of the Meeting upon all who may wish to appear in these proceedings, and no other service need be made.

8. The sending of the Meeting Materials as ordered herein shall constitute compliance with the requirements of section 290(1)(a) of the BCBCA.

9. The Meeting Materials shall not be sent to Registered Shareholders where mail previously sent to such holders by the Petitioner or its registrar and transfer agent has been returned to the Petitioner or its registrar and transfer agent on at least two previous consecutive occasions.

10. The accidental failure of or omission by the Petitioner to give notice of the Meeting to, or the non-receipt of such notice by one or more of the persons specified herein, or any failure or omission to give such notice as a result of events beyond the reasonable control of the Petitioner (including, without limitation, any inability to use postal services) shall not constitute a breach of this Interim Order or, in relation to notice to Securityholders, a defect in the calling of the Meeting and shall not invalidate any resolution passed or proceeding taken at the Meeting.

DEEMED RECEIPT OF NOTICE

11. The Meeting Materials and any amendments, updates or supplements to the Meeting Materials and any notice of adjournment or postponement of the Meeting, shall be deemed to have been received,

(a) in the case of mailing, three (3) days after delivery thereof to the post office or public letter box;

(b) in the case of delivery in person, upon receipt thereof at the intended recipient's address or, in the case of delivery by courier, one (1) business day after receipt by the courier;

(c) in the case of transmission by email or facsimile, upon the transmission thereof;

(d) in the case of advertisement, at the time of publication of the press release, news release or newspaper advertisement;

(e) in the case of electronic filing on SEDAR, upon the transmission thereof; and

(f) in the case of Non-Registered Holders, three (3) days after delivery thereof to intermediaries and registered nominees.

UPDATING MEETING MATERIALS

12. Notice of any amendments, updates or supplements to any of the information provided in the Meeting Materials may be communicated to the Securityholders by press release, news release, newspaper advertisement or by notice sent to the Securityholders by any of the means set forth in paragraph 7(a), as determined to be the most appropriate method of communication by the Board.

PERMITTED ATTENDEES

13. The only persons entitled to attend the Meeting shall be:

(a) the Registered Securityholders or their respective proxyholders as of the Record Date;

(b) directors, officers, auditors and advisors of the Petitioner;

(c) representatives of US Gold Corporation and US Gold Canadian Acquisition Corporation, and any of their subsidiaries or affiliates and advisors; and

(d) other persons with the prior permission of the Chair of the Meeting;

and that the only persons entitled to vote at the Meeting in respect of the Arrangement Resolution shall be the Securityholders as at the close of business on the Record Date, or their respective proxyholders.

SOLICITATION OF PROXIES

14. The Petitioner is authorized to use the form of proxy for Securityholders, in substantially the same form as is attached as Exhibit "C" to the Pass Affidavit #1, subject to the Petitioner's ability to insert dates and other relevant information in the final form of proxy and to make other non-substantive changes and changes legal counsel advise are necessary or appropriate. The Petitioner is authorized, at its expense, to solicit proxies directly and through its officers, directors and employees, and through such agents or representatives as it may retain for the purpose and by mail, telephone or such other form of personal or electronic communication as it may determine.

15. The procedures for the use of proxies at the Meeting shall be as set out in the Circular.

CONDUCT OF THE MEETING

16. The Chair of the Meeting shall be an officer or director of the Petitioner or such other person as may be appointed by the Securityholders for that purpose.

17. The Chair of the Meeting is at liberty to call on the assistance of legal counsel to the Petitioner at any time and from time to time, as the Chair of the Meeting may deem necessary or appropriate, during the Meeting, and such legal counsel is entitled to attend the Meeting for this purpose.

18. The Meeting may be adjourned for any reason upon the approval of the Chair of the Meeting, and if the Meeting is adjourned, it shall be reconvened at a place and time to be designated by the Chair of the Meeting to a date which is not more than 30 days thereafter except for the reason of a lack of quorum.

19. If no quorum of Securityholders is present within one-half hour from the time set for the holding of the Meeting, the Meeting shall stand adjourned to the same day in the next week if a business day and, if such day is a non-business day, the Meeting shall be adjourned to the next business day following one week after the day appointed for the Meeting at the same

time and place, and if at such adjourned meeting a quorum is not present within one-half hour of the time set for the Meeting, the Securityholders present, and being, or represented by proxy, one or more Securityholders entitled to attend and vote at the Meeting shall constitute a quorum.

20. The Meeting shall be called, held and conducted in accordance with the BCBCA, the notice of articles and articles of incorporation of the Petitioner and applicable securities laws, subject to the terms of this Interim Order and any further Order of this Court, and the rulings and directions of the Chair of the Meeting, such rulings and directions not to be inconsistent with this Interim Order, and to the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating or governing or collateral to the Securities or to which the Securities are collateral, or the articles of the Petitioner, this Interim Order shall govern.

QUORUM AND VOTING

21. The quorum required at the Meeting shall be the presence, in person or by proxy, of any one Shareholder.

22. The failure of any Securityholder to receive notice of the Meeting does not deprive the Securityholder of the right to vote at the Meeting.

23. Each Shareholder shall be entitled to one vote for each Share held by that Shareholder and each Warrantholder or Optionholder shall be entitled to one vote for each Share such Warrantholder or Optionholder is entitled to receive upon exercise of such Warrants or Options, respectively.

24. The Arrangement Resolution shall be effective if passed by:

(a) at least two-thirds of the votes cast by Securityholders present in person or by proxy at the Meeting and entitled to vote at the Meeting; and

(b) at least two-thirds of the votes cast by Shareholders present in person or by proxy at the Meeting and entitled to vote at the Meeting.

SCRUTINEERS

25. The scrutineers for the Meeting shall be Computershare Investor Services Inc., acting through its representatives for that purpose. The duties of the scrutineers shall include:

(a) invigilating and reporting to the Chair on the deposit and validity of proxies;

(b) reporting to the Chair on the quorum of the Meeting;

(c) reporting to the Chair on the polls taken or ballots cast, if any, at the Meeting; and

(d) providing to the Petitioner and to the Chair written reports on matters related to their duties.

DISSENT RIGHTS

26. Each Registered Shareholder is granted the following right to dissent (the "**Dissent Rights**") in respect of the Arrangement Resolution:

(a) a Registered Shareholder intending to exercise the Dissent Rights must deliver a written notice of dissent (a "**Dissent Notice**") to the Petitioner at 165 South Union Blvd., Suite 565, Lakewood, Colorado, U.S.A. 80228, Attention: William Pass, Corporate Secretary, to be received by the Petitioner no later than 5:00 p.m. (Vancouver time) on the date which is two (2) business days prior to the date of the Meeting and must not vote any of his, her or its Shares in favour of the Arrangement and must otherwise comply with this paragraph 26.

(b) a Dissent Notice must specify the name and address of the Registered Shareholder (the "**Dissenting Shareholder**"), the number of Shares in respect of which the Dissent Notice is being given (the "**Dissent Shares**") and:

(i) if the Dissent Notice is being given by the Dissenting Shareholder on its own behalf, the Dissent Notice must specify that either:

A. the Dissenting Shares constitute all of the Shares of which the Dissenting Shareholder is the registered and beneficial owner; or

B. the Dissenting Shares constitute all of the Shares of which the Dissenting Shareholder is the registered owner and the number of Shares of which the Dissenting Shareholder is the beneficial owner but not the registered owner, and in respect of such shares, the names of the registered owners of such shares, the number of such shares held by each of them and confirmation that notices of dissent are being, or have been sent, in respect of all such Shares;

(ii) if the Dissent Notice is being given by the Dissenting Shareholder on behalf of another person who is the beneficial owner of the Dissenting Shares, the Dissent Notice must:

A. specify the name and address of the beneficial owner;

B. state that the Dissenting Shares represent all of the shares beneficially owned by the beneficial owner for which the Dissenting Shareholder is the registered owner; and

C. include a statement from the beneficial owner of the Dissenting Shares identifying the number of Shares of which the beneficial owner is either the registered owner or the beneficial owner and, in respect of any such shares which are not Dissenting Shares, the names of the registered owners of such shares, the number of such shares held by each of them and confirmation that notices of dissent are being, or have been sent, in respect of all such shares;

(c) if the Arrangement Resolution is passed at the Meeting, the Petitioner must send by registered mail to every Dissenting Shareholder, prior to the date set for the hearing of the Final Order, a notice (a "**Notice of Intention**") stating that, subject to receipt of the Final Order and satisfaction of the other conditions set out in the Arrangement Agreement, the Petitioner intends to complete the Arrangement and advising the Dissenting Shareholder that if the Dissenting Shareholder wishes to

proceed with its dissent it must comply with the requirements of paragraph 26(d);

(d) a Dissenting Shareholder that wishes to proceed with its dissent must deliver to the Petitioner at 165 South Union Blvd., Suite 565, Lakewood, Colorado, U.S.A. 80228, Attention: William Pass, Corporate Secretary, to be received by the Petitioner no later than 5:00 p.m. (Vancouver time) on the date which is fourteen (14) days after the date of mailing of the Notice of Intention:

(i) a written statement that the Dissenting Shareholder requires the Petitioner to purchase all of the Dissent Shares,

(ii) the certificates, if any, representing the Dissent Shares, and

(iii) if paragraph 26(b)(ii) applies, a written statement that:

A. is signed by the beneficial owner on whose behalf the dissent is being exercised, and

B. sets out whether or not the beneficial owner is the beneficial owner of other Shares and, if so, sets out:

a) the names of the registered owners of those other shares,

b) the number of those other shares that are held by each of those registered owners, and

c) that the Dissent Right is being exercised in respect of all of those other shares;

(e) a Dissenting Shareholder who complies with paragraph 26(d) is not able to withdraw its dissent and, at the Effective Time, the Dissenting Shareholder will be deemed to have transferred to the Petitioner all of the Dissenting Shares (free and clear of any mortgage, hypothec, prior claim, lien, pledge,

assignment for security, security interest, right of third parties or other charges or encumbrances whatsoever) and will have no further right in respect of the Dissent Shares other than to be paid for the Dissenting Shares in accordance with paragraph 26(f);

(f) subject to the satisfaction of the applicable conditions set out in the Arrangement Agreement, the Petitioner shall promptly pay to a Dissenting Shareholder, for each Dissenting Share:

(i) the amount agreed between that Dissenting Shareholder and the Petitioner; or

(ii) if that Dissenting Shareholder and the Petitioner are unable to agree upon an amount, the amount determined under paragraph 26(g);

(g) the Petitioner or a Dissenting Shareholder who has not reached an agreement with the Petitioner under paragraph 26(f) may apply to the Court and the Court may:

(i) determine the fair value that the Dissent Shares had immediately before the passing of the Arrangement Resolution, excluding any appreciation or depreciation in anticipation of the Arrangement unless exclusion would be inequitable, or order that such fair value be established by arbitration or by reference to the registrar, or a referee, of the Court;

(ii) join in the application each Dissenting Shareholder, other than a Dissenting Shareholder who has reached an agreement with the Petitioner under paragraph 26(f); and

(iii) make consequential orders and give directions it considers appropriate;

(h) if a Dissenting Shareholder fails to comply strictly with the foregoing requirements of the Dissent Right, the Petitioner shall return to the

Dissenting Shareholder the certificates delivered to it, if any, under paragraph 26(d) and, if the Arrangement is completed, that Dissenting Shareholder shall be deemed to have participated in the Arrangement on the same terms as a Registered Shareholder; and

(i) if a Dissenting Shareholder strictly complies with the foregoing requirements of the Dissent Right, but the Arrangement is not completed prior to the Termination Date, the Petitioner shall return to the Dissenting Shareholder the certificates delivered to it, if any, under paragraph 26(d).

APPLICATION FOR FINAL ORDER

27. Unless the directors of the Petitioner by resolution determine to abandon the Arrangement, the Petitioner is directed to apply to this Court (the "**Final Application**") for an Order approving the Arrangement and declaring that the Arrangement is fair and reasonable (the "**Final Order**") and the Final Application will be set down for hearing before the presiding Master or Judge in Chambers at the Courthouse at 800 Smithe Street, Vancouver, British Columbia, on June 27, 2007 at 9:45 a.m., or so soon thereafter as counsel may be heard or at such other date and time as this Court may direct, and that, upon approval of the Arrangement at the Meeting in the manner set out in this Interim Order and as required by section 289 of the *Business Corporations Act*, the Petitioner be at liberty to proceed with the Final Application on that date.

28. The persons entitled to appear and make submissions at the Final Application shall be only those Securityholders who have filed with this Court prior to 4:00 p.m. (Vancouver time) on June 26, 2007, an Appearance, in the form prescribed by the *Rules of Court* of the Supreme Court of British Columbia, and delivered a copy of the filed Appearance, together with a copy of all evidence or material on which they intend to rely at the Final Application, including an outline of their proposed submissions, to the solicitors for the Petitioner at its address for delivery as set out in the Petition, on or before 4:30 p.m. (Vancouver time) on June 26, 2007, or as the Court may otherwise direct.

29. Subject to other provisions in this Interim Order, no material other than that contained in the Management Information Circular need be served on any persons in respect of these proceedings.

30. If the Final Application is adjourned, only those persons who have filed and delivered an Appearance in accordance with this Interim Order need be served and provided with notice of the adjourned date.

VARIANCE

31. The Petitioner shall be entitled, at any time, to apply to vary this Interim Order.

32. The Petitioner, Securityholders, and directors of the Petitioner shall, and hereby do, have liberty to apply for such further Orders as may be appropriate.

33. The provisions of Rules 10, 44 and 51A be hereby dispensed with for the purposes of any further application to be made pursuant to this Petition, including the Final Application and any application to vary this Interim Order.

BY THE COURT

_____ _____

REGISTRAR

APPROVED AS TO FORM:

_____

Solicitor for the Petitioner,
Tone Resources Limited

APPENDIX D

NO.
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTIONS 288 TO 299
OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, C.57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT AMONG
TONE RESOURCES LIMITED AND ITS SECURITYHOLDERS

TONE RESOURCES LIMITED

PETITIONER

PETITION TO THE COURT

DRAFT

THIS IS THE PETITION OF:
TONE RESOURCES LIMITED
c/o Davis LLP
2800 Park Place
666 Burrard Street
Vancouver, BC V6C 2Z7

ON NOTICE TO:
The shareholders, directors and holders of options, warrants and other rights to acquire securities of the Petitioner in the manner, and to the extent, provided by the *ex parte* Interim Order sought herein.

Let all persons whose interests may be affected by the order sought TAKE NOTICE that the petitioner applies to court for the relief set out in this petition.

APPEARANCE REQUIRED

IF YOU WISH TO BE NOTIFIED of any further proceedings, YOU MUST GIVE NOTICE of your intention by filing a form entitled "Appearance" in the above registry of

this court within the Time for Appearance and YOU MUST ALSO DELIVER a copy of the "Appearance" to the petitioner's address for delivery, which is set out in this petition.

YOU OR YOUR SOLICITOR may file the "Appearance". You may obtain a form of "Appearance" at the registry.

IF YOU FAIL to file the "Appearance" within the proper Time for Appearance, the petitioner may continue this application without further notice.

TIME FOR APPEARANCE*

Where this Petition is served on a person in British Columbia, the time for appearance by that person is 7 days from the date of service (not including the day of service).

Where this petition is served on a person outside British Columbia, the time for appearance by that person after service, is 21 days in the case of a person residing anywhere within Canada, 28 days in the case of a person residing in the United States of America, and 42 days in the case of a person residing elsewhere.

TIME FOR RESPONSE*

IF YOU WISH TO RESPOND to the application, you must, on or before the 8th day after you have entered an appearance,

(a) deliver to the petitioner
  (i) 2 copies of a response in Form 124, and
  (ii) 2 copies of each affidavit on which you intend to rely at the hearing, and

(b) deliver to every other party of record
  (i) one copy of a response in Form 124, and
  (ii) one copy of each affidavit on which you intend to rely at the hearing.

* or, where the time for appearance or time for response has been set by order of the court, within that time.

DRAFT

(1)	The address of the registry is: 800 Smithe Street Vancouver, B.C. V6Z 2E1
(2)	The ADDRESS FOR DELIVERY is: Davis LLP 2800 Park Place 666 Burrard Street Vancouver, BC V6C 2Z7 Attn: Stuart B. Morrow Fax number for delivery (if any): (604) 687-1612
(3)	The name and office address of the Petitioner's solicitor is: Same as address for delivery.

DRAFT

The Petitioner applies to this Court for the following orders:

1. an *ex parte* interim order for directions in the terms of the draft Order attached as Schedule "A" to this Petition (the "Interim Order"). The Interim Order will:

   (a) give directions for the convening of a special meeting (the "Meeting") of the Petitioner's holders of shares (the "Shareholders"), holders of options (the "Optionholders"), and holders of warrants (the "Warrantholders") (collectively, the "Securityholders") to consider a Plan of Arrangement (the "Arrangement") among the Petitioner, the Securityholders, US Gold Corporation and US Gold Canadian Acquisition Corporation; and

   (b) provide for the manner and form of service of notice of these proceedings to the persons specified therein;

2. a final Order approving the Arrangement and the means of implementation thereof and ordering that the Arrangement be binding on the Petitioner and its Securityholders (the "Final Order"); and

3. such further or other orders as this Honourable Court may deem appropriate.

The Petitioner will rely on sections 288 to 299 of the *Business Corporations Act* (British Columbia), and Rules 3, 10, 12, 13, 44 and 51A of the *Rules of Court*.

At the hearing of this Petition will be read the Affidavit #1 of William F. Pass sworn the 21st day of May, 2007, and such other materials as counsel may advise.

The facts upon which this petition is based are as follows:

I. BACKGROUND OF THE COMPANIES

1. The Petitioner is a company incorporated under the laws of the Province of British Columbia. Its registered and records offices are located at 1040 West Georgia Street, 15th Floor, Vancouver, British Columbia, V6E 4H8.

2. The Petitioner is a gold exploration company.

3. The Petitioner's authorized capital consists of an unlimited number of common shares.

4. The issued and outstanding share capital of the Petitioner as of May 18, 2007, consisted of a total of 21,282,152 common shares (the "Shares").

5. As of May 18, 2007, the Petitioner had 12 registered Shareholders.

6. As of May 18, 2007, there were 710,500 outstanding options to purchase shares of the Petitioner (the "Options"). The Options are held by 5 Optionholders.

7. As of May 18, 2007, there were warrants outstanding, exercisable to acquire a total of approximately 2,710,000 shares of the Petitioner (the "Warrants"). The Warrants are held by two Warrantholders.

DRAFT

8. The Petitioner is a reporting issuer in the Provinces of British Columbia, Alberta, and Ontario, and in the Yukon Territory. The Petitioner's shares are listed and posted for trading on the TSX Venture Exchange.

9. US Gold Canadian Acquisition Corporation ("Canadian Exchange Co.") is a company incorporated under the laws of Alberta and its registered and records offices are located at 2900 Manulife Place, 10180 – 101 Street, Edmonton, Alberta, T5J 3V5.

10. Canadian Exchange Co. is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland. Its shares are listed and posted for trading on the Toronto Stock Exchange.

11. US Gold Corporation ("US Gold") is a company organized under the laws of the State of Colorado. It is engaged in the exploration for gold and other precious metals.

12. US Gold's authorized capital consists of 250,000,000 shares of common stock, no par value per share. As of May 11, 2007, US Gold had 59,411,319 shares of common stock issued and outstanding.

13. US Gold is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland. Its shares are listed and posted for trading on the Toronto Stock Exchange and the American Stock Exchange.

14. US Gold holds 100% of the voting shares of Canadian Exchange Co.. Canadian Exchange Co. was incorporated solely for the purpose of making an offer for the shares of the Petitioner, as well as concurrent offers for the shares of Nevada Pacific Gold Ltd. ("Nevada Pacific") and White Knight Resources Ltd ("White Knight").

II. BACKGROUND TO THE ARRANGEMENT

15. On March 5, 2006, US Gold announced its intention to make an offer to Shareholders (the "Offer") to acquire all of the outstanding Shares of the Petitioner on the basis of 0.26 of a share of US Gold common stock per share. US Gold subsequently decided that the consideration in the Offer would be in the form of exchangeable shares in the capital of Canadian Exchange Co. (the "Exchangeable Shares").

DRAFT

16. US Gold and Canadian Exchange Co. mailed their Offer to Shareholders on February 12, 2007. On the same date, concurrent offers were made to the shareholders of Nevada Pacific and White Knight to acquire all of the outstanding shares of those two companies.

17. Exchangeable Shares are exchangeable on a one-for-one basis at any time at the option of the holder of the Exchangeable Shares into shares of US Gold common stock. Exchangeable Shares were issued in lieu of US Gold common stock to enable, to the extent permissible and applicable, the Shareholders to take advantage of a full or partial tax deferral available under the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp).

18. A special committee of the Board of Directors of the Petitioner (the "Special Committee") was appointed on March 27, 2006 to consider the Offer. The Special Committee selected Northern Securities Inc. of Vancouver, British Columbia ("Northern Securities") to act as financial advisor and to assist in responding to the Offer.

19. Northern Securities delivered a fairness opinion dated December 5, 2006 (the "Fairness Opinion") to the Special Committee. Northern Securities concluded that based on its review, the Offer was fair to the Shareholders of the Petitioner from a financial point of view. The Fairness Opinion was attached as Schedule A to the Tone Resources Limited Directors' Circular dated February 20, 2007 (the "Directors' Circular").

20. On February 20, 2007, after considering the terms of the Offer and the Fairness Opinion, the Special Committee unanimously recommended to the Board of Directors of the Petitioner that the Offer be accepted and that the Board recommend that Shareholders tender their Shares to the Offer.

21. On February 20, 2007, based on the Special Committee's report, the Fairness Opinion and the advice of legal and financial advisors, the Board of Directors of the Petitioner concluded that the Offer was in the best interests of Shareholders and was fair to them from a financial point of view. The Board of Directors concluded that it would recommend to the Shareholders that they accept the Offer and tender their Shares under the Offer. These conclusions and recommendations were set out in the Directors' Circular.

DRAFT

22. On March 23, 2007, Canadian Exchange Co. took up 18,792,726 Shares validly tendered to the Offer and not withdrawn, being approximately 76% of the outstanding Shares on a fully diluted basis and 89.4% of the outstanding Shares on a non-diluted basis as at such date. ("Fully diluted basis" means the number of outstanding Shares calculated on the assumption that all Options and Warrants are exercised in full. "Non-diluted basis" means the number of outstanding Shares only.) These shares were paid for on or about March 28, 2007.

III. THE ARRANGEMENT

23. In April 2007, US Gold and Canadian Exchange Co. advised the Petitioner's directors that they intended to implement, by way of the Arrangement, the subsequent acquisition transaction disclosed in the Offer by way of the Arrangement.

24. On May 17, 2007, the Petitioner, US Gold and Canadian Exchange Co. entered into an arrangement agreement that outlines the terms of the proposed Arrangement (the "Arrangement Agreement"). The proposed Plan of Arrangement is attached to the Arrangement Agreement, and is attached as Schedule "B" to this Petition.

25. Under the Arrangement:

(a) Shareholders (other than Canadian Exchange Co. and Shareholders who have exercised their right of dissent) will receive, in consideration for the transfer of their Shares to Canadian Exchange Co., 0.26 of an Exchangeable Share for each Share;

(b) each Option will be exchanged for an option (the "Replacement Option") to purchase that number of shares of common stock of US Gold equal to 0.26 times the number of Shares subject to the Option and each Replacement Option will have an exercise price per share of common stock of US Gold equal to the exercise price of the Share under the related Option immediately prior to the effective time of the Plan of Arrangement divided by 0.26; and

(c) each Warrant will either:

(i) be exchanged for a warrant (the "Replacement Warrant") to purchase that number of Exchangeable Shares equal to 0.26 times

DRAFT

the number of Shares subject to the Warrant and each Replacement Warrant will have an exercise per Exchangeable Share equal to the exercise price of the Share under the related Warrant immediately prior to the effective time of the Plan of Arrangement divided by 0.26; or

(ii) be subject to a Warrant Exchange Agreement, substantially in the form attached as Appendix A to the Plan of Arrangement, whereby the Warrantholder will continue to hold his or her Warrants, but upon exercise of such Warrants, the Shares received would be automatically be exchanged for Exchangeable Shares on the basis of 0.26 of an Exchangeable Share for each Share;

and if a Warrantholder fails to enter into a Warrant Exchange Agreement prior to the effective time of the Plan of Arrangement, such Warrantholder's Warrants will automatically be exchanged for Replacement Warrants.

26. Pursuant to the Plan of Arrangement, upon the effective time of the Arrangement:

(a) each Share (other than those already held by Canadian Exchange Co. and those in respect of which the Shareholder has validly exercised his or her right of dissent) shall be deemed to be transferred to Canadian Exchange Co. in consideration for Exchangeable Shares;

(b) each Share in respect of which the Shareholder has validly exercised his or her right of dissent shall be deemed to be transferred to the Petitioner for cancellation;

(c) each Option shall be exchanged for a Replacement Option; and

(d) each Warrant, unless the Warrantholder enters into the Warrant Exchange Agreement, shall be exchanged for a Replacement Warrant.

DRAFT

IV. FAIRNESS

27. The Board of Directors of the Petitioner is not aware of any material changes since the Fairness Opinion was provided which would impact either positively or negatively upon the Fairness Opinion.

28. On May 17, 2007, the Board of Directors met to consider the proposed Arrangement and, with those directors interested in the transaction abstaining, concluded that it was fair to Securityholders. The Board of Directors excluded from its consideration US Gold, Canadian Exchange Co. and their affiliates and associates.

29. The Board of Directors concluded that it would be in the best interests of the Securityholders to proceed with the Arrangement and therefore approved the Arrangement Agreement.

30. The Board of Directors is recommending that the Securityholders of the Petitioner vote in favour of the Arrangement.

V. CONDITIONS PRECEDENT TO THE ARRANGEMENT:

31. In accordance with the terms of the Arrangement Agreement, a number of conditions must be fulfilled in order for the Arrangement to become effective. These conditions include but are not limited to:

(a) the approval by the Securityholders of the Arrangement at the Meeting in accordance with the requirements of the Interim Order;

(b) the number of the Petitioner's Shares held by Shareholders that have validly exercised their dissent rights in respect of the Arrangement not exceeding 5% of the number of the Petitioner's securities outstanding on May 18, 2007;

(c) there not existing any prohibition under applicable law which shall prevent the completion of the Arrangement;

(d) there not being in force any order or decree restraining or enjoining or materially modifying or imposing material conditions on the consummation of the Arrangement or under the Plan of Arrangement and

DRAFT

there being no proceeding, whether of a judicial or administrative nature or otherwise brought by a governmental entity that relates to or results from the Arrangement that would, if successful, result in an order or ruling that would preclude completion of, or materially modify or impose material conditions on, the Arrangement or under the Plan of Arrangement; and

(e) the granting by this Honourable Court of the Final Order approving the Arrangement.

VI. VOTING AT MEETINGS

32. The Arrangement Agreement requires that the Arrangement be approved by:

(a) at least two-thirds of the votes cast by Securityholders present in person or by proxy at the Meeting and entitled to vote at the Meeting (the "Securityholder Vote"); and

(b) at least two-thirds of the votes cast by Shareholders present in person or by proxy at the Meeting and entitled to vote at the Meeting (the "Shareholder Vote").

33. Ontario Securities Commission Rule 61-50, entitled "Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions," ("OSC Rule 61-501") requires that, unless exempted, in addition to any other required Securityholder approval, the approval of a majority of the votes cast by "minority" holders of the affected Securities be obtained.

34. In relation to the Arrangement, the "minority" holders will be all holders of Shares, other than Canadian Exchange Co. and US Gold, any related parties of Canadian Exchange Co. or US Gold who would not be equally treated, and any person or company acting jointly or in concert with the foregoing.

35. OSC Rule 61-501 provides that the Shares acquired pursuant to the Offer may be treated as "minority" Shares and may be voted or considered voted in favour of the Arrangement if the consideration per Share under the Arrangement is at least equal in value to and of the same type as the consideration per Share paid under the Offer and certain other conditions are met.

DRAFT

36. Canadian Exchange Co. has advised the Petitioner that all of the Shares acquired by it under the Offer, representing approximately 76% of the total outstanding Securities and 89.4% of the total outstanding Shares on a non-diluted basis as of May 18, 2007, qualify as "minority shares" under OSC Rule 61-501 and will be voted in favour of the Arrangement.

37. For each of the Securityholder Vote and the Shareholder Vote, each Shareholder is entitled to one vote for each Share held. For the Securityholder Vote, each Warrantholder or Optionholder is entitled to one vote for each Share such Warrantholder or Optionholder is entitled to receive upon exercise of such Warrants or Options, respectively.

VII. RIGHTS OF DISSENT OF SHAREHOLDERS

38. The Plan of Arrangement provides that, subject to orders of this Court, Shareholders of the Petitioner will have the right to dissent from the Arrangement and require the Petitioner to purchase their Shares for their fair value in the manner set forth in the draft Interim Order attached as Schedule "A" to this Petition.

The Petitioner estimates that the application will take 10 minutes.

DATED: May ____, 2007

_____
Solicitor for the Petitioner

DRAFT

APPENDIX E

UNAUDITED *PRO FORMA* CONSOLIDATED STATEMENT OF OPERATIONS
U.S. GOLD CORPORATION

Compilation Report on Unaudited *Pro Forma* Consolidated Financial Statements
to the Board of Directors of U.S. GOLD CORPORATION

We have read the accompanying unaudited *pro forma* consolidated statement of operations U.S. Gold Corporation ("U.S. Gold" or the "Company") for the 12 months ended December 31, 2006, and have performed the following procedures:

(1) Compared the figures in the columns captioned "U.S. Gold Corporation" on the unaudited *pro forma* consolidated statement of operations for the year ended December 31, 2006 to the audited consolidated statement of operations of the Company for the year ended December 31, 2006 and found them to be in agreement.

(2) Compared the figures in the column captioned "Tone Resources Limited" on the unaudited *pro forma* consolidated statement of operations to a schedule prepared by the Company setting out the results of operations of Tone Resources Limited ("Tone Resources") for the 12 months ended November 30, 2006 as described in Note 1 "Basis of Presentation", and found them to be in agreement.

(3) Made enquiries of certain officials (the "officials") of the Company who have responsibility for financial and accounting matters about:

(a) the basis for determination of the adjustments; and

(b) whether the unaudited consolidated financial statements comply as to form in all material respects with the regulatory requirements of the various securities commissions and similar regulatory authorities in Canada.

The officials:

(i) described to us the basis for determination of the *pro forma* adjustments; and

(ii) stated that the unaudited consolidated financial statements comply as to form in all material respects with the regulatory requirements of the various securities commissions and similar regulatory authorities in Canada.

(4) Read the notes to the unaudited consolidated financial statements, and found them to be consistent with the basis described to us for determination of the adjustments.

A financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review conducted under the relevant standards as described in the Handbook of the Canadian Institute of Chartered Accountants. The objective of these procedures is the expression of assurance with respect to management's assumptions, the adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance.

The foregoing procedures would not necessarily reveal matters of significance to the unaudited consolidated financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

(signed) STARK WINTER SCHENKEIN & CO. LLP
Denver, Colorado

Comments for United States readers on differences
between Canadian and United States reporting standards

The above report, provided solely pursuant to Canadian requirements, is expressed in accordance with standards of reporting generally accepted in Canada. To report in conformity with United States standards on the reasonableness of the *pro forma* adjustments and their application to the *pro forma* financial statements requires an examination or review substantially greater in scope then the review we have conducted. Consequently, we are unable to express any opinion in accordance with standards of reporting generally accepted in the United States with respect to the compilation of the accompanying unaudited *pro forma* financial information.

(signed) STARK WINTER SCHENKEIN & CO. LLP
Denver, Colorado

U.S. Gold Corporation
Unaudited Pro Forma Consolidated Statement of Operations
For the year ended December 31, 2006
(Expressed in United States dollars and United States GAAP)

	U.S. Gold Corporation	Tone Resources Limited	Pro Forma Consolidated U.S. Gold Corporation
OTHER INCOME (EXPENSES)			
Interest and other items	$ 2,533,137	$ 6,556	$ 2,539,693
Gain (loss) on foreign exchange	-	971	971
Total other income	2,533,137	7,527	2,540,664
COSTS AND EXPENSES			
General and administrative	3,609,583	1,018,497	4,628,080
Proposed acquisitions	6,833,845	-	6,833,845
Property holding costs	1,949,556	-	1,949,556
Exploration costs	9,241,774	179,171	9,420,945
Interest	5,298	-	5,298
Stock option expense	1,518,858	-	1,518,858
Accretion of asset retirement obligation	269,621	-	269,621
Change in value of derivatives	51,680,941	-	51,680,941
Depreciation	73,701	-	73,701
Total costs and expenses	75,183,177	1,197,668	76,380,845
Loss before income taxes	(72,650,040)	(1,190,141)	(73,840,181)
Provision for income taxes	-	-	-
NET LOSS	$ (72,650,040)	$ (1,190,141)	$ (73,840,181)
Basic and diluted net loss per share (Note 3)	$ (1.80)		$ (1.63)
Weighted average number of shares outstanding - basic and diluted (Note 3)	39,891,413		45,360,039

See accompanying notes to unaudited pro forma consolidated financial statements.

U.S. GOLD CORPORATION

NOTES TO THE UNAUDITED *PRO FORMA* CONSOLIDATED STATEMENT OF OPERATIONS
(Expressed in United States dollars and United States GAAP)
Year ended December 31, 2006
(Unaudited)

1. Basis of presentation

On March 5, 2006 U.S. Gold Corporation ("U.S. Gold" or the "Company") announced its intention to acquire, in stock transactions, all of the outstanding common shares of Tone Resources Limited ("Tone Resources"), White Knight Resources Ltd. ("White Knight"), Nevada Pacific Gold Ltd. ("Nevada Pacific") and Coral Gold Resources Ltd. ("Coral Gold"). In December 2006 U.S. Gold withdrew the proposal to acquire Coral Gold. The offers to purchase the shares were conducted by way of take-over bids pursuant to securities legislation in the United States and Canada.

On March 23, 2007 US Gold's wholly-owned subsidiary, US Gold Canadian Acquisition Corporation ("Canadian Exchange Co"), took up and accepted the shares tendered by the shareholders of each of Tone Resources, White Knight and Nevada Pacific. Subsequent to March 23, 2007 the Company completed several key steps necessary to achieve full control over the assets and operations of the acquired companies, including the appointment of its nominees to the respective boards. On March 28, 2007 payment for the tendered shares was made through transfer of the exchangeable shares of Canadian Exchange Co.

In consideration for the acquisition of Tone Resources, Canadian Exchange Co has issued 0.26 shares of U.S. Gold common stock for each tendered share of Tone Resources totaling approximately 4,886,110. The shares tendered represented approximately 89.4% of the outstanding shares of Tone Resources as of March 23, 2007.

In consideration for the acquisition of White Knight, Canadian Exchange Co has issued 0.35 shares of U.S. Gold common stock for each tendered share of White Knight totaling approximately 19,507,560. The shares tendered represented approximately 93.7% of the outstanding shares of White Knight as of March 23, 2007.

In consideration for the acquisition of Nevada Pacific, Canadian Exchange Co has issued 0.23 shares of U.S. Gold common stock for each tendered share of Nevada Pacific totaling approximately 13,634,004. The shares tendered represented approximately 83.5% of the outstanding shares of Nevada Pacific as of March 23, 2007.

The exchangeable shares, by virtue of the redemption and exchange rights attaching to them and the provisions of certain voting and support agreements are intended to provide the holders with the economic and voting rights that are, as nearly as practicable, equivalent to those of a share of common stock of U.S. Gold. Accordingly, the exchangeable shares are included as part of the consolidated share capital of U.S. Gold.

The unaudited *pro forma* consolidated statement of operations for the year ended December 31, 2006 has been prepared to give effect to the Company's acquisition of the remaining 10.6% of Tone Resources (the "Acquisition"). This unaudited *pro forma* consolidated statement of operations has been prepared on the basis that each shareholder will receive shares of common stock of U.S. Gold in exchange for their Tone Resources common shares. The combined effects of the proposed transactions with each of the three companies have been presented separately under "Unaudited *Pro Forma* Consolidated Supplementary Statement of Operations", included elsewhere in this circular.

U.S. Gold's unaudited consolidated balance sheet at March 31, 2007, included elsewhere in the circular, reflects the consolidation of each of Tone Resources, White Knight and Nevada Pacific reflecting the above ownership interests as of that date. The proposed acquisition of the remaining 10.6% minority interest in Tone Resources will result in an increase of approximately $3.4 million to the cost of acquisition all of which will be allocated on a preliminary basis to the acquired mineral interests. The proposed acquisition of the remaining minority interests in all three companies will result in an increase of approximately $27.1 million to the aggregate cost of acquisition all of which will be allocated on a preliminary basis to the acquired mineral interests.

The unaudited *pro forma* consolidated statement of operations for the year ended December 31, 2006 has been compiled by combining the audited statement of operations of the Company for the year ended December 31, 2006 with the unaudited constructed statement of operations of Tone Resources for the twelve months ended November 30, 2006 The unaudited statement of operations of Tone Resources for the twelve months ended November 30, 2006 was constructed by adding (A) the unaudited constructed statement of operations for the nine months ended August 31, 2006, adjusted from Canadian GAAP to United States GAAP (derived from Tone Resources' audited statement of operations for the year ended August 31, 2006 and the unaudited interim results for the three months ended November 30, 2005) that was included in the Offer To Purchase Take-over Bid Circular dated February 12, 2007 and (B) the unaudited statement of operations for the three months ended November 30, 2006 adjusted from Canadian GAAP to United States GAAP. The *pro forma* statement of operations gives effect to the transaction as if it occurred on January 1, 2006.

The unaudited *pro forma* consolidated statement of operations has been presented on the above basis to ensure that the unaudited *pro forma* consolidated financial statement reflects the acquired business financial statements for a period that is no more than 93 days from U.S. Gold's year-end, as required pursuant to *pro forma* presentation requirements contained in the securities rules.

The unaudited *pro forma* consolidated statement of operations has been compiled using the significant accounting policies as set out in the audited financial statements of U.S. Gold for the year ended December 31, 2006 which are included elsewhere in this circular. The unaudited *pro forma* consolidated statement of operations should be read in conjunction with the historical financial statements and notes thereto of the Company.

Management of U.S. Gold has consolidated certain line items from Tone Resources statement of operations in an attempt to conform to the presentation of the Company's financial statements. It is management's opinion that this unaudited *pro forma* consolidated statement of operations includes all adjustments necessary for the fair presentation of the transactions described in Note 2 in accordance with United States generally accepted accounting principles. Tone Resources statements of operations have been translated from Canadian GAAP to United States GAAP, as more fully described in note 2.

Tone Resources prepares its financial statements in Canadian dollars. For pro forma purposes, results of operations have been translated to U.S. dollars using the average exchange rates for the twelve months ended November 30, 2006.

The unaudited *pro forma* consolidated statement of operations is not intended to reflect the results of operations or the financial position of the Company which would have actually resulted had the proposed transactions been effected on the dates indicated. Further, the unaudited *pro forma* financial information is not necessarily indicative of the results of operations that may be obtained in the future nor the effects of any revisions to the preliminary purchase allocation set out in Note 2 to the Company's unaudited consolidated financial statements for the three months ended March 31, 2007 included elsewhere in the circular.

2. Reconciliation to United States Generally Accepted Accounting Principles

(i) Mineral property costs and deferred exploration costs

Under accounting principles generally accepted in Canada ("Canadian GAAP") resource property acquisition and exploration costs may be deferred and amortized to the extent they meet certain criteria. Under accounting principles generally accepted in the United States ("US GAAP") resource property acquisition and exploration costs must be expensed as incurred. Therefore an additional expense is required under US GAAP.

The effects of the foregoing differences on the *Tone Resources* statement of operations for the twelve months ended November 30, 2006 are summarized as follows:

Mining and Exploration Expenditures amounts to $179,171 under US GAAP for the twelve months ended November 30, 2006. These expenditures are capitalized for Canadian GAAP purposes but are expensed under US GAAP.

3. *Pro forma* loss per share

Pro forma basic loss per share for the year ended December 31, 2006 reflects the actual weighted average number of U.S. Gold common shares outstanding for the year and the number of U.S. Gold common shares issued to all Tone Resources shareholders as if they were issued on January 1, 2006.

	(Shares or US dollars)
Actual weighted average number of U.S. Gold common shares outstanding	39,891,413
Number of U.S. Gold common shares issued to all Tone shareholders	5,468,626
Pro forma weighted average number of U.S. Gold common shares outstanding	45,360,039
Pro forma net loss	$ (73,840,181)
Pro forma adjusted basic loss per share	$ (1.63)

APPENDIX F

U.S. Gold Corporation
Unaudited Pro Forma Consolidated Supplementary Statement of Operations
For the year ended December 31, 2006
(Expressed in United States dollars and United States GAAP)

	U.S. Gold Corporation	White Knight Resources Ltd.	Nevada Pacific Gold Ltd.	Tone Resources Limited	Pro Forma Consolidated U.S. Gold Corporation
SALES			$ 3,956,951		$ 3,956,951
COST OF SALES			4,497,380		4,497,380
DEPRECIATION AND DEPLETION			198,941		198,941
ROYALTIES			226,515		226,515
			4,922,836		4,922,836
EARNINGS (LOSS) FROM MINING OPERATIONS			(965,885)		(965,885)
OTHER INCOME (EXPENSES)					
Interest and other items	$ 2,533,137	$ 358,437	111,266	$ 6,556	3,009,396
Gain (loss) on foreign exchange	-	1,519	(136,326)	971	(133,836)
Total other income	2,533,137	359,956	(25,060)	7,527	2,875,560
COSTS AND EXPENSES					
General and administrative	3,609,583	3,055,076	3,120,904	1,018,497	10,804,060
Proposed acquisitions	6,833,845	-	-	-	6,833,845
Property holding costs	1,949,556	-	-	-	1,949,556
Exploration costs	9,241,774	1,039,157	3,207,206	179,171	13,667,308
Interest	5,298	4,226	-	-	9,524
Stock option expense	1,518,858	-	-	-	1,518,858
Accretion of asset retirement obligation	269,621	-	-	-	269,621
Change in value of derivatives	51,680,941	-	-	-	51,680,941
Write-off of mineral property costs	-	(14,780)	-	1,197,668	1,182,888
Depreciation	73,701	29,615	-	(1,190,141)	(1,086,825)
Total costs and expenses	75,183,177	4,113,294	6,328,110	1,205,195	86,829,776
Loss before income taxes	(72,650,040)	(3,753,338)	(7,319,055)	(1,190,141)	(84,920,101)
Provision for income taxes	-	-	-	-	-
NET LOSS	$ (72,650,040)	$ (3,753,338)	$ (7,319,055)	$ (1,190,141)	$ (84,920,101)
Basic and diluted net loss per share (Note 3)	$ (1.80)				$ (1.03)
Weighted average number of shares outstanding - basic and diluted (Note 3)	39,891,413				82,511,401

See accompanying notes to unaudited pro forma consolidated supplementary financial statements.

US GOLD CORPORATION

NOTES TO THE UNAUDITED *PRO FORMA* CONSOLIDATED SUPPLEMENTARY STATEMENT OF OPERATIONS
(Expressed in United States dollars and United States GAAP)
Year ended December 31, 2006
(Unaudited)

1. Basis of presentation

On March 5, 2006 U.S. Gold Corporation ("U.S. Gold" or the "Company") announced its intention to acquire, in stock transactions, all of the outstanding common shares of, Nevada Pacific Gold Ltd. ("Nevada Pacific"), Tone Resources Limited ("Tone Resources"), White Knight Resources Ltd. ("White Knight") and Coral Gold Resources Ltd. ("Coral Gold"). In December 2006 U.S. Gold withdrew the proposal to acquire Coral Gold. The offers to purchase the shares were conducted by way of take-over bids pursuant to securities legislation in the United States and Canada.

On March 23, 2007 US Gold's wholly-owned subsidiary, US Gold Canadian Acquisition Corporation ("Canadian Exchange Co"), took up and accepted the shares tendered by the shareholders of each of Nevada Pacific, Tone Resources and White Knight. Subsequent to March 23, 2007 the Company completed several key steps necessary to achieve full control over the assets and operations of the acquired companies, including the appointment of its nominees to the respective boards. On March 28, 2007 payment for the tendered shares was made through transfer of the exchangeable shares of Canadian Exchange Co.

In consideration for the acquisition of Nevada Pacific, Canadian Exchange Co has issued 0.23 shares of U.S. Gold common stock for each tendered share of Nevada Pacific totaling approximately 13,634,004. The shares tendered represented approximately 83.5% of the outstanding shares of Nevada Pacific as of March 23, 2007.

In consideration for the acquisition of Tone Resources, Canadian Exchange Co has issued 0.26 shares of U.S. Gold common stock for each tendered share of Tone Resources totaling approximately 4,886,110. The shares tendered represented approximately 89.4% of the outstanding shares of Tone Resources as of March 23, 2007.

In consideration for the acquisition of White Knight, Canadian Exchange Co has issued 0.35 shares of U.S. Gold common stock for each tendered share of White Knight totaling approximately 19,507,560. The shares tendered represented approximately 93.7% of the outstanding shares of White Knight as of March 23, 2007.

U.S. Gold's unaudited consolidated balance sheet at March 31, 2007, included elsewhere in the circular, reflects the consolidation of each of Nevada Pacific, Tone Resources and White Knight reflecting U.S. Gold's majority ownership interests as of that date. The proposed acquisition of the remaining minority interests in all three companies will result in an increase of approximately $27.1 million to the aggregate cost of acquisition all of which will be allocated on a preliminary basis to the acquired mineral interests. The unaudited *pro forma* consolidated supplementary statement of operations for the twelve months ended December 31, 2006 has been prepared to give effect to the Company's acquisition of 100 % of the target companies, including the remaining minority interests in the target companies at March 31, 2007 of 16.5% of Nevada Pacific, 10.6% of Tone Resources and 6.3% of White Knight .

It is management's opinion that the unaudited *pro forma* consolidated supplementary statement of operations includes all adjustments necessary for the fair presentation of the transactions in accordance with United States generally accepted accounting principles. The unaudited *pro forma* consolidated supplementary statement of operations is not intended to reflect the results of operations or the financial position of the Company which would have actually resulted had the proposed transactions been effected on the dates indicated. Further, the unaudited *pro forma* consolidated supplementary financial information is not necessarily indicative of the results of operations that may be obtained in the future nor of any adjustments that may arise upon finalization of the preliminary purchase price allocation.

2. Summary of significant accounting policies

The unaudited *pro forma* consolidated supplementary financial statements have been compiled using the significant accounting policies as set out in the audited financial statements of U.S. Gold for the year ended December 31, 2006 which are included elsewhere in the Circular.

3. *Pro forma* loss per share

Supplementary pro forma basic loss per share for the year ended December 31, 2006 reflects the actual weighted average number of U.S. Gold common shares outstanding for the year and the number of U.S. Gold common shares issued to the Target shareholders as if they were issued on January 1, 2006.

		(Shares or US dollars)
Actual weighted average number of U.S. Gold common shares outstanding		39,891,413
Number of U.S. Gold common shares issued to Targets		42,619,988
Pro forma weighted average number of U.S. Gold common shares outstanding		82,511,401
Pro forma net loss	$	(84,920,101)
Pro forma adjusted basic loss per share	$	(1.03)

This is **Exhibit "B"** referred to in the affidavit of William F. Pass sworn before me at Vancouver this 19th day of May, 2007.

A Commissioner for taking Affidavits for British Columbia

SUSAN A. GRIFFIN, Q.C.
Barrister & Solicitor
FRASER MILNER CASGRAIN LLP
1500 - 1040 West Georgia Street
Vancouver, B.C. V6E 4H8
Telephone (604) 687-4460

A detailed description of the transactions described in this Letter of Transmittal is contained in the management information circular dated May 23, 2007 (the "Circular") mailed to securityholders of Tone Resources Limited in connection with a special meeting of securityholders of Tone Resources Limited that is scheduled to be held on June 25, 2007. You may obtain a copy of the Circular from www.sedar.com. You may also request a paper copy free of charge by contacting Pacific Corporate Trust Company at the address or telephone numbers set out in this Letter of Transmittal.

The instructions accompanying this Letter of Transmittal should be read carefully before this Letter of Transmittal is completed. The Depositary or your broker or other financial advisor can assist you in completing this Letter of Transmittal (see back page of this document for address and telephone number).

LETTER OF TRANSMITTAL

to accompany certificates for common shares of

TONE RESOURCES LIMITED

pursuant to the Proposed Arrangement with

US GOLD CORPORATION AND US GOLD CANADIAN ACQUISITION CORPORATION

This Letter of Transmittal is for use by holders ("**Shareholders**") of common shares (the "**Tone Resources Shares**") of Tone Resources Limited ("**Tone Resources**") in connection with the proposed arrangement (the "**Arrangement**") involving Tone Resources, US Gold Corporation ("**US Gold**") and US Gold Canadian Acquisition Corporation ("**Canadian Exchange Co.**"), that is being submitted for approval at the special meeting of securityholders of Tone Resources scheduled to be held on June 25, 2007 (the "**Meeting**"). Shareholders are referred to the Notice of Special Meeting and Management Information Circular (the "**Circular**") dated May 23, 2007 that accompanies this Letter of Transmittal. Capitalized terms used but not defined in this Letter of Transmittal that are defined in the Circular have the meaning set out in the Circular.

PACIFIC CORPORATE TRUST COMPANY (THE "DEPOSITARY")
(SEE BELOW FOR ADDRESS AND TELEPHONE NUMBER)
OR YOUR BROKER OR OTHER FINANCIAL ADVISOR WILL
BE ABLE TO ASSIST YOU IN COMPLETING THIS LETTER OF TRANSMITTAL

This Letter of Transmittal, properly completed and duly executed, together with all other required documents, must accompany all certificates for Tone Resources Shares deposited for exchange pursuant to the Arrangement.

The Effective Date of the Arrangement is anticipated to be prior to the end of June 2007. On the Effective Date, Shareholders (other than Dissenting Shareholders) will be entitled to receive in exchange for each Tone Resources Share, 0.26 of an exchangeable share of Canadian Exchange Co. ("Exchangeable Share").

In order for Shareholders to receive certificates representing the 0.26 of a Exchangeable Share for each of their Tone Resources Shares, Shareholders are required to deposit the certificates representing the Tone Resources Shares held by them with the Depositary.

Please read carefully the Circular and the instructions set out below before completing this Letter of Transmittal.

TO: TONE RESOURCES LIMITED
AND TO: US GOLD CORPORATION AND US GOLD CANADIAN ACQUISITION CORPORATION
AND TO: PACIFIC CORPORATE TRUST COMPANY (THE "DEPOSITARY"), AT THE OFFICES SET OUT HEREIN.

The undersigned, representing that the undersigned has full power to do so, hereby delivers to you for cancellation, the enclosed certificate(s) for Tone Resources Shares, the details of which are as follows:

Certificate Number(s) *	Name(s) in which Registered	Cost of Tone Resources Shares**	Number of Tone Resources Shares Represented by the Certificate
		TOTAL	

* **Need not be completed by the Shareholder delivering by book-entry transfer.**
** **This information is requested because our tax basis in your Tone Resources Shares for United States Federal income tax purposes may be determined by reference to your tax basis in such Tone Resources Shares (which is generally the price that you paid for such Tone Resources Shares).**

(If space is insufficient, please attach a signed list to this Letter of Transmittal in the above form.)

It is understood that, upon receipt of this Letter of Transmittal and of the certificate(s) representing the Tone Resources Shares deposited herewith and following the Effective Date of the Arrangement, the Depositary will send to the undersigned a certificate(s) representing the Tone Resources Shares to which the undersigned is entitled pursuant to the Arrangement (the "**Exchangeable Share Certificate**") or hold the Exchangeable Share Certificate for pick-up in accordance with the instructions set out below.

The undersigned holder of Tone Resources Shares represents and warrants that (i) the undersigned is the owner of the Tone Resources Shares being deposited, (ii) such Tone Resources Shares are owned by the undersigned free and clear of all mortgages, liens, charges, encumbrances, security interests and adverse claims, (iii) the undersigned has full power and authority to execute and deliver this Letter of Transmittal and to deposit, sell, assign, transfer and deliver the Tone Resources Shares, (iv) the Tone Resources Shares being deposited by the undersigned have not been sold, assigned or transferred, nor has any agreement been entered into to sell, assign or transfer any such Tone Resources Shares to any other person, (v) the surrender of the undersigned's Tone Resources Shares complies with applicable laws, and (vi) unless the undersigned shall have revoked this Letter of Transmittal by notice in writing given to the Depositary by no later than 5:00 p.m. (Vancouver time) on the last business day preceding the date of the Meeting, the undersigned will not, prior to such time, transfer or permit to be transferred any of such deposited Tone Resources Shares. These representations and warranties shall survive the completion of the Arrangement.

The undersigned revokes any and all authority, other than as granted in this Letter of Transmittal, whether as agent, attorney-in-fact, proxy or otherwise, previously conferred or agreed to be conferred to the undersigned at any time with respect to the Tone Resources Shares being deposited and except with respect to the proxy deposited with respect to the Meeting. No subsequent authority, whether as agent, attorney-in-fact, proxy or otherwise will be granted with respect to the deposited Tone Resources Shares.

Each authority conferred or agreed to be conferred by the undersigned in this Letter of Transmittal shall survive the death or incapacity of the undersigned and any obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

The undersigned instructs the Depositary to mail the Exchangeable Share Certificate in exchange for the enclosed certificate(s) representing Tone Resources Shares promptly after the Effective Date, by first-class insured mail, postage prepaid, to the undersigned, or to hold the Exchangeable Share Certificate for pick-up, in accordance with the instructions given below. Should the Arrangement not be completed, the enclosed certificate(s) representing Tone Resources Shares and all other ancillary documents shall be returned to the undersigned in accordance with the instructions given in Box B below.

By reason of the use by the undersigned of an English language form of Letter of Transmittal, the undersigned shall be deemed to have required that any contract evidenced by the Arrangement as entered into through this Letter of Transmittal, as well as any documents related thereto, be drawn exclusively in the English language. En raison de l'utilisation d'une version anglaise de la présente lettre envoi, le soussigné, ce dernier et les destinataires sont réputés avoir demandé que tout contrat attesté

par l'arrangement, telle qu'il est accepté au moyen de cette lettre envoi, de même que tous les documents qui s'y rapportent, soient rédigés exclusivement en anglais.

If the Arrangement is not proceeded with, the enclosed certificate(s) representing Tone Resources Shares will be returned forthwith to the undersigned at the address set out below in Box B or, failing such address being specified, to the undersigned at the last address of the undersigned as it appear on the securities register of Tone Resources.

Signature guaranteed by (if required under instruction 3): Dated: _____, 2007

_____
Authorized Signature of Guarantor

_____
Name of Guarantor (please print or type)

_____
Address of Guarantor (please print or type)

_____
Signature of Shareholder or Authorized Representative
(see instructions 2 and 3)

_____
Name of Shareholder (please print or type)

_____
Name of Authorized Representative, if applicable
(please print or type)

_____
Daytime Telephone Number of Shareholder or
Authorized Representative

_____
Daytime Facsimile Number of Shareholder or
Authorized Representative

BLOCK A

ISSUE EXCHANGEABLE SHARE CERTIFICATE IN NAME OF (please print or type):

☐ Registered owner of Tone Resources Shares or:

_____
(Name)

_____
(Street Address and Number)

_____
(City and Province or State)

_____
(Country and Postal or Zip Code)

_____
(Telephone – Home)

_____
(Telephone – Business)

_____
(e-mail)

_____
(Canadian Social Insurance Number)

(U.S. Residents/Citizens must provide their Taxpayer Identification Number)

See Substitute Form W-9 or Form W-8BEN, each of which is included herein.

BLOCK B

SEND EXCHANGEABLE SHARE CERTIFICATE, OR TONE RESOURCES SHARES IF ARRANGEMENT IS NOT COMPLETED (as per Instruction 8), TO (please print or type):

☐ same address as Block A or to:

_____
(Name)

_____
(Street Address and Number)

_____
(City and Province or State)

_____
(Country and Postal or Zip Code)

_____
(Telephone – Home)

_____
(Telephone – Business)

☐ Hold certificate(s) for pick up against counter receipt at the office of the Depositary.

BLOCK C

☐ HOLD EXCHANGEABLE SHARE CERTIFICATE FOR PICK UP AGAINST COUNTER RECEIPT AT THE OFFICE OF THE DEPOSITARY.

The Exchangeable Shares may permit holders of Tone Resources Shares to take advantage of a full or partial tax deferral available under the *Income Tax Act* (Canada). Shareholders are encouraged to consult their own advisors regarding the tax consequences of the proposed transactions.

INSTRUCTIONS

1. **Use of Letter of Transmittal.** The method used to deliver this Letter of Transmittal, certificates representing Tone Resources Shares and all other required documents is at the option and risk of the person depositing the same, and delivery will be deemed effective only when such documents are actually received by the Depositary. Tone Resources recommends that such documents be hand delivered to the Depositary at the office specified on the back page of this document, and a receipt obtained. However, if such documents are mailed, Tone Resources recommends that registered mail, with return receipt requested, be used and that proper insurance be obtained. Shareholders whose Tone Resources Shares are registered in the name of a nominee should contact their broker, investment dealer, bank, trust company or other nominee for assistance in depositing those Tone Resources Shares.

2. **Signatures.** This Letter of Transmittal must be completed and signed by the registered holder of Tone Resources Shares or by such holder's duly authorized representative (in accordance with instruction 4 below).

   (a) If this Letter of Transmittal is signed by the registered owner(s) of the accompanying certificate(s), such signature(s) on this Letter of Transmittal must correspond with the name(s) as registered or as written on the face of such certificate(s) without any change whatsoever, and the certificate(s) need not be endorsed. If such transmitted certificate(s) are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

   (b) If this Letter of Transmittal is signed by a person other than the registered owner(s) of the accompanying certificate(s), or if Exchangeable Shares are to be issued to a person other than the registered owner(s):

      (i) such deposited certificate(s) must be endorsed or be accompanied by an appropriate share transfer power of attorney duly and properly completed by the registered owner(s); and

      (ii) the signature(s) on such endorsement or power of attorney must correspond exactly to the name(s) of the registered owner(s) as registered or as appearing on the certificate(s) and must be guaranteed as described in instruction 3 below.

3. **Guarantee of Signatures.** If:

   (a) this Letter of Transmittal is executed by a person other than the registered owner(s) of the Tone Resources Shares; or

   (b) Exchangeable Shares are to be issued to a person other than such registered owner(s) or sent to an address other than the address of the registered owner(s) as shown on the register of Shareholders maintained by Tone Resources,

   then such signature in this Letter of Transmittal (and on any endorsement or power of attorney as described in instruction 2 above) must be guaranteed by an Eligible Institution, or in some other manner satisfactory to the Depositary (except that no guarantee is required if the signature is that of an Eligible Institution).

   An "**Eligible Institution**" means a Schedule I Canadian chartered bank, or a guarantor with membership in an approved Medallion signature guarantee program.

4. **Fiduciaries, Representatives and Authorizations.** Where this Letter of Transmittal or any certificate or share transfer or power of attorney is executed by a person as an executor, administrator, trustee, guardian, attorney-in-fact or agent or on behalf of a corporation, partnership or association or is executed by any other person acting in a fiduciary or representative capacity, such person should so indicate when signing and this Letter of Transmittal must be accompanied by satisfactory evidence of the authority to act. Either of Tone Resources or the Depositary, at their discretion, may require additional evidence of authority or additional documentation.

5. **Backup Withholding.** Under United States federal income tax law, a Shareholder whose Tone Resources Shares are exchanged for Exchangeable Shares may be subject to backup withholding at a rate of 28%.

U.S. Residents

To prevent backup withholding, a Shareholder that is a resident of the United States for United States federal income tax purposes is required to notify the Depositary of the Shareholder's current taxpayer identification number (**"TIN"**) by completing the enclosed Substitute Form W-9, certifying that the TIN provided on that form is correct (or that such Shareholder is awaiting receipt of a TIN), and that (i) the Shareholder has not been notified by the Internal Revenue Service that the Shareholder is subject to backup withholding as a result of failure to report all interest or dividends or (ii) after being so notified, the Internal Revenue Service has notified the Shareholder that the Shareholder is no longer subject to backup withholding. If the Depositary is not provided with the correct TIN, such Shareholder may be subject to a $50 penalty imposed by the Internal Revenue Service and payments that are made to such Shareholder may be subject to backup withholding (see below).

Each Shareholder is required to give the Depositary the TIN (e.g., Social Security number or employer identification number) of the record holder of the Tone Resources Shares. If the Tone Resources Shares are registered in more than one name or are not registered in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report. A Shareholder who does not have a TIN may check the box in Part 3 of the Substitute Form W-9 if such Shareholder has applied for a TIN or intends to apply for a TIN in the near future. If the box in Part 3 is checked, the Shareholder must also complete the information in the box entitled "Certificate of Awaiting Taxpayer Identification Number" below in order to avoid backup withholding. If the box in Part 3 is checked, payments made will be subject to backup withholding unless the Shareholder has furnished the Depositary with his or her TIN by the time payment is made. A Shareholder who checks the box in Part 3 in lieu of furnishing a TIN should furnish the Depositary with the Shareholder's TIN as soon as it is received.

Certain Shareholders are not subject to these backup withholding requirements. To avoid possible erroneous backup withholding, a Shareholder who is a resident of the United States for United States federal income tax purposes and is exempt from backup withholding should complete the Substitute Form W-9 by providing his or her correct TIN, signing and dating the form, and writing "exempt" on the face of the form.

Non-U.S. Residents

A Shareholder who is not a resident of the United States for United States federal income tax purposes should submit to the Depositary the appropriate Form W-8. Generally, a foreign individual or a foreign corporation that is not a pass-through entity for U.S. federal income tax purposes and is not engaged in a trade or business within the United States would provide a Form W-8BEN. A foreign entity that is a pass-through entity for U.S. federal income tax purposes and is not engaged in a trade or business within the United States would generally provide a Form W-8IMY (which may require an additional Form W-8BEN for its beneficial owners). A foreign individual or a foreign entity that is engaged in a trade or business within the United States may be required to provide a Form W-8ECI. Form W-8BEN is enclosed herein. Forms W-8IMY and W-8ECI will be provided to you by the Depositary upon request.

All Shareholders are urged to consult their own tax advisors to determine whether they are exempt from these backup withholding and reporting requirements and to determine which form should be used to avoid backup withholding.

If backup withholding applies, the Depositary is required to withhold 28% of any payments to be made to the shareholder. Backup withholding is not an additional tax. Rather, the U.S. tax liability of persons subject to backup withholding, if any, will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained by filing a tax return with the Internal Revenue Service. The Depositary cannot refund amounts withheld by reason of backup withholding.

6. **Miscellaneous.**

(a) If the space on this Letter of Transmittal is insufficient to list all certificates for Tone Resources Shares, additional certificate numbers and number of Tone Resources Shares may be included on a separate signed list affixed to this Letter of Transmittal.

(b) If Tone Resources Shares are registered in different forms (e.g. "John Doe" and "J. Doe"), a separate Letter of Transmittal should be signed for each different registration.

7. **Lost Certificates**. If a share certificate has been lost or destroyed, this Letter of Transmittal should be completed as fully as possible and forwarded, together with a letter describing the loss, to the Vancouver office of the Depositary. The Depositary will forward such letter to Tone Resources' registrar and transfer agent so that the transfer agent may provide replacement instructions. If a share certificate has been lost or destroyed, please ensure that you provide your telephone number to the Depositary so that the Depositary and/or Tone Resources' transfer agent may contact you.

8. If the Arrangement does not proceed for any reason, any certificate(s) for Tone Resources Shares received by the Depository will be returned to you forthwith.

[BOWNE TO PROVIDE W-9 US TAX FORM]

[BOWNE TO PROVIDE W-8BEN US TAX FORM]

The Depositary is:

PACIFIC CORPORATE TRUST COMPANY

By Mail, Registered Mail, Hand Delivery or by Courier

Vancouver:

510 Burrard Street, 2nd Floor
Vancouver, British Columbia,
Canada
V6C 3B9

Attention: Manager, Client Services

Telephone: (604) 689-9853

Facsimile: (604) 689-8144

Email: pacific@pctc.com

Any questions and requests for assistance may be directed to the Depositary at its telephone number and location set out above.

This is **Exhibit "C"** referred to in the affidavit of William F. Pass sworn before me at Vancouver this 19th day of May, 2007.

A Commissioner for taking Affidavits for British Columbia

SUSAN A. GRIFFIN, Q.C.
Barrister & Solicitor
FRASER MILNER CASGRAIN LLP
1500 - 1040 West Georgia Street
Vancouver, B.C. V6E 4H8
Telephone (604) 687-4460

Proxy

SPECIAL MEETING OF SHAREHOLDERS OF TONE RESOURCES LIMITED

TO BE HELD AT 1500 – 1040 WEST GEORGIA STREET, VANCOUVER, BC ON MONDAY, JUNE 25, 2007, AT 2:00 PM

I/We being holder(s) of the Company hereby appoint:

WILLIAM F. PASS, Vice President, Chief Financial Officer and Secretary of the Company, or failing this person, **ANN S. CARPENTER**, President and Chief Operating Officer of the Company, a Director or Officer of the Company, or in the place of the foregoing,

(print the name) _____,

as my/our proxyholder with full power of substitution to attend, act and vote for and on my/our behalf in respect of all matters that may properly come before the aforesaid meeting of the holders of the Company (the "Meeting") and at every adjournment thereof, to the same extent and with the same powers as if I/we were present at the said Meeting and at any adjournment thereof.

I/We hereby direct the proxyholder to vote the securities of the Company recorded in my/our name as specified herein.

I/We hereby revoke any proxy previously given to attend and vote at said Meeting.

SECURITYHOLDER SIGN HERE: _____

DATE SIGNED: _____

THIS FORM MUST BE SIGNED AND DATED ABOVE.

SEE IMPORTANT VOTING INSTRUCTIONS ON REVERSE.

Resolutions

(For full details of each resolution, please see the enclosed Information Circular)

	For	Against	Withhold
1. to approve an arrangement under section 288 of the Business Corporations Act (British Columbia), all as more particularly described in the Circular; and			N/A
2. to act upon such other matters, including amendments to the foregoing, as may properly come before the Meeting or any adjournment or postponement thereof.			N/A
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			

INSTRUCTIONS FOR COMPLETION OF PROXY

1. **This Proxy is solicited by the Management of the Company.**
2. This form of proxy ("Instrument of Proxy") ***must be signed*** **by you, the holder**, or by your attorney duly authorized by you in writing, or, in the case of a corporation, by a duly authorized officer or representative of the corporation; and ***if executed by an attorney, officer, or other duly appointed representative,*** the original or a notarial copy of the instrument so empowering such person, or such other documentation in support as shall be acceptable to the Chairman of the Meeting, must accompany the Instrument of Proxy.
3. ***If this Instrument of Proxy is not dated*** in the space provided, authority is hereby given by you, the holder, for the proxyholder to date this proxy seven (7) calendar days after the date on which it was mailed to you, the holder, by Pacific Corporate Trust Company.
4. ***A holder who wishes to attend the Meeting and vote on the resolutions in person*** may simply register with the scrutineers before the Meeting begins.
5. ***A holder who is not able to attend the Meeting in person but wishes to vote on the resolutions***, may do the following:

   (a) ***appoint one of the management proxyholders*** named on the Instrument of Proxy, by leaving the wording appointing a nominee as is (i.e. do not strike out the management proxyholders shown and do not complete the blank space provided for the appointment of an alternate proxyholder). **Where no choice is specified by a holder with respect to a resolution set out in the Instrument of Proxy, the management appointee acting as a proxyholder will vote in favour of each matter identified on this Instrument of Proxy and, if applicable, for the nominees of management for directors and auditors as identified in this Instrument of Proxy; OR**

   (b) ***appoint another proxyholder,*** who need not be a holder of the Company, to vote according to the holder's instructions, by striking out the management proxyholder names shown and inserting the name of the person you wish to represent you at the meeting in the space provided for an alternate proxyholder.
6. ***The securities represented by this Instrument of Proxy will be voted or withheld from voting in accordance with the instructions of the holder on any ballot*** of a resolution that may be called for and, if the holder specifies a choice with respect to any matter to be acted upon, the securities will be voted accordingly. If a holder has submitted an Instrument of Proxy, ***the holder may still attend the Meeting and may vote in person.*** To do so, the holder must record his/her attendance with the scrutineers before the commencement of the Meeting and revoke, in writing, the prior votes.
7. Further, the securities will be voted by the appointed proxyholder with respect to any amendments or variations to matters identified in the Notice of Meeting or other matters which may properly come before the Meeting, as the proxyholder in its sole discretion sees fit.
8. **To be represented at the Meeting, proxies submitted must be received no later than forty-eight ("48") hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting or adjournment thereof.**

VOTING METHODS

INTERNET VOTING 24 Hours a Day, 7 days a week

If a HOLDER ID and HOLDER CODE appear on the face of this proxy in the address box, holders may complete internet voting at **http://webvote.pctc.com.** ***To receive securityholder communications electronically in the future, simply fill in your e-mail address at the bottom of the Internet Voting page.***

TELEPHONE VOTING 24 Hours a Day, 7 days a week

If a HOLDER ID and HOLDER CODE appear on the face of this proxy in the address box, holders may complete telephone voting at **1-888-Tel-Vote (1-888-835-8683).** ***Please have this proxy in hand when you call. A proxyholder that is not a management proxyholder cannot be appointed by telephone.***

RETURN YOUR PROXY BY MAIL OR FAX to PACIFIC CORPORATE TRUST COMPANY

510 Burrard Street, 2nd Floor, Vancouver, British Columbia, V6C 3B9. Fax number 604-689-8144.

Voting by mail or fax may be the only method for holdings held in the name of a corporation or holdings voted on behalf of another individual. Do not mail the printed proxy or VIF if you have voted by the internet or telephone.

This is **Exhibit "D"** referred to in the affidavit of William F. Pass sworn before me at Vancouver this 17th day of May, 2007.

A Commissioner for taking Affidavits for British Columbia

SUSAN A. GRIFFIN, Q.C.
Barrister & Solicitor
FRASER MILNER CASGRAIN LLP
1500 - 1040 West Georgia Street
Vancouver, B.C. V6E 4H8
Telephone (604) 687-4460

TONE RESOURCES LIMITED

(An Exploration Stage Company)

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2006 and 2005

(Stated in Canadian Dollars)

A PARTNERSHIP OF INCORPORATED PROFESSIONALS

AMISANO HANSON
CHARTERED ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Directors,
Tone Resources Limited
(An Exploration Stage Company)

We have audited the consolidated balance sheets of Tone Resources Limited as at August 31, 2006 and 2005 and the consolidated statements of loss, cash flows and stockholders' equity for the three years then ended and for the period October 31, 2001 (Date of Inception) to August 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2006 and 2005 and the results of its operations and its cash flows for the three years then ended and for the period October 31, 2001 (Date of Inception) to August 31, 2006 in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
November 8, 2006 except as to Note 9 (f)
which is as of November 24, 2006

"AMISANO HANSON"
Chartered Accountants

COMMENTS BY AUDITOR FOR US READERS ON CANADA - US REPORTING CONFLICT

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there is substantial doubt about a company's ability to continue as a going concern. The accompanying consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the realization of assets and discharge of liabilities in the normal course of business. As discussed in Note 1 to the financial statements, the Company has losses from operations and the recoverability of amounts shown for mineral property costs is dependent upon whether the properties contain reserves that are economically recoverable, which raises substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our report to the shareholders dated November 8, 2006 is expressed in accordance with Canadian reporting standards which do not permit a reference to such uncertainty in the auditors' report when the uncertainty is adequately disclosed in the financial statements.

Vancouver, Canada
November 8, 2006 except as to Note 9 (f)
which is as of November 24, 2006

"AMISANO HANSON"
Chartered Accountants

750 WEST PENDER STREET, SUITE 604
VANCOUVER CANADA
V6C 2T7

TELEPHONE: 604-689-0188
FACSIMILE: 604-689-9773
E-MAIL: amishan@telus.net

TONE RESOURCES LIMITED
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
August 31, 2006 and 2005
(Stated in Canadian Dollars)

ASSETS	2006	2005
Current		
Cash and cash equivalents	$ 1,247,413	$ 5,069
GST recoverable	12,409	6,508
Prepaid expenses and advances	6,816	2,558
	1,266,638	14,135
Reclamation bonds – Note 3	33,338	34,584
Mineral property costs – Notes 4 and 6 and Schedule 1	1,329,076	1,124,298
	$ 2,629,052	$ 1,173,017
LIABILITIES		
Current		
Accounts payable	$ 56,229	$ 51,861
Due to related parties – Note 6	44,832	77,204
	101,061	129,065
STOCKHOLDERS' EQUITY		
Share capital – Notes 5, 6, 7, 9 and 10	5,683,895	2,927,262
Share subscriptions – Note 9 (b)	7,500	-
Contributed surplus – Note 5	425,492	621,849
Deficit	(3,588,896)	(2,505,159)
	2,527,991	1,043,952
	$ 2,629,052	$ 1,173,017

Nature and Continuance of Operations – Note 1
Commitments – Notes 4, 5 and 9
Subsequent Events – Note 9

APPROVED BY THE DIRECTORS:

"Scott Baxter" Director
Scott Baxter

"Dan Huber" Director
Dan Huber

SEE ACCOMPANYING NOTES

TONE RESOURCES LIMITED
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF LOSS
for the years ended August 31, 2006, 2005 and 2004
and for the period October 31, 2001 (Date of Inception) to August 31, 2006
(Stated in Canadian Dollars)

	2006	2005	2004	October 31, 2001 (Date of Inception) to August 31, 2006
General and administrative expenses				
Accounting and audit fees – Note 6	$ 170,242	$ 35,808	$ 62,012	$ 332,025
Advertising and promotion	68,935	32,937	28,174	143,537
Consulting fees	75,000	-	-	82,747
Filing fees	20,802	16,769	29,450	75,785
Finance fees	-	10,000	-	10,000
Investor relations	93,500	68,000	79,435	254,435
Legal fees – Note 6	203,420	59,192	179,391	491,900
Management fees – Note 6	154,900	151,581	181,036	742,382
Office and miscellaneous	9,575	13,334	14,971	58,992
Rent – Note 6	15,000	15,000	15,000	67,665
Stock-based compensation – Note 6	149,312	282,409	368,313	807,972
Secretarial – Note 6	11,060	11,389	13,462	49,206
Telephone	13,055	13,679	16,046	61,736
Transfer agent fees	14,067	8,213	6,912	33,428
Travel	84,728	37,865	82,241	270,109
Loss before other items	(1,083,596)	(756,176)	(1,076,443)	(3,481,919)
Other items				
Foreign exchange loss	(7,591)	(17,389)	(7,440)	(37,041)
Interest income	7,450	535	1,203	12,833
Write-off of mineral property costs – Note 4	-	(82,769)	-	(82,769)
Net loss for the period	$ (1,083,737)	$ (855,799)	$ (1,082,680)	$ (3,588,896)
Basic and diluted loss per share	$ (0.06)	$ (0.06)	$ (0.09)	
Weighted average number of shares outstanding	16,977,183	13,168,002	11,478,821	

SEE ACCOMPANYING NOTES

TONE RESOURCES LIMITED
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended August 31, 2006, 2005 and 2004
and for the period October 31, 2001 (Date of Inception) to August 31, 2006
(Stated in Canadian Dollars)

	2006	2005	2004	October 31, 2001 (Date of Inception) to August 31, 2006
Operating Activities				
Net loss for the period	$ (1,083,737)	$ (855,799)	$ (1,082,680)	$ (3,588,896)
Add items not affecting cash:				
Stock-based compensation	149,312	282,409	368,313	807,972
Write-off of mineral property costs		82,769	-	82,769
Changes in non-cash working capital accounts:				
GST recoverable	(5,901)	(3,797)	11,305	(12,409)
Prepaid expenses and advances	(4,258)	13,162	2,275	(6,816)
Accounts payable	4,368	71,921	(43,132)	106,173
Due to related parties	(32,372)	65,819	5,617	44,832
	(972,588)	(343,516)	(738,302)	(2,566,375)
Financing Activities				
Share subscriptions	7,500	-	-	7,500
Common shares issued	2,410,964	220,015	1,280,135	5,197,471
	2,418,464	220,015	1,280,135	5,204,971
Investing Activities				
Increase (decrease) in reclamation bonds	1,246	3,281	(2,900)	(33,338)
Mineral property costs	(204,778)	(247,471)	(455,870)	(1,357,845)
	(203,532)	(244,190)	(458,770)	(1,391,183)
Increase (decrease) in cash and cash equivalents during the period	1,242,344	(367,691)	83,063	1,247,413
Cash and cash equivalents, beginning of the period	5,069	372,760	289,697	-
Cash and cash equivalents, end of the period	$ 1,247,413	$ 5,069	$ 372,760	$ 1,247,413

.../cont'd

SEE ACCOMPANYING NOTES

Continued

TONE RESOURCES LIMITED
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended August 31, 2006, 2005 and 2004
and for the period October 31, 2001 (Date of Inception) to August 31, 2006
(Stated in Canadian Dollars)

	2006	2005	2004	October 31, 2001 (Date of Inception) to August 31, 2006
Supplemental disclosure of cash flow information				
Cash paid for:				
Interest	$ -	$ -	$ -	
Income taxes	$ -	$ -	$ -	
Cash and cash equivalents are comprised of:				
Cash	$ 541,050	$ 5,069	$ 372,760	
Term deposits	706,363	-	-	
	$ 1,247,413	$ 5,069	$ 372,760	

Non-cash Transactions – Note 7

SEE ACCOMPANYING NOTES

TONE RESOURCES LIMITED
(An Exploration Stage Company)
for the period October 31, 2001 (Date of Inception) to August 31, 2006
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Stated in Canadian Dollars)

		Number of Common Shares	Amount	Special Warrants	Share Subscriptions	Contributed Surplus	Deficit	Total
Balance, October 31, 2001		-	$ -	$ -	$ -	$ -	$ -	$ -
For cash:								
Issuance of founders shares	- at $0.0001	5,000,000	500	-	-	-	-	500
Issuance of special warrants	- at $0.15	-	-	446,611	-	-	-	446,611
Net loss for the period		-	-	-	-	-	(128,982)	(128,982)
Balance, August 31, 2002		5,000,000	500	446,611	-	-	(128,982)	318,129
For cash:								
Initial public offering	– at $0.50	1,532,700	766,350	-	-	-	-	766,350
Issuance of special warrants	– at $0.15	-	-	31,426	-	-	-	31,426
	– at $0.50	-	-	231,347	-	-	-	231,347
Less: share issue costs – Note 6		-	(189,877)	-	-	-	-	(189,877)
Conversion of special warrants		3,649,606	709,384	(709,384)	-	-	-	-
Stock-based compensation		-	-	-	-	7,938	-	7,938
Net loss for the year		-	-	-	-	-	(437,698)	(437,698)
Balance, August 31, 2003		10,182,306	1,286,357	-	-	7,938	(566,680)	727,615
For cash:								
Pursuant to private placements	– at $0.47	1,081,670	508,385	-	-	-	-	508,385
	– at $0.50	1,543,500	771,750	-	-	-	-	771,750
Stock-based compensation		-	-	-	-	368,313	-	368,313
Net loss for the year		-	-	-	-	-	(1,082,680)	(1,082,680)
Balance, August 31, 2004		12,807,476	2,566,492	-	-	376,251	(1,649,360)	1,293,383
For cash:								
Pursuant to private placements	- at $0.40	175,412	70,165	-	-	-	-	70,165
	- at $0.40	250,000	100,000	-	-	-	-	100,000
Pursuant to exercise of options	- at $0.30	67,500	20,250	-	-	-	-	20,250
	- at $0.50	59,200	29,600	-	-	-	-	29,600
Shares for debt	- at $0.45	110,986	49,944	-	-	-	-	49,944
Mineral property costs	- at $0.45	120,000	54,000	-	-	-	-	54,000
Stock-based compensation		-	-	-	-	282,409	-	282,409
Stock based compensation charge on stock options exercised		-	36,811	-	-	(36,811)	-	-
Net loss for the year		-	-	-	-	-	(855,799)	(855,799)
Balance, August 31, 2005		13,590,574	2,927,262	-	-	621,849	(2,505,159)	1,043,952

...cont'd

SEE ACCOMPANYING NOTES

TONE RESOURCES LIMITED
(An Exploration Stage Company)
for the period October 31, 2001 (Date of Inception) to August 31, 2006
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Stated in Canadian Dollars)

Continued

		Number of Common Shares	Amount	Special Warrants	Share Subscriptions	Contributed Surplus	Deficit	Total
Balance, August 31, 2005		13,590,574	2,927,262	-	-	621,849	(2,505,159)	1,043,952
For cash:								
Pursuant to private placements	- at $0.20	3,300,000	660,000	-	-	-	-	660,000
Pursuant to exercise of options	- at $0.20	60,000	12,000	-	-	-	-	12,000
	- at $0.30	309,499	92,850	-	-	-	-	92,850
	- at $0.35	25,000	8,750	-	-	-	-	8,750
	- at $0.40	115,000	46,000	-	-	-	-	46,000
	- at $0.50	705,800	352,900	-	-	-	-	352,900
Pursuant to exercise of warrants	- at $0.25	165,000	41,250	-	-	-	-	41,250
	- at $0.50	158,341	79,170	-	-	-	-	79,170
	- at $0.60	171,531	102,919	-	-	-	-	102,919
	- at $0.75	1,353,500	1,015,125	-	-	-	-	1,015,125
Share subscriptions		-	-	-	7,500	-	-	7,500
Stock-based compensation		-	-	-	-	149,312	-	149,312
Stock based compensation charge on stock options exercised		-	345,669	-	-	(345,669)	-	-
Net loss for the year		-	-	-	-	-	(1,083,737)	(1,083,737)
Balance, August 31, 2006		19,954,245	$ 5,683,895	$ -	$ 7,500	$ 425,492	$ (3,588,896)	$ 2,527,991

SEE ACCOMPANYING NOTES

TONE REOURCES LIMITED
(An Exploration Stage Company)
CONSOLIDATED SCHEDULE OF MINERAL PROPERTY COSTS
for the years ended August 31, 2006 and 2005
(Stated in Canadian Dollars)

Schedule 1

	South Keystone (Eureka)	Roberts Creek (Eureka)	Kobeh (Eureka)	Kent Springs (Pershing)	Red Ridge (Elko)	Battle Mountain (Lander)	Gold Bar North (Eureka)	Big Antelope Springs (Lander)	Total
Property acquisition and maintenance costs									
Balance, August 31, 2005	$ 29,215	$ 60,894	$ 140,824	$ 8,759	$ 93,787	$ 61,818	$ 17,089	$ 12,956	$ 425,342
Claims maintenance – Note 6	5,031	9,703	23,898	1,796	35,473	13,478	3,414	4,313	97,106
Balance, August 31, 2006	34,246	70,597	164,722	10,555	129,260	75,296	20,503	17,269	522,448
Deferred exploration costs									
Balance, August 31, 2005	13,766	88,848	191,259	125	260,624	130,286	13,209	839	698,956
Assaying	-	-	4,461	-	-	-	6,555	374	11,390
Consulting fees	-	-	-	-	853	-	-	-	853
Drilling	-	-	27,217	-	-	-	60,532	-	87,749
Field costs	-	-	1,576	-	-	-	6,104	-	7,680
Balance, August 31, 2006	13,766	88,848	224,513	125	261,477	130,286	86,400	839	806,628
Total	$ 48,012	$ 159,445	$ 389,235	$ 10,680	$ 390,737	$ 205,582	$ 106,903	$ 18,482	$ 1,329,076

SEE ACCOMPANYING NOTES

Schedule 1

TONE REOURCES LIMITED
(An Exploration Stage Company)
CONSOLIDATED SCHEDULE OF MINERAL PROPERTY COSTS
for the years ended August 31, 2006 and 2005
(Stated in Canadian Dollars)

	South Keystone (Eureka)	Roberts Creek (Eureka)	Kobeh (Eureka)	Kent Springs (Pershing)	Red Ridge (Elko)	Battle Mountain (Lander)	Gold Bar North (Eureka)	Big Antelope Springs (Lander)	Crescent Valley North (Eureka)	Total
Property acquisition and maintenance costs										
Balance, August 31, 2004	$ 25,522	$ 53,772	$ 123,284	$ 7,440	$ 54,226	$ 51,927	$ 14,583	$ 6,385	$ -	$ 337,139
Common shares – Note 6	-	-	-	-	-	-	-	-	54,000	54,000
Claims maintenance – Note 6	3,693	7,122	17,540	1,319	39,561	9,891	2,506	6,571	28,769	116,972
Balance, August 31, 2005	29,215	60,894	140,824	8,759	93,787	61,818	17,089	12,956	82,769	508,111
Deferred exploration costs										
Balance, August 31, 2004	13,766	88,848	191,259	125	143,538	130,286	525	110	-	568,457
Assaying	-	-	-	-	17,062	-	4,884	-	-	21,946
Consulting fees	-	-	-	-	-	-	5,754	-	-	5,754
Drilling	-	-	-	-	87,196	-	-	-	-	87,196
Field costs	-	-	-	-	4,760	-	2,046	729	-	7,535
Reclamation	-	-	-	-	8,068	-	-	-	-	8,068
Balance, August 31, 2005	13,766	88,848	191,259	125	260,624	130,286	13,209	839	-	698,956
Write-off mineral property – Note 4	-	-	-	-	-	-	-	-	(82,769)	(82,769)
Total	$ 42,981	$ 149,742	$ 332,083	$ 8,884	$ 354,411	$ 192,104	$ 30,298	$ 13,795	$ -	$ 1,124,298

SEE ACCOMPANYING NOTES

TONE RESOURCES LIMITED
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2006 and 2005
(Stated in Canadian Dollars)

Note 1 Nature and Continuance of Operations

The Company was incorporated on October 31, 2001 in the Yukon Territory. On March 1, 2005, the Company was continued to British Columbia from the Yukon Territory. The Company's business is the exploration and development of its mineral properties located in Nevada, USA. The Company's shares are publicly listed on the TSX Venture Exchange.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. At August 31, 2006, the Company has not yet achieved profitable operations and has accumulated losses of $3,588,896 since incorporation. No assurances can be given that the Company will be able to continue as a going concern. Its ability to continue as a going concern is dependent upon its ability to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue its operations and therefore be required to realize its assets and discharge its liabilities in other than its the normal course of operations and at amounts different from those reflected in the financial statements. The Company has historically satisfied its capital needs primarily by issuing equity securities. Management plans to continue to provide for its capital needs during the year ended August 31, 2007 by the issuance of common stock.

The recoverability of amounts shown for mineral property costs is dependent upon the discovery of economically recoverable reserves and the ability to obtain the necessary financing to complete their exploration and development.

Note 2 Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada and are stated in Canadian dollars. Except as disclosed in Note 11, these financial statements conform in all material respects with GAAP in the United States of America. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgement. Actual results may differ from these estimates.

The financial statements have, in management's opinion, been properly prepared within the framework of the significant accounting policies summarized below:

Note 2 Significant Accounting Policies – (cont'd)

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned United States subsidiary, Tone Resources (US) Inc., which was incorporated on June 27, 2002 in the State of Nevada. All inter-company transactions and balances have been eliminated.

b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid short-term deposits held at Canadian banks.

c) Mineral Property Costs and Depletion

Property Acquisition Costs

Acquisitions of mineral properties are initially recorded at cost. Producing resource properties are depleted over their estimated useful lives based upon a method relating recoverable resource reserves to production. Non-producing resource properties that the Company abandons interest in are written off in the year of abandonment.

Deferred Exploration Costs

The Company capitalizes all exploration expenses that result in the acquisition and retention of mineral properties or an interest therein. The accumulated costs including applicable exploration expenses relative to non-productive resource properties that the Company abandons interest in are written off. Otherwise, the exploration expenses are depleted over the estimated useful lives of the producing resource properties on a method relating recoverable reserves to production.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying values of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Write-downs due to impairment in value are charged to operations. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Note 2 Significant Accounting Policies – (cont'd)

d) Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

e) Financial Instruments

The carrying values of cash, accounts payable and due to related parties approximate fair value because of the short-term maturity of those instruments. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

The Company's mineral exploration activities are located in the United States of America and expenditures are in U.S. dollars. Consequently some assets and liabilities are exposed to foreign currency fluctuations. As at August 31, 2006, cash of US$234,068 (2005: US$2,089), reclamation bonds of US$30,078 (2005: US$29,133), accounts payable of US$3,270 (2005: US$13,008) and due to related parties of US$10,000 (2005: US$11,435) are included in these consolidated financial statements.

f) Foreign Currency Translation

Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction dates. Foreign currency denominated revenues and expenses are translated at exchange rates prevailing at the transaction dates. Gains or losses arising from the translations are recognized in the current year.

g) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflect the dilution that would occur if potentially dilutive securities were exercised or converted to common shares. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

Note 2 Significant Accounting Policies – (cont'd)

h) Income Taxes

The Company accounts for income taxes by the asset and liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized in the current year for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized.

i) Stock-based Compensation

The Company has a stock-based compensation plan (Note 5). During the year ended August 31, 2004, the Company adopted CICA Handbook Section 3870 – "Stock-based Compensation and Other Stock-based Payments". This change in accounting policy had been applied prospectively with no restatement of prior periods presented for the statements of loss and cash flows.

Under this standard, the Company must account for compensation expense based on the fair value of options granted under its stock-based compensation plan. Costs attributable to stock options granted to directors, employees or consultants are measured at fair value at the grant date, and expensed when vested with a corresponding increase to contributed surplus. Upon exercise of stock options, consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

Previously, the Company accounted for stock-based compensation using the settlement method. No compensation expense was recorded in the financial statements for stock options granted to directors and employees as the options had no intrinsic value at the date of grant. Consideration paid on the exercise of stock options was credited to share capital.

Note 3 Reclamation Bonds

The Company has certificates of deposit that earn interest at approximately 1% per annum. These deposits represent restricted cash as they are pledged as security to the Bureau of Land Management and are only released to the Company after the Company meets inspection requirements. Reclamation costs are added to mineral property costs as incurred.

Note 4 Mineral Property Costs – Note 6

The Company holds 410 mining claims in Nevada, USA. The properties are located in Eureka, Pershing, Elko and Lander counties and are subject to royalties of 1% to 4% of net smelter returns. Certain of the royalties are payable to a company with a director in common.

Note 4 Mineral Property Costs – (cont'd)

In addition, the Company holds leased mineral rights located in Elko county, Nevada. Lease payments are due as follows for the years ended:

Red Ridge

August 31, 2003	US$	12,000	(paid)
August 31, 2004		12,000	(paid)
August 31, 2005		12,000	(paid)
August 31, 2006		20,000	(paid)
August 31, 2007		20,000	(paid $10,000 subsequently)
August 31, 2008		30,000	
August 31, 2009		40,000	
August 31, 2010		50,000	
August 31, 2011		60,000	
August 31, 2012		70,000	
August 31, 2013		80,000	
August 31, 2014		90,000	
August 31, 2015 and each year thereafter		100,000	

On March 9, 2004, the Company entered into an agreement with Teck Cominco. The agreement grants Teck Cominco the option to earn interests of between 51% and 75% in any two of the Company's properties located in Nevada. Teck Cominco has a first right of refusal on the Red Ridge property. Upon the Company completing expenditures totalling $1,000,000 on a designated property, Teck Cominco may earn its interest in that property by completing expenditures totalling $3,000,000, preparing feasibility studies and arranging financing for development of the property.

Crescent Valley North

By an agreement dated October 19, 2004, the Company entered into a mining lease with a company with a common director to acquire 76 mining claims known as the Crescent Valley North claims located in Nevada in exchange for 120,000 common shares of the Company (issued) and lease payments.

During the year ended August 31, 2005, after issuing the above-noted shares and paying US$12,000 in lease payments, the Company abandoned its interest in these claims and wrote-off related mineral property costs in the amount of $82,769.

Note 5 Share Capital – Notes 6 and 9

a) Authorized:

An unlimited number of common shares without par value

Note 5 Share Capital – Notes 6 and 9 – (cont'd)

b) Escrow:

At August 31, 2006, there were no common shares held in escrow. At August 31, 2005 there were 1,542,000 common shares held in escrow. These shares were released from escrow on the following dates:

November 16, 2005	771,000
May 16, 2006	771,000
	1,542,000

c) Commitments:

i) Stock-based Compensation Plan

Stock options are granted with an exercise price equal to the market price of the Company's stock on the date of the grant. Pursuant to the stock-based compensation plan, options may not be granted at an exercise price of less than $0.10 per share. Stock options have a maximum term of five years. The Company's options vest 25% on the date of the grant with the remaining 75% vesting over the next 18 months at a rate of 12.5% per quarter based on the original amount granted.

A summary of the status of the Company's stock option plan as of August 31, 2006 and 2005 and the changes during the years then ended is presented below:

	2006		2005	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Options outstanding, beginning of year	2,673,032	$0.50	1,850,000	$0.50
Granted	150,000	$0.25	1,099,732	$0.41
Exercised	(1,215,300)	$0.42	(126,700)	$0.39
Cancelled	(45,500)	$0.47	(150,000)	$0.50
Options outstanding, end of year	1,562,232	$0.48	2,673,032	$0.50
Options exercisable, end of year	1,475,732	$0.48	2,115,291	$0.50

Note 5 Share Capital – Notes 6 and 9 – (cont'd)

c) Commitments – (cont'd)

i) Stock-based Compensation Plan – (cont'd)

The following stock options were outstanding as at August 31, 2006:

Number	Exercise Price	Expiry Date
1,104,000	$0.50	May 16, 2008
50,000	$0.50	June 09, 2008
12,500	$0.50	July 21, 2008
100,000	$0.50	November 14, 2008
12,000	$0.30	September 2, 2009
122,732	$0.50	February 1, 2010
96,000	$0.40	July 26, 2010
40,000	$0.20	November 18, 2010
25,000	$0.35	December 2, 2010
1,562,232		

At August 31, 2006, 86,500 of the above outstanding options were not yet vested with the optionees. These options will vest with the optionees over the period from September 2, 2006 to June 2, 2007.

Non-cash compensation charges totalling $149,312 (2005: $282,409) (2004: $368,313) associated with vested options granted to directors, employees and consultants were recognized in the consolidated financial statements of the Company. These compensation charges have been determined under the fair value method using the Black-Scholes option pricing model with the following assumptions:

	Years ended August 31,		
	2006	2005	2004
Expected dividend yield	0.0%	0.0%	0.0%
Expected volatility	94.9%	99.2%	90.0%
Risk-free interest rate	2.0%	2.0%	2.0%
Expected term in years	5 years	5 years	5 years

Note 5 Share Capital – Notes 6 and 9 – (cont'd)

c) Commitments – (cont'd)

i) Stock-based Compensation Plan – (cont'd)

The weighted average fair value at the date of grant of the stock options granted was as follows:

	Years ended August 31, 2006	2005	2004
Weighted average fair value	$ 0.18	$ 0.29	$ 0.32
Total options granted	150,000	1,099,732	550,000
Total fair value of options granted	$ 27,000	$ 314,972	$ 178,500

ii) Share Purchase Warrants

At August 31, 2006, there were 3,186,175 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number	Exercise Price	Expiry Date
10,000	$0.75	July 5, 2006 (Note 9(b))
41,175	$0.80	November 26, 2006 (Note 9 (f))
2,405,000	$0.25	December 19, 2007
730,000	$0.25	March 3, 2008
3,186,175		

Note 6 Related Party Transactions – Notes 4, 5 and 9

The Company incurred the following charges from directors and officers of the Company, a company with a director in common with the Company and the daughter of a director of the Company for the years ended August 31, 2006, 2005 and 2004 and for the period October 31, 2001 (Date of Inception) to August 31, 2006:

Note 6 Related Party Transactions – Notes 4, 5 and 9 – (cont'd)

	2006	2005	2004	October 31, 2001 (Date of Inception) to August 31, 2006
Accounting fees	$ 98,157	$ 13,725	$ -	$ 111,882
Legal fees	70,003	30,209	41,945	148,510
Management fees	154,900	151,581	181,036	742,382
Mineral property acquisition costs				
- common shares	-	54,000	-	54,000
- claims maintenance	-	15,717	-	102,964
Rent	15,000	15,000	15,000	67,665
Share issue costs	-	-	-	74,275
Stock-based compensation	110,162	197,763	286,813	594,738
Secretarial	11,060	11,389	13,462	49,056
	$ 459,282	$ 489,384	$ 538,256	$ 1,945,472

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

Amounts due to related parties are due to directors and officers of the Company and represent advances and unpaid fees and expenses. These amounts are unsecured, non-interest bearing and have no specific terms of repayment.

During the year ended August 31, 2005, the Company issued 151,700 common shares for cash proceeds of $59,850 and 120,000 common shares for mineral property acquisition costs of $54,000 to directors of the Company and to a company with a director in common with the Company.

During the year ended August 31, 2006, the Company issued 3,639,583 common shares for cash proceeds of $987,791 to directors and officers of the Company.

Note 7 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the year ended August 31, 2005, the Company issued 120,000 common shares at $0.45 totalling $54,000 as a property acquisition cost pursuant to a mining lease. In addition, the Company issued 110,986 common shares at $0.45 to settle a debt of $49,944. These transactions have been excluded from the statements of cash flows.

Note 8 Income Taxes

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	2006	2005
Future income tax assets		
Tax losses carried forward	$ 1,365,779	$ 1,022,523
Less: valuation allowance	(1,365,779)	(1,022,523)
	$ -	$ -

The Company recorded a valuation allowance against its future income tax assets based on the extent to which it is more likely-than-not that sufficient taxable income will not be realized during the carry forward periods to utilize all the future tax assets.

At August 31, 2006, the Company and its subsidiary have accumulated losses totalling $4,008,322, which may be carried forward to reduce future years income for federal and state income tax purposes. These losses, the potential benefit of which have not been recognized in these financial statements, expire as follows:

	Canada	United States of America	Total
2009	$ 100,542	$ -	$ 100,542
2010	377,116	-	377,116
2011	661,076	-	661,076
2015	432,271	-	432,271
2016	886,833	-	886,833
2022	-	96,061	96,061
2023	-	352,776	352,776
2024	-	487,178	487,178
2025	-	363,623	363,623
2026	-	250,846	250,846
	$ 2,457,838	$ 1,550,484	$ 4,008,322

Note 9 Subsequent Events

a) On September 11, 2006, the Company issued 100,000 common shares at $0.25 per share for proceeds of $25,000 pursuant to the exercise of share purchase warrants outstanding at August 31, 2006.

b) On October 23, 2006, the Company issued 10,000 common shares at $0.75 per share for proceeds of $7,500 pursuant to the exercise of share purchase warrants outstanding at August 31, 2006. These proceeds were received prior to August 31, 2006.

Note 9 Subsequent Events – Note 5 – (cont'd)

c) On October 23, 2006, the Company issued 18,750 common shares at $0.35 per share to a director of the Company for proceeds of $6,563 pursuant to the exercise of share purchase options outstanding at August 31, 2006.

d) On October 31, 2006, the Company issued 15,000 common shares at $0.50 per share for proceeds of $7,500 pursuant to the exercise of share purchase options outstanding at August 31, 2006.

e) On October 31, 2006, the Company issued 10,000 common shares at $0.25 per share for proceeds of $2,500 pursuant to the exercise of share purchase warrants outstanding at August 31, 2006.

f) On November 24, 2006, the Company issued 41,175 common shares at $0.80 per share for proceeds of $32,940 pursuant to the exercise of share purchase warrants outstanding at August 31, 2006.

Note 10 Offer to Purchase

On March 5, 2006, the Company received an offer from US Gold Corporation to acquire 100% of the issued securities of the Company. Shareholders of the Company will receive .26 of a share of US Gold Corporation for each share of the Company. The proposed offer is subject to shareholder and regulatory approval.

Note 11 Differences Between Canadian and United States Accounting Principles

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada which differ in certain respects with those principles and practices that the Company would have followed had its financial statements been prepared in accordance with accounting principles and practices generally accepted in the United States.

The Company's accounting principles generally accepted in Canada differ from accounting principles generally accepted in the United States as follows:

a) Mineral Property Costs and Deferred Exploration Costs

Under accounting principles generally accepted in Canada ("Canadian GAAP") mineral property acquisition and exploration costs may be deferred and amortized to the extent they meet certain criteria. Under accounting principles generally accepted in the United States ("US GAAP") mineral property acquisition and exploration costs must be expensed as incurred. Therefore an additional expense is required under US GAAP.

Note 11 Differences Between Canadian and United States Accounting Principles – (cont'd)

b) The impact of the above on the consolidated financial statements is as follows:

Net Loss and Loss Per Share	2006	2005	2004
Net loss for the year per Canadian GAAP	$ (1,083,737)	$ (855,799)	$ (1,082,680)
Write-off of mineral property costs	-	82,769	-
Mineral property costs	(204,778)	(301,471)	(455,870)
Net loss for the year per US GAAP	$ (1,288,515)	$ (1,074,501)	$ (1,538,550)
Basic and diluted loss per share per US GAAP	$ (0.08)	$ (0.08)	$ (0.13)
Total Assets and Liabilities			
Total assets per Canadian GAAP	$ 2,629,051	$ 1,173,017	
Mineral property costs	(1,329,076)	(1,124,298)	
Total assets per US GAAP	$ 1,299,975	$ 48,719	
Total liabilities per Canadian and US GAAP	$ 101,061	$ 129,065	
Stockholders' Equity			
Deficit, end of the year, per Canadian GAAP	$ (3,588,896)	$ (2,505,159)	
Mineral property costs	(1,329,076)	(1,124,298)	
Deficit, end of the year, per US GAAP	(4,917,972)	(3,629,457)	
Capital stock per Canadian and US GAAP	5,683,894	2,927,262	
Share subscriptions per Canadian and US GAAP	7,500	-	
Contributed surplus per Canadian and US GAAP	425,492	621,849	
Stockholders' equity (deficiency) per US GAAP	$ 1,198,914	$ (80,346)	
Statements of Cash Flows			
Operating Activities per Canadian GAAP	$ (972,588)	$ (343,516)	$ (738,302)
Mineral property costs	(204,778)	(247,471)	(455,870)
Operating Activities per US GAAP	$ (1,177,366)	$ (590,987)	$ (1,194,172)
Financing Activities per Canadian and US GAAP	$ 2,418,463	$ 220,015	$ 1,280,135
Investing Activities per Canadian GAAP	$ (203,532)	$ (244,190)	$ (458,770)
Mineral property costs	204,778	247,471	455,870
Investing Activities per US GAAP	$ 1,246	$ 3,281	$ (2,900)

Note 12 Comparative Figures

Certain comparative figures as at August 31, 2005 and for the years ended August 31, 2005 and 2004 have been reclassified to conform with the financial statement presentation adopted for the year ended August 31, 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Tone Resources Limited
Annual Report
Year ended August 31, 2006

DESCRIPTION OF BUSINESS

Tone Resources Limited (the company) 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, U.S.A. The company is focused on gold and holds substantially all interests in eight properties in Elko, Eureka, Lander, and Pershing counties in Nevada. All of the company's properties are located near infrastructure facilities of currently producing gold mines.

The company's mineral properties were acquired from a company with a common director, or were staked by that director; and are subject to a royalty of 1 per cent of net smelter returns excepting the Red Ridge property which is subject to a royalty of 4 per cent of net smelter returns.

The company is a reporting issuer in British Columbia, Alberta, Ontario and the Yukon Territory, and trades on the TSX Venture Exchange under the symbol TNS.

The following discussion and analysis is based upon information available to management as of December 6, 2006.

U.S. GOLD CORPORATION TAKEOVER BID

Mr. Robert McEwen acquired 2.5 million units of Tone Resources Limited, each unit consisting of one common share and one warrant exercisable to acquire an additional common share at a price of $0.25 per share. Assuming the exercise of all warrants, Mr. McEwen will hold approximately 25 per cent of the outstanding shares of the company.

Mr. McEwen is chairman of U.S. Gold Corporation. U.S. Gold Corporation has announced that it proposed to acquire all of the issued shares of Tone Resources Limited and three other companies. The company has formed an independent takeover bid response committee who will report to the directors their recommendation when the formal takeover bid has been received.

The company has delivered to U.S. Gold Corporation its 2005 and 2006 annual consolidated financial statements for inclusion in U.S Gold Corporation's Form S-4 Registration Statement. The submission has been reviewed by the United States Securities and Exchange Commission who have issued their comments which are currently being answered by U.S. Gold Corporation.

To date no formal offer has been received by the company.

OVERALL PERFORMANCE

When the company filed it initial public offering document in February, 2003, the company had 122 claims covering approximately 2,240 acres in Eureka County: the Roberts Creek and Kobeh properties. At December 6, 2006, the company owns substantially all interests in 410 claims plus two leased sections covering in total approximately 9,160 acres in four counties.

To August 31, 2006, the company has spent $1,357,845 acquiring and exploring its mineral properties and $2,698,155 administering to its business (net of stock based compensation costs).

Of the $5,204,971 equity capital raised, all equity has been arranged without commission, excepting the $189,877 share issue costs from the initial public offering.

SUBSEQUENT PRIVATE PLACEMENTS

During the period from September 1 to December 6, 2006, the company issued 194,925 common shares for consideration of $74,503 all from the exercise of share purchase options and warrants.

SELECTED ANNUAL INFORMATION

Information for the five most recently completed financial years is as follows.

	2006	2005	2004	2003	2002
Working capital (deficiency)	$1,165,577	$ (114,930)	$ 349,922	$ 242,924	$ 199,038
Mineral property costs	1,329,076	1,124,298	905,596	449,726	102,291
Total assets	2,629,052	1,173,017	1,335,652	807,399	324,129
Net loss	(1,083,737)	(855,799)	(1,082,680)	(437,698)	(128,982)
Deficit	(3,588,896)	(2,505,159)	(1,649,360)	(566,680)	(128,982)
Net loss per common share	$(0.06)	$(0.06)	$(0.09)	$(0.07)	$(0.03)

As the company is an exploration stage company it has no revenues, and has satisfied its capital requirements by successive issuances of its equity securities. No dividends have been declared, nor are any contemplated.

RESULTS OF OPERATIONS

Red Ridge Project, Carlin Trend, Elko County, Nevada

The Red Ridge property, mostly acquired in 2002, consists of 2 leased fee sections and 2 staked sections, comprising a total of about 2500 acres located in the Rain mining district on the southern end of the Carlin Trend. The primary target lies along the north-northwest trending Red Ridge structural zone. The structure has a surface expression characterized by locally intense silicification, baritization, dolomitization and iron oxides along a strike length of at least 4 to 5 kilometers. Soil anomalies consisting of gold, arsenic, antimony, barium, and gold up to 179 ppb are present over a length of about 2 kilometers. Follow-up rock samples up to 1 ppm gold were also obtained along the Red Ridge structure. The company controls about 80% of the target zone. The target is high-grade, underground mineable, gold-bearing oxide and, or sulfide material similar to the Rain fault-related Northwest Rain, Tess and Saddle deposits developed at and near the Webb Devils Gate contact. Potential exists for one, or more, gold deposits of 1 to 3 million ounces at about a one half ounce (15 g/t) grade.

In 2003 and 2004, Tone provided the first drill tests into this highly prospective Carlin Trend target opportunity. Three holes drilled to date have intersected gold in flat-tabular collapse breccias with the best intercept of 80 feet of 0.036 opt. These holes confirmed the presence of the Rain deposit-style model. Two other holes drilled in 2003 passed prematurely through the Red Ridge structure into the footwall side of the structure. One other hole drilled in 2003 and one in 2004 may have been on target, but failed to reach the prescribed target zone primarily because of difficult drilling conditions.

Permitting is not required for the currently identified targets that are located on the fee sections under Taylor Grazing Act guidelines. Eight holes are recommended to follow-up on the gold mineralization intersected in 2004. The target depth is as shallow as perhaps 800 feet directly to the west of Holes RR04-1A, 2 & 3. The target zone of the Webb-Devils Gate contact juxtaposed against the Red Ridge fault zone dives going northwestward and may be as deep as 2500 feet about a mile to the northwest. At target depths of 1200 feet, or more, pre-collared, core-tailed holes are recommended and essentially requisite to drilling completion through the target zone.

Kobeh Project, Battle Mtn – Eureka Trend, Eureka County, Nevada

The Kobeh prospect consists of two claim groups of 83 NK and NKN claims and 50 SW claims staked in 2001 and 2002, respectively, comprising 2600 acres. These claims were staked to cover specific visual target opportunities on the prospective south flank of the Roberts Mountains. Several target horizons exist within the NK/NKN claim group including McColley Canyon (Bartine Member) limestone, Denay limestone, and the Webb-Devils Gate contact. Strong, pervasive, widespread alteration, pathfinder elements, and some gold have been intersected in all of the 16 holes drilled by Tone. Feeder structure targets believed very likely present continue to be sought. Gravity and CSAMT data indicate the presence of an important northwest-trending complex structural zone.

The primary target opportunity on the SW claim group is the Webb-Devils Gate contact juxtaposed against the north-northwest trending Wall (feeder) structure. The potential of the Kobeh prospect is for one, or more, 1/2 to 2 million ounce Carlin-style gold deposits.

Four of five permitted and bonded sites on the SW claims have been drilled. Two holes, both of which intersected the Webb-Devils Gate contact target zone were drilled February, 2006. Target depths on the SW claims is anywhere from less than 500 feet to probable considerable depths. Multiple target horizons exist within this lower plate package of rocks.

All permitted sites on the NK-NKN claims except one have been drill tested to depths of 600 to 800 feet. Untested target horizons exist within this very permissive package of rocks. Every hole drilled to date has encountered indications of a gold-bearing type epithermal system. A permitted site in the center of a large zone of moderate to strong pathfinder geochemistry and gold at the surface up to 500 ppb designed as a deep test of multiple target zones within the lower plate stratigraphic section remains to be drilled. A 2000 plus foot deep mud-rotary exploratory hole is recommended at this site.

Fish Creek Project, Rabbit Creek Trend, Lander County, Nevada

The Fish Creek property consists of 75 lode claims, staked in 2002, comprising 1500 acres covering essentially all of an observable target opportunity located between the Copper Canyon project and the Cove-McCoy project. The prospect, historically referred to as the Fish Creek Porphyry, has previously been explored as a porphyry copper-molybdenum opportunity. The primary gold target is for Fortitude (Copper Canyon)-style mineralization developed within Antler Limestone and Battle Conglomerate beneath highly altered, but much less permissive, overlying Havallah calcareous siltstones and sandstones. A secondary opportunity of Triassic carbonate-hosted gold targets analogous to the nearby Cove-McCoy deposits is also possible. The potential is for 2 to 5 million high-grade underground mineable ounces. Nearby extraction facilities significantly enhance the economic viability of additional gold discovered in this region.

Results from 3 wide-spaced Tone drilled holes, which include thick intervals of copper in the 0.10 % range with anomalous arsenic and low levels of gold up to 200 ppb, confirm the copper and gold potential of the prospect. Several sites remain permitted for drilling.

Target depths are unknown, but are believed to be within reasonable reach of drilling. Future drilling should be designed to go to at least 2000 feet, perhaps more if altered Antler units are encountered. Mud-rotary or pre-collared core-tailed holes is the recommended approach of drilling.

Roberts Creek Project, Battle Mtn – Eureka Trend, Eureka County, Nevada

The Roberts Creek prospects are covered by two claim groups staked in 2001 and 2002, 10 claims and 44 claims, respectively, comprising a total of 1080 acres. The CC claims control the outcropping Cabin Creek gold deposit. The deposit, hosted in Bartine limestone, consists of about 100 thousand ounces at 0.04 opt (1.3 g/t) in oxide material. Tone drilling in 2002 expanded the Cabin Creek deposit by 10 to 15 %. One of the Tone holes intersected 165 feet of 0.06 opt gold in oxide material. The Cabin Creek deposit would make an economic satellite deposit to a nearby larger deposit operation at a reasonably high gold price of at least $400-$450 (USD) per ounce.

The NH claims just to the east of the CC claims includes multiple target zones with a composite potential for 1/2 to one million ounce Carlin style deposits. Extensive alteration of decarbonatization, calcite veining and jasperoids is expressed in permissive host rock units at the surface. Surface geochemistry is very positive, and available data from previously drilled holes shows significant gold mineralization including an intercept of 80 feet of 0.04 (1.3 g/t) oxide material from 120 to 200 feet below the surface. This hole and other holes, and nearby surface gold anomalies are compelling for follow-up drilling.

Nine holes have been permitted for drilling on the NH claims. The target depths range from the surface to perhaps a maximum, believed at this time, of 800 feet. Vertical and angle reverse circulation drilling is the appropriate means to address these targets. An amended NOI for this additional drilling on the new NH claims was approved in May, 2005.

South Keystone Project, Battle Mtn – Eureka Trend, Eureka County, Nevada

The south Keystone prospect is comprised of 28 claims (560 acres) staked in 2003 to cover a specific target area of widespread surface alteration and a distinct gravity high expressing a possible structural dome. These claims were also staked because this is where the northwest extension of the Gold Bar deposit structural zone intersects the Eocene Keystone intrusive alteration aureole. It is believed that the company controls an important target opportunity within this area. Follow-up ground reconnaissance and soil geochemical results including low levels of gold have confirmed the presence of an epithermal-style gold system in the prospect area. Lower plate carbonate rocks may barely be exposed near the center of the prospect area. The discovery opportunity is for one or more multimillion ounce Carlin or Cortez Hills type gold deposits.

Three drill sites have been permitted for drilling. This area has never previously been drilled. The target depth is unknown and drilling should be prepared to go to depths of perhaps more than 2000 feet. Mud-rotary drilling is recommended for a first pass "look" into the target zone. An NOI was approved for the drilling in May of 2005.

Gold Bar North Project, Battle Mtn – Eureka Trend, Eureka County, Nevada

The Gold Bar North prospect is comprised of 19 claims (380 acres) that were staked in 2002 to cover a very specific target of prospective, uplifted lower plate carbonate and the flank of a gravity high that coincides with the northwest continuation of the Gold Bar feeder fault structural zone. Early in 2005, the company and Placer Dome conducted a mutually beneficial gravity survey of the broader prospect area. The independent geophysicist who evaluated the gravity data recommended a total of eight drill holes to test multiple target opportunities; six of these holes he located within the company controlled claims. The target opportunity is for multimillion ounce Carlin or Cortez Hills-type gold deposits in unexposed permissive carbonate host units.

Four sites have been permitted for drilling. Two holes were drilled from one of these four sites in January and February of this year. The target depths are unknown, but a first pass program of 800 foot holes should provide either target tests or an indication of what will be required in a follow-up drill program. It is believed that lower-plate limestone was encountered in at least one of these holes. Weak epithermal-style alteration and associated geochemistry was also intersected. The target area remains wide open with the other three sites spread over a structural strike length of about 2 kilometers.

Big Antelope Springs Project, southern Rabbit Creek Trend, Lander County, Nevada

The Big Antelope Springs prospect is comprised of 24 claims (480 acres) covering a Lone Tree type discovery opportunity. The surface is comprised of 3 small, widely-spaced, low-lying knobs of altered Havallah limestone, silty limestone, and possible Battle Conglomerate. Phelps Dodge drilled 6 wide-spaced holes into the prospect area. One hole is reported to include a 5 ft intercept of 0.17 opt (5.8g/t), in addition, thick intervals of trace amounts of gold with strong arsenic, antimony, and mercury geochemistry were also intersected. A gravity high and coinciding IP anomaly falls within the company claim group. The opportunity is for one or more structurally controlled Lone Tree-type gold deposit in the 1 to 5 million ounce category.

Drilling is warranted. Target depths are uncertain. Prospective Antler rocks may be present at an undefined, but reasonable depth. Initial drilling to 800 feet may be by reverse circulation methods to provide a further test of system encountered in the Phelps Dodge holes. A six hole program is recommend. An NOI has not yet been submitted.

Kent Springs Project, Rabbit Creek Trend, Pershing County, Nevada

The Kent Springs prospect consists of 10 claims (200 acres) strategically located to cover a small knob of exposed alteration with a weak epithermal signature. The sense of this prospect is that something of interest appears to be in relative proximity to the knob, or at depth. It is proposed to conduct an aggressive regional reconnaissance and gravity search program in the area.

Qualified Person

David C. Mathewson, a director of Tone Resources Limited, is the qualified person conducting the exploration and reporting results for the company. Mr. Mathewson has 35 years of exploration experience including 25 years of gold exploration in Nevada. While with Newmont Mining Company, Mr. Mathewson was directly responsible for the discoveries of the Northwest Rain, Tess, Saddle, and Emigrant South gold deposits; and from 1994 to 2001 he was Regional Manager in charge of Newmont's Great Basin and Carlin Trend exploration programs.

Alliance with Teck Cominco

On March 9, 2004 the Company entered into an agreement with Teck Cominco American Incorporated (Teck Cominco) which included a private placement. Under the agreement Teck Cominco has the right to earn interests of fifty-one to seventy-five per cent in a total of two projects. Teck Cominco may elect to earn these rights which may include designating properties expenditure requirements, preparation of a final feasibility report and arranging debt financing for the project. Under the terms of the Agreement Tech Cominco also has certain rights to participate in future financings undertaken by the Company.

DISCLOSURE PROCEDURES AND INTERNAL CONTROLS

As required by MI 52-109, based on our evaluation for the year ended August 31, 2006 and up to the date of this Management Discussion and Analysis, management has concluded that it believes that its disclosure procedures and controls are satisfactorily effective to provide reasonable assurance that material information required to be disclosed in the Company's interim and annual filings is available to allow timely decisions regarding these disclosures. In addition, there have not been any significant changes in internal controls over financial reporting that have occurred during the year ended August 31, 2006.

SUMMARY OF QUARTERLY RESULTS

The following summary information has been extracted from the company's annual and interim financial statements.

	Aug 31 2006	May 31 2006	Feb 28 2006	Nov 30 2005	Aug 31 2005	May 31 2005	Feb 28 2005	Nov 30 2004
Property costs								
Claims acquisition and maintenance	$ 73,182	$ ---	$ 11,593	$ 12,331	$ 15,758	$ 7,831	$ 10,878	$ 82,505
Exploration expenditures	1,059	37,328	68,334	951	-	1,303	13,188	116,008
	$ 74,241	$ 37,328	$ 79,927	$ 13,282	$ 15,758	$ 9,134	$ 24,066	$198,513
Administration and other								
Accounting and legal	$103,872	$165,614	$74,077	$30,099	$32,504	$26,028	$27,811	$8,657
Management, IR and consulting fees	83,326	93,772	59,362	86,940	73,643	47,156	54,346	56,437
Advertising, promotion and travel	74,121	19,482	57,133	2,927	5,581	26,303	13,112	22,581
All other costs	6,259	23,397	39,084	14,960	104,474	19,705	20,502	36,550
	$267,578	$302,265	$229,656	$134,926	$214,202	$119,192	$115,771	$124,225
Stock-based compensation	$ 25,442	$ 36,627	$ 44,371	$ 42,872	$121,525	$ 48,945	$ 71,310	$ 40,629

Significant adjustments made at August 31, 2003 through 2006, were as follows.

2006 i) $11,084 accrual of Red Ridge claims maintenance costs.

2005 i) $82,769 CVN claims acquisition and maintenance costs expensed as management decided subsequent to year end not to continue with the project.

2004 i) $58,750 of legal costs associated with preparation of registration statement and annual report on Form 20-F (with the United States Securities and Exchange Commission) was expensed; the amount was being expensed over twenty-four months.

ii) $286,813 of stock-based compensation was recorded when the company adopted the CICA Handbook Section 3870 recommendations and expensed prospectively costs associated with options granted to directors and employees.

2003 i) $74,275 of legal and accounting expense was reclassified to costs of issuing (the initial public offering) shares.

OPERATIONS

Historically, the availability of funds on hand and financings has substantially influenced the levels of quarterly expenditures and the company's ability to plan exploration activities.

During the period from May, 2005, to March, 2006, the company was focused almost exclusively on obtaining financings and exploration expenditures were restricted due to working capital limitations. Subsequent to the proposed takeover offer in March, 2006, the company has limited exploration activities so as not to alter the takeover valuations.

During the year ended August 31, 2006, accounting and legal fees were $373,662 and consulting fees for the fairness opinion were $75,000. Together almost five times the previous year legal and accounting amount; the increase is the direct result of the takeover proposal and resultant requests from U.S. Gold Corporation for financial and other information. Advertising and travel and promotion expenses were incurred in connection with financing activities.

Management fees are comprised as follows:

Mr. Scott Baxter	$81,900	President
Mr. David Mathewson	$45,500 (to June, 2006)	Vice-president exploration
Mr. Guilford Brett	$17,500	
Mr. Sam Storey	$10,000	

Mr. Baxter was also paid $1,250 monthly (office in the home) rent; his daughter was paid an hourly amount for secretarial services.

INVESTOR RELATIONS

Investor relations fees are comprised as follows:

Mr. Joe Maire	$60,000
Mr. Simon Learmoth	$33,500

LIQUIDITY AND CAPITAL RESOURCES

The company's contractual obligations are the Red Ridge lease payments noted above; and monthly management fees also noted above. Land management fees (paid) are payable annually to maintain legal title to the company's mineral properties.

There are no known contingent liabilities; and excepting incentive options and share purchase warrants, there are no off-balance sheet arrangements likely to affect the company's financial position.

At December 6, 2005, the Company had working capital roughly estimated to be in excess of $1 million. Excluding stock-based compensation and legal and accounting costs, administration expenditures were approximately $45,000 per month for the year ended August 31, 2006. Liquidity is not a current issue as the company is presently in a holding pattern waiting to complete on the takeover proposal from U.S. Gold Corporation.

RISKS AND UNCERTAINTIES

The success of the company is dependent upon the performance of its directors and officers. The loss of the services of certain key persons could adversely affect the future business of the company.

The ability of the company to advance its projects is substantially dependent upon the company's success at obtaining financings.

Raising capital to fund activities has been facilitated by the relatively high price of gold; currently above USD $600 an ounce as compared with USD $ 325 average for the period from 1985 to 2002. The company's future successes are highly dependent upon the price of gold.

Mining exploration inherently contains a high degree of risk. Further, this annual report contains forward-looking comments made to enhance communications; actual results may differ materially for many reasons from these forward-looking statements.

OUTSTANDING SHARE DATA

The company is authorized to issue an unlimited number of common shares.

During the year ended August 31, 2006, the company issued 3,300,000 units at $0.20 each; each unit consisting of one common share and one warrant exercisable to acquire an additional common share at a price of $0.25 per share. The company also issued 3,063,671 common shares for additional cash proceeds of $1,750,964 all from the exercise of share purchase options and warrants.

At December 6, 2006, there were issued and outstanding 20,149,170 common shares (of which 194,925 were issued after August 31, 2006).

Changes in incentive share purchase options since August 31, 2005, are as follows:

Balance outstanding August 31, 2005	2,673,032
Options expired	(45,500)
Options issued November 18, 2005	
At $0.20 per share	100,000
Options issued December 1, 2005	
At $0.35 per share	50,000
Options exercised	
At $0.50 per share	(715,800)
At $0.40 per share	(115,000)
At $0.35 per share	(48,750)
At $0.30 per share	(309,500)
At $0.25 per share	(60,000)
Balance outstanding December 6, 2006	1,528,482

The following options are outstanding at December 6, 2006.

Number	Exercise Price	Expiry Date
1,104,000	$0.50	May 16, 2008
50,000	0.50	June 9, 2008
12,500	0.50	July 21, 2008
100,000	0.50	November 14, 2008
12,000	0.30	September 2, 2009
107,732	0.50	February 1, 2010
96,000	0.40	July 26, 2010
40,000	0.20	November 18, 2010
6,250	0.35	December 1, 2010
1,528,482		

The following share purchase warrants are outstanding at December 6, 2006 (each warrant entitling the holder to purchase one common share for each warrant held).

Number	Exercise price	Expiry Date
2,295,000	$ 0.25	December 19, 2007
730,000	0.25	March 3, 2008
3,025,000		

DIRECTORS AND OFFICERS

Scott D. Baxter	President and Director
Guilford H. Brett	Director
Ken L. H. Embree	Corporate Secretary
Daniel F. Huber	Chief Financial Officer and Director
David C. Mathewson	Director
Sam Storey	Director

Unaudited Interim Financial Statements

TONE RESOURCES LIMITED

February 28, 2007

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the company discloses that its auditors have not reviewed these unaudited consolidated interim financial statements of Tone Resources Limited for the six months ended February 28, 2007.

Unaudited Interim Financial Statements

TONE RESOURCES LIMITED

February 28, 2007

INDEX

Consolidated Balance Sheet.....1

Consolidated Statement of Operations and Deficit.....2

Consolidated Statement of Cash Flows.....3

Schedule of Mineral Property Costs.....4

Notes to Consolidated Financial Statements.....5

Consolidated Balance Sheet - Unaudited

TONE RESOURCES LIMITED

	February 28, 2007	August 31, 2006
ASSETS		
Current assets		
Cash at bank	$ 1,037,501	$ 1,247,413
Accounts receivable	25,947	12,409
Retainers and prepaid expenses	5,596	6,816
	1,069,044	1,266,638
Reclamation bond	34,930	33,338
Mineral property costs	1,358,539	1,329,076
	$ 2,462,513	$ 2,629,052
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accruals	$ 96,345	$ 101,061
SHAREHOLDERS' EQUITY		
Share capital		
Authorized, an unlimited number of common shares without par value		
Issued		
20,583,170 shares (August 31 – 19,954,245)	5,945,322	5,683,895
Share subscriptions	---	7,500
Contributed surplus	405,278	425,492
Deficit	(3,984,432)	(3,588,896)
	2,366,168	2,527,991
	$ 2,462,513	$ 2,629,052

See notes to interim consolidated financial statements

ON BEHALF OF THE DIRECTORS

"Scott D. Baxter" Director

"Sam Storey" Director

Consolidated Statement of Operations and Deficit – Unaudited

TONE RESOURCES LIMITED

	Three month period ended February 28, 2007	Three month period ended February 28, 2006	Six month period ended February 28, 2007	Six month period ended February 28, 2006
Revenue	$ Nil	$ Nil	$ Nil	$ Nil
Expenditures				
Accounting, legal	98,901	74,077	201,139	104,176
Advertising, promotions, travel	32,141	57,133	64,659	60,060
Management fees	46,500	59,362	95,253	103,430
Rent, office, other	(1,497)	15,142	(5,074)	27,219
Stock-based compensation	10,480	44,371	20,960	87,243
Transfer and filing fees	11,239	23,942	18,599	26,825
	197,764	274,027	395,536	408,953
NET LOSS FOR PERIOD	(197,764)	(274,027)	(395,536)	(408,953)
Deficit beginning of period	(3,786,668)	(2,640,085)	(3,588,896)	(2,505,159)
DEFICIT END OF PERIOD	$(3,984,432)	$(2,914,112)	$(3,984,432)	$(2,914,112)
Loss per common share	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.03)

See notes to interim consolidated financial statements

Consolidated Statement of Cash Flows – Unaudited

TONE RESOURCES LIMITED

	Three month period ended February 28, 2007	Three month period ended February 28, 2006	Six month period ended February 28, 2007	Six month period ended February 28, 2006
Operating activities				
Loss for the period	$ (197,764)	$(274,027)	$ (395,536)	$(408,953)
Add back stock-based compensation	10,480	44,371	20,960	87,243
Accounts receivable	(13,886)	(5,741)	(13,538)	(6,219)
Retainers and prepaid expenses	11,446	(9,703)	1,220	(9,645)
Reclamation bond	(812)	944	(1,592)	1,151
Accounts payable	18,849	(112,114)	(4,716)	(83,824)
	(171,687)	(356,270)	(393,202)	(420,247)
Investing activities				
Mineral property	(17,492)	(79,927)	(29,463)	(93,209)
Financing activities				
Common share issuance	138,250	676,754	220,253	703,154
Share subscriptions	---	(73,009)	(7,500)	---
	138,250	603,745	212,753	703,154
INCREASE (DECREASE) IN CASH	(50,929)	167,548	(209,912)	189,698
Cash beginning of period	1,088,430	27,219	1,247,413	5,069
CASH END OF PERIOD	$1,037,501	$ 194,767	$1,037,501	$ 194,767

See notes to interim consolidated financial statements

Schedule of Mineral Property Costs - Unaudited

TONE RESOURCES LIMITED

Six months ended February 28, 2007

	South Keystone (Eureka)	Roberts Creek (Eureka)	Kobeh (Eureka)	Kent Springs (Pershing)	Red Ridge (Elko)	Battle Mountain (Lander)	Gold Bar North (Eureka)	Big Antelope Springs (Lander)	February 28 2007
Property Acquisition and Maintenance Costs									
Balance, August 31, 2006	$34,246	$ 70,597	$164,722	$10,555	$129,260	$ 75,296	$ 20,503	$17,269	$ 522,448
Additions	---	---	---	---	---	---	---	---	---
Claims maintenance	---	---	---	---	28,756	---	---	---	28,756
Balance, February 28, 2007	34,246	70,597	164,722	10,555	158,016	75,296	20,503	17,269	551,204
Deferred Exploration Costs									
Balance, August 31, 2006	13,766	88,848	224,513	125	261,477	130,286	86,400	1,213	806,628
Assaying	---	---	---	---	---	---	---	---	---
Consulting fees	---	---	---	---	---	---	---	---	---
Drilling	---	---	---	---	---	---	---	---	---
Field costs	---	---	---	---	236	---	---	---	236
Mapping	---	---	---	---	---	---	---	---	---
Reclamation	---	---	---	---	471	---	---	---	471
Balance, February 28, 2007	13,766	88,848	224,513	125	262,184	130,286	86,400	1,213	807,335
TOTAL	$48,012	$159,445	$389,235	$10,680	$420,200	$205,582	$106,903	$18,482	$1,358,539

Notes to Interim Consolidated Financial Statements - Unaudited

TONE RESOURCES LIMITED

February 28, 2007

NOTE 1 – NATURE AND CONTINUANCE OF OPERATIONS

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern which assume that the company will realize its assets and discharge its liabilities in the normal course of business. The company has accumulated losses of $3,984,432 since incorporation. No assurances can be given that the company will be able to continue as a going concern. Its ability to continue as a going concern is dependent upon the ability of the company to generate profitable operations in the future and, or, to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the company be unable to continue its operations. Management plans to continue to provide for its capital needs by the issuance of common stock; the company is also seeking one or more potential joint venture partners to develop and explore its existing mining properties.

NOTE 2 – INTERIM REPORTING

While the information presented in the accompanying interim financial statements for the six months ended February 28, 2007, and the six months ended February 28, 2006, is unaudited, it includes all adjustments which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. All adjustments are of a normal recurring nature. Management suggests that these interim financial statements be read in conjunction with the company's audited August 31, 2006, financial statements. These financial statements follow the same accounting policies and the methods of their application as the company's audited August 31, 2006, annual financial statements.

NOTE 3 – TAKEOVER BID BY U.S. GOLD CORPORATION

During December, 2005, and March, 2006, Mr. Robert McEwen (chairman of U.S. Gold Corporation "U.S. Gold") acquired 2.5million units of Tone Resources Limited, each unit consisting of one common share and one warrant exercisable to acquire an additional common share at a price of $0.25 per share for twenty-four months. Assuming the exercise of all warrants, Mr. McEwen will hold approximately 25 per cent of the outstanding shares of the company.

Effective March 23, 2007, holders of 89.4 per cent of the issued common shares of Tone Resources Limited exchanged their shares for common shares of U.S. Gold Canadian Acquisition Corporation, a subsidiary of U.S. Gold and U.S. Gold assumed management and control of Tone Resources Limited.

....continued....

TONE RESOURCES LIMITED

February 28, 2007

NOTE 4 – MINERAL PROPERTY COSTS

The company holds 410 mining claims in Nevada, USA. The properties are located in Eureka, Pershing, Elko and Lander counties and are subject to royalties of 1% to 4% of net smelter returns. Certain of the royalties are payable to a company with a director in common.

The company has incurred the following mineral property costs to date:

	Six months ended February 28, 2007	Year ended August 31, 2006	Year ended August 31, 2005 Net	Year ended August 31, 2004	Period to August 31, 2003	Total
Acquisition costs	$ ---	$ ---	$ 4,243	$ 27,913	$ 94,684	$ 126,840
Claims maintenance	28,756	97,106	83,960	96,718	88,599	395,139
Consulting fees	---	853	5,754	7,507	20,454	34,568
Drilling	---	87,749	87,196	224,653	123,841	523,439
Field supplies and other	236	7,680	7,535	18,784	18,440	52,675
Assaying	---	11,390	21,946	59,771	58,196	151,303
Mapping	---	---	---	---	11,773	11,773
Reclamation expenses	471	---	8,068	9,521	16,493	34,553
Title opinion	---	---	---	11,003	17,246	28,249
TOTAL	$29,463	$204,778	$218,702	$455,870	$449,726	$1,358,539

The amount reported for mineral property costs is not intended to reflect present or future values.

The company leases two full sections of its Red Ridge property at current lease payments of USD $25,000 per year increasing to USD $50,000 per year in 2011.

On March 9, 2004, the company entered into an agreement with Teck Cominco American Incorporated. The agreement grants Teck Cominco the option to earn interests of up to 75% in any two of the company's current properties. Teck Cominco may earn the interest by completing expenditure requirements totalling $3,000,000 and preparing feasibility reports. Teck Cominco has a first right of refusal on the Red Ridge property.

....continued....

TONE RESOURCES LIMITED

February 28, 2007

NOTE 5 – RELATED PARTY TRANSACTIONS

During the three months ended February 28, 2007, the company paid management fees to Mr. Scott Baxter ($19,500) who is a shareholder, director and officer. In addition, $3,750 was paid to Mr. Baxter for rent and $2,900 to his daughter for secretarial services.

Mineral properties were acquired from KM Exploration Ltd., a company in which Mr. Mathewson was a principal. The transfer prices were based upon the vendor's actual staking costs. Mr. Mathewson, a company in which Mr. Mathewson is a principal, and two other shareholders of the company, retain an aggregate one to four per cent net smelter return royalty over the company's mineral claims.

NOTE 6 – SHARE CAPITAL

(a) During the three months ended February 28, 2007, the company issued 434,000 shares for total consideration of $138,250 from the exercise of share purchase warrants and incentive options.

Subsequent to the balance sheet date the company issued 450,000 common shares for consideration of $225,000 from the exercise of share purchase options at $0.50 per share.

(b) Stock options

Effective October 15, 2002, the company established an incentive stock option plan and granted options for directors, employees and consultants. The Plan provides for the granting of up to 3,282,826 options which qualify for treatment as incentive stock options or non-statutory stock options and entitles directors, employees and consultants to purchase common shares of the company. Options granted are subject to approval of the Board of Directors or the Stock Option Committee.

....continued....

TONE RESOURCES LIMITED

February 28, 2007

NOTE 6 – SHARE CAPITAL - CONTINUED

(b) Stock options – continued

The options vest 25 per cent upon TSX Venture Exchange approval and 12.5 percent each quarter thereafter; and immediately become exercisable once vested. The options have a maximum term of five years from the grant date.

	Options Outstanding	
	Number of Common Shares Issuable	Weighted Average Exercise Price $
Balance, August 31, 2006	1,562,232	0.48
Options granted	---	---
Options exercised	(152,750)	---
Balance, February 28, 2007	1,409,482	0.48

Stock options outstanding at February 28, 2007, expire as follows.

Number	Exercise Price	Expiry Date
1,005,000	$0.50	May 16, 2008
50,000	0.50	June 9, 2008
12,500	0.50	July 21, 2008
100,000	0.50	November 14, 2008
12,000	0.30	September 2, 2009
87,732	0.50	February 1, 2010
96,000	0.40	July 26, 2010
40,000	0.20	November 15, 2010
6,250	0.35	December 2, 2010
1,409,482		

Non-cash compensation charges for the six months period ended February 28, 2007 totalling $20,960 (2006 - $87,243) associated with vested options granted to directors, employees and consultants was recognized in the financial statements of the company. A compensation charge associated with vested options granted to directors and employees in the amount of $288,750 for the year ended August 31, 2004, was not recognized in the financial statements, but was included in the pro forma amounts which were disclosed. These compensation charges have been determined under the fair value method using the Black-Scholes option pricing model.

....continued....

NOTE 6 – SHARE CAPITAL – CONTINUED

(c) Share Purchase Warrants

At February 28, 2007, there were 2,710,000 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number	Exercise Price	Expiry Date
1,980,000	$0.25	December 19, 2007
730,000	0.25	March 3, 2008
2,710,000		

MANAGEMENT DISCUSSION AND ANALYSIS

Tone Resources Limited
Interim Report
Six months ended February 28, 2007

DESCRIPTION OF BUSINESS

Tone Resources Limited (the company) 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, U.S.A. The company is focused on gold and holds substantially all interests in eight properties in Elko, Eureka, Lander, and Pershing counties in Nevada. All of the company's properties are located near infrastructure facilities of currently producing gold mines.

The company's mineral properties were acquired from a company with a common director, or were staked by that director; and are subject to a royalty of 1 per cent of net smelter returns excepting the Red Ridge property which is subject to a royalty of 4 per cent of net smelter returns.

The company is a reporting issuer in British Columbia, Alberta, Ontario and the Yukon Territory, and trades on the TSX Venture Exchange under the symbol TNS.

The following discussion and analysis is based upon information available to management as of April 4, 2007.

TAKEOVER BY U.S. GOLD CORPORATION

Mr. Robert McEwen (chairman of U.S. Gold Corporation "U.S. Gold") acquired 2.5 million units of Tone Resources Limited, each unit consisting of one common share and one warrant exercisable to acquire an additional common share at a price of $0.25 per share. Assuming the exercise of all warrants, Mr. McEwen would hold approximately 25 per cent of the outstanding shares of the company.

Effective March 23, 2007, holders of 89.4 per cent of the issued common shares of Tone Resources Limited exchanged their shares for shares of U.S. Gold Canadian Acquisition Corporation, a subsidiary of U.S. Gold and U.S. Gold assumed control and management of Tone Resources Limited

OVERALL PERFORMANCE

When the company filed it initial public offering document in February, 2003, the company had 122 claims covering approximately 2,240 acres in Eureka County: the Roberts Creek and Kobeh properties. At April 4, 2007, the company owns substantially all interests in 410 claims plus two leased sections covering in total approximately 9,160 acres in four counties.

To February 28, 2007, the company has spent $1,387,308 acquiring and exploring its mineral properties and $3,072,694 administering to its business (net of stock based compensation costs).

Of the $5,425,223 equity capital raised, all equity has been arranged without commission, excepting the $189,877 share issue costs from the initial public offering.

SUBSEQUENT PRIVATE PLACEMENTS

During the period from March 1, 2007 to April 4, 2007, the company issued 450,000 common shares for consideration of $225,000 from the exercise of $0.50 share purchase options.

SELECTED ANNUAL INFORMATION

Information for the five most recently completed financial years is as follows.

	2006	2005	2004	2003	2002
Working capital (deficiency)	$1,165,577	$ (114,930)	$ 349,922	$ 242,924	$ 199,038
Mineral property costs	1,329,076	1,124,298	905,596	449,726	102,291
Total assets	2,629,052	1,173,017	1,335,652	807,399	324,129
Net loss	(1,083,737)	(855,799)	(1,082,680)	(437,698)	(128,982)
Deficit	(3,588,896)	(2,505,159)	(1,649,360)	(566,680)	(128,982)
Net loss per common share	$(0.06)	$(0.06)	$(0.09)	$(0.07)	$(0.03)

As the company is an exploration stage company it has no revenues, and has satisfied its capital requirements by successive issuances of its equity securities. No dividends have been declared, nor are any contemplated.

RESULTS OF OPERATIONS

Red Ridge Project, Carlin Trend, Elko County, Nevada

The Red Ridge property, mostly acquired in 2002, consists of 2 leased fee sections and 2 staked sections, comprising a total of about 2500 acres located in the Rain mining district on the southern end of the Carlin Trend. The primary target lies along the north-northwest trending Red Ridge structural zone. The structure has a surface expression characterized by locally intense silicification, baritization, dolomitization and iron oxides along a strike length of at least 4 to 5 kilometers. Soil anomalies consisting of gold, arsenic, antimony, barium, and gold up to 179 ppb are present over a length of about 2 kilometers. Follow-up rock samples up to 1 ppm gold were also obtained along the Red Ridge structure. The company controls about 80% of the target zone. The target is high-grade, underground mineable, gold-bearing oxide and, or sulfide material similar to the Rain fault-related Northwest Rain, Tess and Saddle deposits developed at and near the Webb Devils Gate contact. Potential exists for one, or more, gold deposits of 1 to 3 million ounces at about a one half ounce (15 g/t) grade.

In 2003 and 2004, Tone provided the first drill tests into this highly prospective Carlin Trend target opportunity. Three holes drilled to date have intersected gold in flat-tabular collapse breccias with the best intercept of 80 feet of 0.036 opt. These holes confirmed the presence of the Rain deposit-style model. Two other holes drilled in 2003 passed prematurely through the Red Ridge structure into the footwall side of the structure. One other hole drilled in 2003 and one in 2004 may have been on target, but failed to reach the prescribed target zone primarily because of difficult drilling conditions.

Permitting is not required for the currently identified targets that are located on the fee sections under Taylor Grazing Act guidelines. Eight holes are recommended to follow-up on the gold mineralization intersected in 2004. The target depth is as shallow as perhaps 800 feet directly to the west of Holes RR04-1A, 2 & 3. The target zone of the Webb-Devils Gate contact juxtaposed against the Red Ridge fault zone dives going northwestward and may be as deep as 2500 feet about a mile to the northwest. At target depths of 1200 feet, or more, pre-collared, core-tailed holes are recommended and essentially requisite to drilling completion through the target zone.

Kobeh Project, Battle Mtn – Eureka Trend, Eureka County, Nevada

The Kobeh prospect consists of two claim groups of 83 NK and NKN claims and 50 SW claims staked in 2001 and 2002, respectively, comprising 2600 acres. These claims were staked to cover specific visual target opportunities on the prospective south flank of the Roberts Mountains. Several target horizons exist within the NK/NKN claim group including McColley Canyon (Bartine Member) limestone, Denay limestone, and the Webb-Devils Gate contact. Strong, pervasive, widespread alteration, pathfinder elements, and some gold have been intersected in all of the 16 holes drilled by Tone. Feeder structure targets believed very likely present continue to be sought. Gravity and CSAMT data indicate the presence of an important northwest-trending complex structural zone.

The primary target opportunity on the SW claim group is the Webb-Devils Gate contact juxtaposed against the north-northwest trending Wall (feeder) structure. The potential of the Kobeh prospect is for one, or more, 1/2 to 2 million ounce Carlin-style gold deposits.
Four of five permitted and bonded sites on the SW claims have been drilled. Two holes, both of which intersected the Webb-Devils Gate contact target zone were drilled February, 2006. Target depths on the SW claims is anywhere from less than 500 feet to probable considerable depths. Multiple target horizons exist within this lower plate package of rocks.

All permitted sites on the NK-NKN claims except one have been drill tested to depths of 600 to 800 feet. Untested target horizons exist within this very permissive package of rocks. Every hole drilled to date has encountered indications of a gold-bearing type epithermal system. A permitted site in the center of a large zone of moderate to strong pathfinder geochemistry and gold at the surface up to 500 ppb designed as a deep test of multiple target zones within the lower plate stratigraphic section remains to be drilled. A 2000 plus foot deep mud-rotary exploratory hole is recommended at this site.

Fish Creek Project, Rabbit Creek Trend, Lander County, Nevada

The Fish Creek property consists of 75 lode claims, staked in 2002, comprising 1500 acres covering essentially all of an observable target opportunity located between the Copper Canyon project and the Cove-McCoy project. The prospect, historically referred to as the Fish Creek Porphyry, has previously been explored as a porphyry copper-molybdenum opportunity. The primary gold target is for Fortitude (Copper Canyon)-style mineralization developed within Antler Limestone and Battle Conglomerate beneath highly altered, but much less permissive, overlying Havallah calcareous siltstones and sandstones. A secondary opportunity of Triassic carbonate-hosted gold targets analogous to the nearby Cove-McCoy deposits is also possible. The potential is for 2 to 5 million high-grade underground mineable ounces. Nearby extraction facilities significantly enhance the economic viability of additional discoveY in this region.

Results from 3 wide-spaced Tone drilled holes, which include thick intervals of copper in the 0.10 % range with anomalous arsenic and low levels of gold up to 200 ppb, confirm the copper and gold potential of the prospect. Several sites remain permitted for drilling.

Target depths are unknown, but are believed to be within reasonable reach of drilling. Future drilling should be designed to go to at least 2000 feet, perhaps more if altered Antler units are encountered. Mud-rotary or pre-collared core-tailed holes is the recommended approach.

Roberts Creek Project, Battle Mtn – Eureka Trend, Eureka County, Nevada

The Roberts Creek prospects are covered by two claim groups staked in 2001 and 2002, 10 claims and 44 claims, respectively, comprising a total of 1080 acres. The CC claims control the outcropping Cabin Creek gold deposit. The deposit, hosted in Bartine limestone, consists of about 100 thousand ounces at 0.04 opt (1.3 g/t) in oxide material. Tone drilling in 2002 expanded the Cabin Creek deposit by 10 to 15 %. One of the Tone holes intersected 165 feet of 0.06 opt gold in oxide material. The Cabin Creek deposit would make an economic satellite deposit to a nearby larger deposit at a reasonably high gold price.

The NH claims just to the east of the CC claims includes multiple target zones with a composite potential for 1/2 to one million ounce Carlin style deposits. Extensive alteration of decarbonatization, calcite veining and jasperoids is expressed in permissive host rock units at the surface. Surface geochemistry is very positive, and available data from previously drilled holes shows significant gold mineralization including an intercept of 80 feet of 0.04 (1.3 g/t) oxide material from 120 to 200 feet below the surface. This hole and other holes, and nearby surface gold anomalies are compelling for follow-up drilling.

Nine holes have been permitted for drilling on the NH claims. The target depths range from the surface to perhaps a maximum, believed at this time, of 800 feet. Vertical and angle reverse circulation drilling is the appropriate means to address these targets.

South Keystone Project, Battle Mtn – Eureka Trend, Eureka County, Nevada

The south Keystone prospect is comprised of 28 claims (560 acres) staked in 2003 to cover a specific target area of widespread surface alteration and a distinct gravity high expressing a possible structural dome. These claims were also staked because this is where the northwest extension of the Gold Bar deposit structural zone intersects the Eocene Keystone intrusive alteration aureole. It is believed that the company controls an important target opportunity within this area. Follow-up ground reconnaissance and soil geochemical results including low levels of gold have confirmed the presence of an epithermal-style gold system in the prospect area. Lower plate carbonate rocks may barely be exposed near the center of the prospect area. The discovery opportunity is for one or more multimillion ounce Carlin or Cortez Hills type gold deposits.

Three drill sites have been permitted for drilling. This area has never previously been drilled. The target depth is unknown and drilling should be prepared to go to depths of perhaps more than 2000 feet. Mud-rotary drilling is recommended for a first pass "look" into the target zone.

Gold Bar North Project, Battle Mtn – Eureka Trend, Eureka County, Nevada

The Gold Bar North prospect is comprised of 19 claims (380 acres) that were staked in 2002 to cover a very specific target of prospective, uplifted lower plate carbonate and the flank of a gravity high that coincides with the northwest continuation of the Gold Bar feeder fault structural zone. Early in 2005, the company and Placer Dome conducted a mutually beneficial gravity survey of the broader prospect area. The independent geophysicist who evaluated the gravity data recommended a total of eight drill holes to test multiple target opportunities; six of these holes he located within the company controlled claims. The target opportunity is for multimillion ounce Carlin or Cortez Hills-type gold deposits in unexposed permissive carbonate host units.

Four sites have been permitted for drilling. Two holes were drilled from one of these four sites in January and February of this year. The target depths are unknown, but a first pass program of 800 foot holes should provide either target tests or an indication of what will be required in a follow-up drill program. It is believed that lower-plate limestone was encountered in at least one of these holes. Weak epithermal-style alteration and associated geochemistry was also intersected. The target area remains wide open with the other three sites spread over a structural strike length of about 2 kilometers.

Big Antelope Springs Project, southern Rabbit Creek Trend, Lander County, Nevada

The Big Antelope Springs prospect is comprised of 24 claims (480 acres) covering a Lone Tree type discovery opportunity. The surface is comprised of 3 small, widely-spaced, low-lying knobs of altered Havallah limestone, silty limestone, and possible Battle Conglomerate. Phelps Dodge drilled 6 wide-spaced holes into the prospect area. One hole is reported to include a 5 ft intercept of 0.17 opt (5.8g/t), in addition, thick intervals of trace amounts of gold with strong arsenic, antimony, and mercury geochemistry were also intersected. A gravity high and coinciding IP anomaly falls within the company claim group. The opportunity is for one or more structurally controlled Lone Tree-type gold deposit in the 1 to 5 million ounce category.

Drilling is warranted. Target depths are uncertain. Prospective Antler rocks may be present at an undefined, but reasonable depth. Initial drilling to 800 feet may be by reverse circulation methods to provide a further test of system encountered in the Phelps Dodge holes. A six hole program is recommend.

Kent Springs Project, Rabbit Creek Trend, Pershing County, Nevada

The Kent Springs prospect consists of 10 claims (200 acres) strategically located to cover a small knob of exposed alteration with a weak epithermal signature. The sense of this prospect is that something of interest appears to be in relative proximity to the knob, or at depth. It is proposed to conduct an aggressive regional reconnaissance and gravity search program in the area.

Qualified Person

David C. Mathewson, a former director of Tone Resources Limited, is the qualified person conducting the exploration and reporting results for the company. Mr. Mathewson has 35 years of exploration experience including 25 years of gold exploration in Nevada.

Alliance with Teck Cominco

On March 9, 2004 the Company entered into an agreement with Teck Cominco American Incorporated (Teck Cominco) which included a private placement. Under the agreement Teck Cominco has the right to earn interests of fifty-one to seventy-five per cent in a total of two projects. Teck Cominco may elect to earn these rights which may include designating properties expenditure requirements, preparation of a final feasibility report and arranging debt financing for the project. Under the terms of the Agreement Tech Cominco also has certain rights to participate in future financings undertaken by the Company.

DISCLOSURE PROCEDURES AND INTERNAL CONTROLS

As required by MI 52-109, based on our evaluation during the quarter ended February 28, 2007, and up to the date of this Management Discussion and Analysis, management has concluded that there have not been any significant changes in internal controls over financial reporting that have occurred during the quarter ended February 28, 2007 that has materially affected, or is reasonably likely to materially affect internal controls over financial reporting.

SUMMARY OF QUARTERLY RESULTS

The following summary information has been extracted from the company's annual and interim financial statements.

	Feb 28 2007	Nov 30 2006	Aug 31 2006	May 31 2006	Feb 28 2006	Nov 30 2005	Aug 31 2005	May 31 2005
Property costs								
Claims acquisition and maintenance	$ 17,492	$ 11,264	$ 73,182	$ ---	$ 11,593	$ 12,331	$ 15,758	$ 7,831
Exploration expenditures	---	707	1,059	37,328	68,334	951	---	1,303
	$ 17,492	$ 11,971	$ 74,241	$ 37,328	$ 79,927	$ 13,282	$ 15,758	$ 9,134
Administration and other								
Accounting and legal	$ 98,901	$102,238	$103,872	$165,614	$ 74,077	$ 30,099	$ 32,504	$ 26,028
Management and consulting fees	46,500	48,753	126,198	93,772	59,362	44,068	71,643	47,156
Advertising, promotion and travel	32,141	32,518	74,121	19,482	57,133	2,927	5,581	26,303
All other costs	9,742	3,783	6,259	23,397	39,084	14,960	104,474	19,705
	$187,284	$187,292	$310,450	$302,265	$229,656	$ 92,054	$214,202	$119,192
Stock-based compensation	$ 10,480	$ 10,480	$ 25,442	$ 36,627	$ 44,371	$ 42,872	$121,525	$ 48,945

Significant adjustments made at August 31, 2003 through 2006, were as follows.

2006 i) $11,084 accrual of Red Ridge claims maintenance costs.

2005 i) $82,769 CVN claims acquisition and maintenance costs expensed as management decided subsequent to year end not to continue with the project.

2004 i) $58,750 of legal costs associated with preparation of registration statement and annual report on Form 20-F (with the United States Securities and Exchange Commission) was expensed; the amount was being expensed over twenty-four months.

ii) $286,813 of stock-based compensation was recorded when the company adopted the CICA Handbook Section 3870 recommendations and expensed prospectively costs associated with options granted to directors and employees.

2003 i) $74,275 of legal and accounting expense was reclassified to costs of issuing (the initial public offering) shares.

OPERATIONS

Historically, the availability of funds on hand and financings has substantially influenced the levels of quarterly expenditures and the company's ability to plan exploration activities.

During the period from May, 2005, to March, 2006, the company was focused almost exclusively on obtaining financings and exploration expenditures were restricted due to working capital limitations. Subsequent to the proposed takeover offer of U.S. Gold Corporation in March, 2006, the company has limited exploration activities so as not to alter the takeover valuations.

During the six months ended February 28, 2007, accounting and legal fees were $201,139. The increase, as compared with the prior year, is the direct result of the takeover proposal and resultant requests from U.S. Gold Corporation for financial and other information for preparation and filings and for their due diligence.

Management fees are comprised as follows:

Mr. Scott Baxter	$39,000	President
Mr. David Mathewson	$ 2,253	Exploration geologist

Investor relations fees are comprised as follows:

Mr. Joe Maire	$30,000
Mr. Simon Learmoth	$24,000

RELATED PARTY TRANSACTIONS

During the three and six months ended February 28, 2007, the company paid management fees to Mr. Scott Baxter ($19,500 and $39,000) who is a shareholder, director and officer. For the same periods, $3,750 and $7,500 were paid to Mr. Baxter for rent and $2,900 and $5,179 to his daughter for secretarial services.

Mineral properties were acquired from KM Exploration Ltd., a company in which Mr. Mathewson was a principal. The transfer prices were based upon the vendor's actual staking costs. Mr. Mathewson, a company in which Mr. Mathewson is a principal, and two other shareholders of the company, retain an aggregate one to four per cent net smelter return royalty over the company's mineral claims.

LIQUIDITY AND CAPITAL RESOURCES

The company's contractual obligations are the Red Ridge lease payments noted above; and monthly management fees also noted above. Land management fees (paid) are payable annually to maintain legal title to the company's mineral properties.

There are no known contingent liabilities; and excepting incentive options and share purchase warrants, there are no off-balance sheet arrangements. At April 4, 2007, the Company had working capital roughly estimated to be in excess of $1 million.

RISKS AND UNCERTAINTIES

Mining exploration inherently contains a high degree of risk. Further, this interim report contains forward-looking comments made to enhance communications; actual results may differ materially for many reasons from these forward-looking statements.

OUTSTANDING SHARE DATA

The company is authorized to issue an unlimited number of common shares. At April 4, 2007, there were issued and outstanding 21,033,170 common shares (of which 450,000 were issued after February 28, 2007).

Changes in incentive share purchase options since August 31, 2006, are as follows:

Balance outstanding August 31, 2006	1,562,232
Options issued	---
Options exercised	
At $0.50 per share	(15,000)
At $0.35 per share	(18,750)
Balance outstanding April 4, 2007	1,528,482

The following options are outstanding at April 4, 2007.

Number	Exercise Price	Expiry Date
1,104,000	$0.50	May 16, 2008
50,000	0.50	June 9, 2008
12,500	0.50	July 21, 2008
100,000	0.50	November 14, 2008
12,000	0.30	September 2, 2009
107,732	0.50	February 1, 2010
96,000	0.40	July 26, 2010
40,000	0.20	November 18, 2010
6,250	0.35	December 1, 2010
1,528,482		

The following share purchase warrants are outstanding at April 4, 2007 (each warrant entitling the holder to purchase one common share for each warrant held).

Number	Exercise price	Expiry Date
1,980,000	$ 0.25	December 19, 2007
730,000	0.25	March 3, 2008
2,710,000		

DIRECTORS AND OFFICERS

Scott D. Baxter	President and Director
Ann Carpenter	Director
Daniel F. Huber	Chief Financial Officer
Robert McEwen	Director
William Pass	Director
Sam Storey	Director

This is **Exhibit "E"** referred to in the affidavit of William F. Pass sworn before me at Vancouver this 17th day of May, 2007.

A Commissioner for taking Affidavits for British Columbia

SUSAN A. GRIFFIN, Q.C.
Barrister & Solicitor
FRASER MILNER CASGRAIN LLP
1500 - 1040 West Georgia Street
Vancouver, B.C. V6E 4H8
Telephone (604) 687-4460



NEVADA PACIFIC GOLD LTD.

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements and the information contained in the management discussion and analysis have been prepared by the management of the Company. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, reflect management's best estimates based on currently available information. A system of internal accounting control is maintained to provide reasonable assurance that financial information is accurate and reliable.

The Company's independent auditors, PricewaterhouseCoopers LLP, who have been appointed by the shareholders, conduct an audit in accordance with generally accepted auditing standards in Canada to allow them to express an opinion on the financial statements.

The Audit Committee of the Board of Directors meets periodically with management and the independent auditors to review the scope and results of the annual audit, and to review the financial statements and related reporting matters prior to submission to the Board.

"David Hottman"
David Hottman,
President & Chief Executive Officer
September 28, 2006

"W. R. (Bill) Franklin"
W. R. (Bill) Franklin,
Chief Financial Officer
September 28, 2006

Independent Auditors' Report

To the Shareholders of
Nevada Pacific Gold Ltd.

We have audited the consolidated balance sheets of **Nevada Pacific Gold Ltd.** as at June 30, 2006 and 2005 and the consolidated statements of operations and deficit, cash flows and mineral property expenditures for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed: PricewaterhouseCoopers LLP)

Chartered Accountants
Vancouver, British Columbia
September 28, 2006

NEVADA PACIFIC GOLD LTD.

CONSOLIDATED BALANCE SHEETS

As at June 30th
(expressed in US Dollars)

	2006	2005
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,659,738	$ 957,251
Accounts receivable	180,697	273,165
Product inventory and stockpiled ore (Note 4)	109,074	4,112,633
Supplies inventory	285,152	414,366
Prepaid expenses	239,424	223,372
	4,474,085	5,980,787
Property, plant and equipment (Note 5)	13,306,314	13,388,954
Mineral properties (Note 6)	4,661,805	3,106,357
Reclamation bonds	96,363	93,228
	$ 22,538,567	$ 22,569,326
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,194,495	$ 1,783,277
	1,194,495	1,783,277
Other liabilities	112,397	175,217
Asset retirement obligation (Note 7)	1,684,812	1,567,267
	1,797,209	1,742,484
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	30,955,143	25,920,223
Contributed capital (Note 9)	1,490,594	1,001,674
Deficit	(12,898,874)	(7,878,332)
	19,546,863	19,043,565
	$ 22,538,567	$ 22,569,326

Nature of operations and Going Concern (Note 1)
Commitments (Note 15)
Subsequent Events (Note 17)

Approved by the Board:

"Michael Beley"
Michael Beley,
Director

"Gary Nordin"
Gary Nordin,
Director

See accompanying notes to consolidated financial statements

NEVADA PACIFIC GOLD LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended June 30th
(expressed in US Dollars)

	2006	2005
GOLD SALES	$ 6,649,300	$ 5,175,235
COST OF SALES	7,903,654	3,347,153
DEPRECIATION AND DEPLETION	734,618	727,815
ROYALTIES	381,572	262,197
	9,019,844	4,337,165
EARNINGS (LOSS) FROM MINING OPERATIONS	(2,370,544)	838,070
EXPENSES AND OTHER INCOME		
General and administrative	1,944,511	2,084,400
Interest and financing costs	-	22,378
Stock-based compensation	611,572	559,963
Foreign exchange losses	36,904	115,796
Other income	(57,349)	(37,942)
	2,535,638	2,744,595
LOSS BEFORE THE UNDERNOTED ITEMS	4,906,182	1,906,525
Write-down of mineral properties	114,360	630,332
Gain on disposal of mining equipment	-	(155,199)
LOSS FOR THE YEAR	$ 5,020,542	$ 2,381,658
Basic and diluted loss per share	$ 0.08	$ 0.05
Weighted average number of shares outstanding	60,304,369	51,295,350

CONSOLIDATED STATEMENTS OF DEFICIT

For the years ended June 30th
(expressed in US Dollars)

	2006	2005
DEFICIT, Beginning of the year		
As previously reported	$ 7,878,332	$ 5,209,298
Change in accounting policy (Note 2 – Stock Compensation)	-	287,376
As restated	7,878,332	5,496,674
Loss for the year	5,020,542	2,381,658
DEFICIT, End of the year	$ 12,898,874	$ 7,878,332

See accompanying notes to consolidated financial statements

NEVADA PACIFIC GOLD LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30th
(expressed in US Dollars)

	2006	2005
CASH PROVIDED BY (USED FOR) OPERATIONS		
Loss for the year	$ (5,020,542)	$ (2,381,658)
Items not affecting cash		
Depreciation, depletion & amortization	758,435	750,867
Accretion of asset retirement obligation	117,545	44,540
Stock based compensation	611,572	559,963
Write-off of mineral properties	114,360	630,332
Gain on disposal of mining equipment	-	(155,199)
Severance expense	(27,820)	61,106
	(3,446,450)	(490,049)
Changes in non-cash working capital items (Note 12)	2,970,312	(4,357,410)
	(476,138)	(4,847,459)
INVESTING ACTIVITIES		
Property, plant and equipment	(25,700)	(3,987,643)
Proceeds from disposal of equipment	-	200,199
Reclamation bonds	(3,135)	(45,256)
Expenditures on mineral properties, net of recoveries	(1,704,808)	(1,321,555)
	(1,733,643)	(5,154,255)
FINANCING ACTIVITIES		
Common shares issued:		
On private placements	4,541,507	10,262,635
On warrant conversion	93,952	591,200
On option exercise	369,826	200,020
Share issue costs and finder's fees	(93,017)	(692,741)
	4,912,268	10,361,114
INCREASE IN CASH AND CASH EQUIVALENTS	2,702,487	359,400
CASH AND CASH EQUIVALENTS, Beginning of the year	957,251	597,851
CASH AND CASH EQUIVALENTS, End of the year	$ 3,659,738	$ 957,251
Supplementary information on non-cash transactions		
Shares issued and applied to note payable (Note 3)	$ -	$ 500,000
Warrants issued to Underwriter (Note 9)	$ -	$ 131,020

See accompanying notes to consolidated financial statements

NEVADA PACIFIC GOLD LTD.

CONSOLIDATED STATEMENTS OF MINERAL PROPERTY EXPENDITURES

For the years ended June 30th
(expressed in US Dollars)

	Limousine Butte	South Carlin Project	Keystone	BMX	Cornerstone	Timber Creek	Other Nevada Properties	Mexican Properties	Total
Total as at June 30, 2004	$ 732,555	$ 522,396	$ 225,003	$ 21,629	$ 11,684	$ 94,758	$ 678,964	$ 168,145	$ 2,455,134
Exploration salaries & wages	10,650	-	14,734	2,855	40,824	14,825	155,136	23,964	262,988
Land holding costs	56,678	9,616	68,312	74,662	32,772	37,704	84,217	57,077	421,038
Surveying	-	-	4,028	6,145	11,638	7	23,980	6,728	52,526
Environmental	-	-	-	-	4	8	8,398	-	8,410
Geology	22	-	497	3,450	5,148	2,353	14,181	53,607	79,258
Surface geochemistry	-	-	4,446	-	27,893	-	11,666	81,382	125,387
Geophysics	-	-	-	-	-	3,350	52,550	57,736	113,636
Road work & trenching	-	-	-	-	-	-	23,169	61,627	84,796
Drilling	1,020	-	5,460	-	22	-	148,140	150,621	305,263
Other	-	-	-	-	-	-	-	40,100	40,100
Total expenditures	68,370	9,616	97,477	87,112	118,301	58,247	521,437	532,842	1,493,402
Cost recoveries	(56,500)	-	(78,720)	(76,627)	-	-	-	-	(211,847)
Property write-offs	-	-	-	-	-	-	(630,332)	-	(630,332)
Total as at June 30, 2005	744,425	532,012	243,760	32,114	129,985	153,005	570,069	700,987	3,106,357
Exploration salaries & wages	2,960	-	17,782	15,505	53,181	18,132	93,121	107,129	307,810
Land holding costs	-	9,639	20	80,587	43,009	48,151	58,234	207,803	447,443
Surveying	-	-	-	-	991	6,716	4,966	1,726	14,399
Geology	-	-	-	1,226	212	666	1,453	43,381	46,938
Surface geochemistry	-	-	-	-	2,199	-	3,962	55,230	61,391
Geophysics	-	-	-	-	-	5,300	18,950	5,524	29,774
Road work & trenching	-	-	-	9,110	31,880	7,200	222	21,207	69,619
Drilling	-	-	91,724	71,202	248,629	236,916	36,541	-	685,012
Other	-	-	-	-	-	-	-	19,042	19,042
Total expenditures	2,960	9,639	109,526	177,630	380,101	323,081	217,449	461,042	1,681,428
Cost recoveries	-	-	(11,620)	-	-	-	-	-	(11,620)
Property write-offs	-	(23)	-	-	-	-	(114,337)	-	(114,360)
Total as at June 30, 2006	$ 747,385	$ 541,628	$ 341,666	$ 209,744	$ 510,086	$ 476,086	$ 673,181	$ 1,162,029	$ 4,661,805

See accompanying notes to consolidated financial statements

NEVADA PACIFIC GOLD LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30th 2006 and 2005
(expressed in US Dollars)

1. Nature of Operations and Going Concern

Nevada Pacific Gold Ltd. ("the Company") was incorporated under the laws of the Province of British Columbia. Its principal business activities consist of the production of gold and silver in Mexico and exploring for and developing gold and silver properties in Mexico and the western United States, primarily Nevada.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the realization of assets and discharge of liabilities in the normal course of business. The Company has recorded losses from operations since its inception. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain additional financing to develop its mineral properties, the future performance of the Magistral Gold Mine, which is currently in a leach only phase, the existence of economically recoverable reserves, and upon its ability to attain profitable operations. Management continues to seek additional financing necessary to permit the Company to continue operations. There can be no assurance that management will be successful in all these activities. These consolidated financial statements do not give effect to any adjustments that would be necessary should the Company not be able to continue as a going concern. Such adjustments could be material.

2. Significant Accounting Policies

Basis of presentation and principles of consolidation
These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Nevada Pacific Gold (US), Inc., Pangea Resources Inc. and Compania Minera Pangea, S.A. de C.V. All inter-company transactions and balances have been eliminated.

Use of estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements. Significant estimates by management include the carrying value of property, plant and equipment, useful lives of such assets, reserves and resources, the asset retirement provision, future income tax valuation allowance, inventory valuation and stock-based compensation valuation assumptions. These estimates are reviewed and adjusted regularly to ensure that they are reasonable. The estimates may vary from actual results.

2. Significant Accounting Policies, Continued

Property, plant and equipment

(a) Plant and equipment

Plant and equipment are depreciated over the estimated lives of the assets on a unit-of-production or straight-line basis as appropriate. Amortization of property, plant and equipment at the Magistral Gold Mine commenced upon commercial production on a unit-of-production basis.

(b) Mineral properties and deferred costs

The acquisition cost of mineral properties and related exploration and development costs, as well as directly attributable general and administrative support costs and salaries, are deferred. When a mineral property is sold, abandoned, or deemed not to contain economic reserves, all costs are written-off. The amounts shown for mineral properties represent costs to date and do not necessarily reflect present or future values.

Deferred costs include operating costs, net of revenues, prior to the commencement of commercial production of the Magistral Gold Mine. Deferred costs are, upon commencement of commercial production, amortized over the estimated life of the ore body to which they relate, on a unit-of-production basis, or are written off if the property is abandoned or written down if there is considered to be a permanent impairment in value.

Asset retirement obligations

Effective July 1, 2004, the Company adopted CICA Handbook Section 3110 "Asset Retirement Obligations". The accounting standard applies to future asset retirement requirements and requires that the fair value of liabilities for asset retirement obligations are recorded in the period in which they occur. The liability is accreted over time through periodic charges to earnings. The asset retirement cost is capitalized as part of the carrying value of the asset and is amortized over the useful life of the asset.

Cash and cash equivalents

The Company considers cash and cash equivalents to be cash on deposit and highly liquid short-term interest bearing securities with maturities at the date of purchase of three months or less. Interest earned is recognized immediately in operations.

Inventories

Inventories include gold dore, stockpiled ore and supplies inventories. Gold poured, in transit and at refineries, is recorded at net realizable value, stockpiled ore is valued at the lower of cost and net realizable value and includes amortization, depreciation and depletion and supplies inventory is carried at the lower of cost and replacement cost.

2. Significant Accounting Policies, Continued

Revenue recognition
Revenue from the sale of metals is recognized in the accounts upon delivery of the product to the customer when title transfers and the rights and obligations of ownership pass to the buyer. Revenue from the sale of metals may be subject to adjustment upon final settlement of estimated metal prices, weights and assays.

Foreign currency translation
The Company and its subsidiaries are considered to be integrated foreign operations. Their financial statements and transaction amounts denominated in foreign currencies are translated into U.S. dollars as follows:

- monetary items are translated at the rate of exchange in effect at the balance sheet date,
- non-monetary items are translated at the historical exchange rates,
- revenue and expense items are translated at the average rate for the period, except for items for which amortization is charged, and
- foreign currency translation gains and losses are included in operations.

Income taxes
The Company follows the liability method of accounting for income taxes. Using this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements of the Company and their respective tax bases, using substantively enacted income tax rates. The effect of a change in income tax rates on future tax liabilities and assets is recognized in income in the period in which the change occurs. A future income tax asset is recorded when the probability of the realization is more likely than not.

Stock based compensation
Effective July 1, 2004, the Company adopted provisions of CICA Handbook Section 3870 on "Stock-Based Compensation and Other Stock-Based Payments". The Company is required to employ the fair value method of accounting for all stock based awards. The Company has applied the new provisions retroactively, without restatement. The Company recorded a cumulative increase to deficit and a corresponding increase to contributed capital of $287,376 on July 1, 2004 with respect to stock options granted during the years ended June 30, 2003 and 2004.

Loss per share
Loss per share is calculated using the weighted-average number of shares outstanding during the year. The Company follows the "treasury stock" method in its calculation of diluted earnings per share.

Variable interest entities
Effective January 1, 2005, the Company has adopted CICA Accounting Guideline 15, "Consolidation of Variable Interest Entities" (AcG-15). The new standard provides guidance on the application of consolidation principles to certain entities that are subject to control on a basis other than ownership of voting rights. The adoption of this guideline did not have any impact on the consolidated financial statements of the Company.

3. Acquisition of Pangea Resources Inc.

On February 2, 2004, the Company acquired all of the outstanding shares of Pangea Resources Inc. ("Pangea") whereby the Company acquired 100% of the Magistral Gold Mine and related assets beneficially owned by Compania Minera Pangea S.A. de C.V. ("Minera Pangea") in Mexico, a wholly owned subsidiary of Pangea. Under the purchase agreement, the Company acquired Pangea for $4,000,000 cash and 2,000,000 common shares of the Company with an estimated fair value of $1.00 CDN per share with a further $3,000,000 note payable due on or before August 2, 2004. A general security agreement was put in place on the assets of the Company. The Company incurred acquisition costs of $370,699. The acquisition has been accounted for using the purchase method.

During the year ended June 30, 2005 the Company's $3,000,000 note payable was settled by the payment of $2,522,116, including $22,116 in accrued interest, and the issuance of 669,485 shares of the Company, valued at $500,000. All security granted by the Company has been returned to the Company.

Management does not consider that the Magistral Gold Mine was operating at commercial levels at the time the mine was acquired. Prior to commercial production, effective January 1, 2005, pre-production expenditures, net of revenue, were capitalized to property. Included in the liabilities assumed on the purchase is an estimated tax liability for the Magistral Gold Mine of $600,000, which is included in accounts payable and accrued liabilities. There is a degree of uncertainty associated with the measurement of this estimated Mexican tax liability. This amount may change as a result of the resolution of certain Mexican tax issues arising from the acquisition.

4. Product inventory and stockpiled ore

	June 30 2006	June 30 2005
Stockpiled ore	$ -	$ 3,788,972
Gold dore	109,074	323,661
	$ 109,074	$ 4,112,633

5. Property, plant and equipment

	June 30 2006	June 30 2005
Magistral Gold Mine		
Plant and equipment	$ 2,760,526	$ 2,760,526
Property and deferred costs	10,245,081	10,240,243
Asset retirement obligation asset	1,477,593	1,477,593
Accumulated amortization and depletion	(1,220,546)	(1,136,023)
	13,262,654	13,342,339
Other equipment	136,776	115,914
Accumulated amortization	(93,116)	(69,299)
	43,660	46,615
	$ 13,306,314	$ 13,388,954

6. Mineral Properties

Limousine Butte
The Limousine Butte property is located northwest of Ely, Nevada in White Pine County, and was staked by the Company such that the Company controls the mineral rights to the property. The property is subject to a sliding scale net smelter return royalty of 1.5% to 2.5% on all production from the property, with an advance payment of $1,000,000 to be made at the commencement of commercial production and to be credited against future royalty payments.

On September 7, 2004, the Company signed a binding letter agreement with Placer Dome U.S. Inc. ("Placer Dome"), a wholly owned subsidiary of Placer Dome Inc., whereby Placer Dome had the right to earn a 60% interest in the Company's Limousine Butte project by spending $4,000,000 on exploration over a five-year period. On April 26, 2006 the Company received notification from Placer Dome of its election to terminate the letter agreement. All rights to the properties and all exploration data relating to the properties have been returned to the Company.

South Carlin Project
The Company's principal interest in the South Carlin project is the Woodruff Creek property. The Woodruff Creek property is located within Elko County, Nevada. In January 2001, the Company completed its acquisition of a 100% interest in the property from Kennecott Exploration Company ("Kennecott") by incurring over $500,000 in exploration expenditures over a four-year period and by paying $50,000 to Kennecott. Kennecott retains an uncapped 1% net smelter return royalty on the project.

6. Mineral Properties, Continued

Keystone
The Company acquired the Keystone project in Nevada through staking and the purchase of two patented claims in 1999 and expanded the property in 2002 through the staking of 109 unpatented mining claims.

On September 7, 2004, the Company signed a binding letter agreement with Placer Dome, whereby Placer Dome had the right to earn a 60% interest in the Company's Keystone project by spending $5,000,000 on exploration over a five-year period. On April 26, 2006 the Company received notification from Placer Dome of its election to terminate the letter agreement. All rights to the properties and all exploration data relating to the properties have been returned to the Company.

BMX
During the year ended June 30, 2003, the Company acquired mineral rights to the Battle Mountain (BMX) project. The project has been staked by the Company, through the location of unpatented Federal lode mining claims and is 100% owned by the Company.

On November 27, 2002, the Company signed a binding letter of agreement with Placer Dome whereby Placer Dome had the right to earn a 60% interest in the BMX project by paying the Company $200,000 on signing and expending $4,000,000 on exploration on the project over a five-year period. On October 21, 2005, the Company received notification from Placer Dome of its election to terminate the letter agreement. All rights to the properties and all exploration data relating to the properties have been returned to the Company.

Bluebird Gold Property
The Bluebird property lies within the area of interest of the Company's BMX project. On April 30, 2003, the Company signed a 10-year mining lease agreement with exploration rights with the owner of the Bluebird property. The lease is renewable in 5-year increments with the owner retaining a 3% net smelter return. The property is located at the northern end of the Battle Mountain Trend, Lander County, Nevada and consists of 10 unpatented mining claims. The Company can purchase 1.5% of the net smelter return at any time for $500,000 per percentage point. Advanced annual royalties are payable to the owners of $10,000 per year for the first nine years and $25,000 per year for subsequent years.

Cornerstone (Pat Canyon)
In May 2004, the Company signed a 10-year renewable mining lease agreement to acquire the exploration rights to the Cornerstone property, which is located less than three miles east of the Company's Keystone project in Eureka County, Nevada and consists of 106 mineral claims. The owners retain a 3-4% sliding scale gross production royalty and advanced royalties payable to the owners were $10,000 on signing of the lease. This amount increases annually to a maximum of $50,000 per year over the term of the lease.

7. Asset retirement obligation

	2006	2005
Asset retirement obligation – beginning of year	$ 1,567,267	$ 1,477,593
Obligations incurred during the year	-	-
Accretion expense	117,545	89,674
Asset retirement obligation – end of year	$ 1,684,812	$ 1,567,267

The Company's asset retirement obligation arises from it obligations for site reclamation and remediation in connection with the Magistral Gold Mine. Under Mexican regulations no deposits are required to secure these obligations.

The total undiscounted asset retirement obligation is $2,332,864, which is expected to be expended in 2013. In determining the carrying value of the asset retirement obligation, the Company has assumed a credit-adjusted risk-free rate of 7.5% and an inflation rate of 2.75%.

8. Share capital

Authorized
Unlimited Preferred Shares without par value, with rights to be determined upon issue
Unlimited Common Shares without par value

Issued and outstanding	Number of Shares	Amount
Balance as at June 30, 2004	39,213,853	$ 15,174,324
Private Placements	5,533,655	4,091,285
Underwritten offering	7,586,712	6,171,350
Issued for payment on note payable	669,485	500,000
On exercise of warrants	1,723,801	591,200
On exercise of options	715,000	200,020
Fair value of options exercised	-	15,805
Finder's fee	-	(681,734)
Share issue costs	-	(142,027)
Balance as at June 30, 2005	55,442,506	$ 25,920,223
Private Placement- (i)	12,500,000	4,431,286
Private Placement- (ii)	200,000	110,221
On exercise of warrants	89,515	93,952
On exercise of options	740,000	369,826
Fair value of options exercised	-	122,652
Share issue costs	-	(93,017)
Balance as at June 30, 2006	68,972,021	$ 30,955,143

8. Share capital, Continued

(i) On December 9, 2005, the Company announced that it had entered into an agreement with Mr. Robert McEwen to issue 12,500,000 units at a price of $0.40 CDN per unit for aggregate proceeds of $5,000,000 CDN. Each unit consisted of one common share and one common share purchase warrant with each warrant exercisable to acquire one common share of the Company at an exercise price of $0.50 CDN for a term of two years. As a result of the private placement, Mr. McEwen holds approximately 18.2% of the outstanding shares of the Company and, in event of the exercise of all the warrants, Mr. McEwen will hold approximately 30.8% of the outstanding common shares of the Company. In accordance with the rules of the TSX Venture Exchange, as this constitutes a "change in control", the placement closed in two tranches. The first tranche, consisting of 6,921,213 units was completed on December 14, 2005. The second tranche for the balance of the units was conditional upon receiving shareholder approval. The Company called an extraordinary general meeting of the shareholders on January 23, 2006 and the shareholders approved the transaction, which was completed on May 11, 2006. The shares and warrants comprising the units and the shares underlying such warrants are subject to a four-month hold period. No finder's fees are payable on this placement.

(ii) On January 13, 2006, the Company issued 200,000 units to an officer of the Company. Each unit was issued at a price of $0.64 CDN for gross proceeds of $128,000 CDN. Each unit is comprised of one common share of the Company and one share purchase warrant with each purchase warrant entitling the holder to purchase one common share of the Company at $0.80 CDN until January 13, 2008. The shares and warrants comprising the units and the shares underlying such warrants are subject to a four-month hold period. No finder's fees were paid on this issue.

Stock options

The Company has a stock option plan (the "Stock Option Plan") which provides for equity participation in the Company by its directors, officers, employees and consultants through the acquisition of common shares pursuant to the grant of options to purchase common shares. The maximum aggregate number of common shares to be reserved and authorized to be issued pursuant to options granted under the Stock Option Plan is 5,496,000 common shares.

The exercise price for options granted under the Stock Option Plan is determined by committee upon grant provided the price is not less than the closing trading price on the day immediately preceding the date of grant, less any discounts permitted by the TSX Venture Exchange or such other stock exchange on which the common shares are listed. Options granted under the Stock Option Plan are subject to a minimum one year vesting schedule whereby 25% of each option will vest on each of the three month anniversaries of the date of grant, up to and including the end of the first year after such grant, or such other more restrictive vesting schedule as the administrator of the Stock Option Plan may determine. Options are non-assignable and are exercisable for a period of up to five years from the date the option is granted, or up to ten years from the date of grant if permitted by applicable stock exchanges, subject to earlier termination after certain events such as the optionee's cessation of service to the Company or death.

8. Share capital, Continued

The Company accounts for its grants in accordance with the fair value method of accounting for stock-based compensation. For the year ended June 30, 2006, the Company recognized $611,572 in stock based compensation for employees, directors and consultants. For the year ended June 30, 2005, the company recognized $559,963 in stock based compensation for employees, directors and consultants.

The fair value of the options granted has been calculated using the Black-Scholes option-pricing model, based on the following assumptions:

	2006	2005
Risk free interest rate	3.4 to 4.2%	4%
Expected life	1 to 3 years	1 to 3 years
Expected volatility	55% to 77%	55% to 77%
Dividend yield rate	nil	nil

Option-pricing models require the input of highly subjective assumptions regarding the expected volatility and expected life. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options at the date of grant.

A summary of changes to stock options during the period are as follows:

	June 30, 2006		June 30, 2005	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	3,328,500	$ 0.86 CDN	2,965,000	$ 0.69 CDN
Granted (i) (ii) (iii)	1,712,500	$ 1.05 CDN	1,223,500	$ 1.00 CDN
Exercised	(740,000)	$ 0.57 CDN	(715,000)	$ 0.34 CDN
Forfeited	(461,000)	$ 0.94 CDN	(145,000)	$ 1.01 CDN
Outstanding at end of the year	3,840,000	$ 0.99 CDN	3,328,500	$ 0.86 CDN
Options exercisable at the end of the year	2,263,750	$ 0.95 CDN	1,782,125	$ 0.74 CDN

(i) On August 30, 2005 the Company granted to consultants 50,000 stock options with an exercise price of $0.80 CDN. These options have a term of one year and vest in equal amounts every three months for 1 year. The fair value of these options was estimated at approximately $0.16 per option at grant date.

(ii) On March 2, 2006 the Company granted to directors, employees and consultants 1,462,500 stock options with an exercise price of $0.99 CDN. These options have a term of ten years and vest in equal amounts every three months for 1 year. The fair value of these options was estimated at approximately $0.45 per option at grant date.

(iii) On June 1, 2006 the Company granted to a director 200,000 stock options with an exercise price of $1.54 CDN. These options have a term of ten years and vest in equal amounts every three months for 1 year. The fair value of these options was estimated at approximately $0.66 per option at grant date.

8. Share capital, Continued

Stock options outstanding as at June 30, 2006 are as follows:

Range of Exercise Prices ($)	Number outstanding at June 30, 2006	Weighted-average life remaining (years)	Weighted-average exercise price ($)
0.53 - 1.00 CDN	3,095,000	7.59	0.90 CDN
1.01 - 1.54 CDN	745,000	8.28	1.36 CDN
Total	3,840,000	7.72	0.99 CDN

Warrants

A summary of changes to warrants during the period are as follows:

	June 30, 2006		June 30, 2005	
	Number of warrants	Weighted-Average Exercise Price	Number of warrants	Weighted-Average Exercise Price
Outstanding at beginning of year	6,420,841	$ 1.19 CDN	5,255,676	$ 1.05 CDN
Granted	12,700,000	$ 0.50 CDN	6,420,841	$ 1.19 CDN
Exercised	(89,515)	$ 1.20 CDN	(1,723,801)	$ 0.45 CDN
Expired	(4,324,426)	$ 1.18 CDN	(3,531,875)	$ 1.35 CDN
Outstanding at end of the year	14,706,900	$ 0.60 CDN	6,420,841	$ 1.19 CDN

Share purchase warrants outstanding at June 30, 2006 were as follows:

Number	Exercise Price	Expiry Date
1,874,400	$1.20 CDN	August 17, 2006 (iv)
132,500	$1.20 CDN	September 22, 2006 (iv)
6,921,213	$0.50 CDN	December 14, 2007
200,000	$0.80 CDN	January 13, 2008
5,578,787	$0.50 CDN	May 11, 2008
14,706,900		

(iv) On August 9, 2005 these warrants were extended by an additional twelve months. The original expiry date for the 1,936,900 warrants was August 17, 2005 and for the 159,515 was September 22, 2005. (See note 17)

9. Contributed capital

	2006	2005
Contributed capital – beginning of year	$ 1,001,674	$ 39,120
Retained earnings adjustment (See Note 2)	-	287,376
Fair value of share purchase options vesting during year	611,572	559,963
Fair value of underwriter's warrants issued during year	-	131,020
Fair value of share purchase options exercised during year	(122,652)	(15,805)
Contributed capital – end of year	$ 1,490,594	$ 1,001,674

10. Related party transactions

During the year ended June 30, 2006, a total of $149,730 (2005 – $129,055) was charged for fees by a legal firm of which the Company's corporate secretary is a partner. At June 30, 2006, $17,352 (2005 - $5,112) was owing to this legal firm.

In May, 1999, the Company became the leaseholder of the head office premises. During the year ended June 30, 2001, the Company entered into a separate sub-lease agreement with Portal Resources Ltd. of which the Company's Chairman is a director. During the year ended June 30, 2006, a total of $60,340 (2005 - $47,781) was charged by the Company for rent and common office costs. At June 30, 2006, $Nil (2005 - $4,425) was receivable from this company.

11. Financial Instruments

The Company's consolidated financial instruments include cash and cash equivalents, accounts receivable, reclamation bonds and accounts payable. The fair values of these financial instruments approximate their carrying values due to their relatively short periods to maturity.

12. Supplemental cash flow information

	2006	2005
Changes in non-cash working capital		
Accounts receivable	$ 92,468	$ 238,376
Product inventory and stockpiled ore	3,353,464	(1,452,205)
Supplies inventory	129,214	(218,344)
Prepaid expenses	(16,052)	2,655
Accounts payable and accrued liabilities	(588,782)	(427,892)
Note payable	-	(2,500,000)
	$ 2,970,312	$ (4,357,410)

13. Segmented information

The Company has reportable segments in three geographic areas: gold mining operations and exploration in Mexico, exploration and development in the United States and corporate in Canada. Gold mining operations consist of the Magistral Gold Mine in Mexico, acquired on February 2, 2004, which commenced commercial production on January 1, 2005.

	Corporate (Canada)	Exploration (U. S.)	Gold Mining & Exploration (Mexico)	Total
	($)	($)	($)	($)
Property, plant and equipment				
June 30, 2006	29,610	14,050	13,262,654	13,306,314
June 30, 2005	38,590	8,025	13,342,339	13,388,954
Property, plant and equipment: expenditures				
June 30, 2006	9,492	11,370	4,838	25,700
June 30, 2005	769	900	3,985,974	3,987,643
Mineral Properties				
June 30, 2006	-	3,499,776	1,162,029	4,661,805
June 30, 2005	-	2,405,370	700,987	3,106,357
Mineral Properties: expenditures				
June 30, 2006	-	1,243,766	461,042	1,704,808
June 30, 2005	-	788,713	532,842	1,321,555
Net income (loss) for the year ended				
June 30, 2006	(2,327,532)	(314,215)	(2,378,795)	(5,020,542)
June 30, 2005	(2,529,225)	(834,873)	982,440	(2,381,658)
Gold revenues for the year ended				
June 30, 2006	-	-	6,649,300	6,649,300
June 30, 2005	-	-	5,175,235	5,175,235
Depreciation, depletion and amortization for the year ended				
June 30, 2006	18,472	5,345	734,618	758,435
June 30, 2005	18,382	4,670	1,136,023	1,159,075

14. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2006	2005
Loss before income taxes	$ (5,020,542)	$ (2,381,658)
Canadian federal and provincial income tax rates	34.12%	35.62%
Expected income taxes (recovery)	(1,713,009)	(848,347)
Non-deductible (deductible) expenses for tax purposes	571,904	291,156
Foreign exchange	(32,940)	109,249
Foreign income subject to different tax rates	6,880	(50,656)
Valuation allowance	1,167,165	498,598
Income tax expense	$ -	$ -

Future income taxes arise from temporary difference in the recognition of income and expenses for financial reporting and tax purposes. The significant components of the future income tax assets and liabilities are as follows.

	2006	2005
Future income tax assets		
Tax losses	$ 8,207,934	$ 6,763,379
Mineral property expenditures	240,561	176,871
Other temporary differences	474,112	243,850
Future income tax assets before valuation allowance	8,922,607	7,184,100
Less: valuation allowance	(8,922,607)	(7,184,100)
Net future income tax assets	$ -	$ -

The Company has estimated tax losses available for Canadian income tax purposes of approximately $7,551,447, which expire between 2007 and 2026, $6,310,330 for U. S. tax purposes that expire between 2012 and 2021 and $13,065,607 for Mexican tax purposes that expire between 2006 and 2015.

15. Commitments

The Company has obligations under operating leases for its corporate offices. Future minimum lease payments for non-cancellable leases with initial or remaining lease terms in excess on one year at June 30, 2006 for the fiscal years ended June 30 are:

2007 - $ 101,822
2008 - $ 67,881

The Magistral Gold Mine production is subject to a net smelter return royalty of 1% for the first 30,000 ounces of gold, 3.5% on the next 350,000 ounces of gold and 1% thereafter. The Company is currently paying net smelter royalties at 3.5%. As at June 30, 2006 the life of mine production is not anticipated to exceed 380,000 ounces.

16. Environmental

The Company's mining and exploration activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations. The ultimate amount of reclamation and other future site restoration costs to be incurred for existing mining interests is uncertain.

17. Subsequent Events

Subsequent to June 30, 2006, there were 1,418,150 warrants exercised at $1.20 CDN for gross proceeds of $1,701,780 CDN and 175,000 stock options exercised at an average price of $0.64 CDN for gross proceeds of $111,500 CDN.

NEVADA PACIFIC GOLD LTD.

Management's Discussion and Analysis of Financial Position and Results of Operations

This discussion and analysis of the financial position and results of operations has been prepared as at September 28, 2006 and should be read in conjunction with the audited consolidated financial statements of Nevada Pacific Gold Ltd. ("Nevada Pacific" or "the Company") for the year ended June 30, 2006. The Company's consolidated financial statements and related notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and all amounts are presented in United States dollars unless otherwise noted.

Cautionary Statement on Forward-Looking Information

This Management's Discussion and Analysis ("MD&A") contains forward-looking statements about Nevada Pacific Gold Ltd. (the "Company") and its business. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects," "anticipates," "believes," "intends," "estimates," "projects" and similar expressions, or that events or conditions "will," "may," "could" or "should" occur.

The forward-looking statements in this MD&A are subject to various risks, uncertainties and other factors that could cause the Company's actual results or achievements to differ materially from those expressed in or implied by forward-looking statements. These risks, uncertainties and other factors include, without limitation, uncertainty as to the Company's ability to achieve the goals and satisfy the assumptions of management; uncertainties as to the availability and cost of financing; uncertainty as to the results of current operation and exploration activities; uncertainty as to market reaction to future operation and exploration activities; significant changes in metal prices; currency fluctuations; increases in production costs; differences and fluctuations in ore grades, recovery rates and tonnes mined from those expected; changes in mining, or heap leaching rates from currently planned rates; the timing and content of work programs; geological interpretations; receipt and security of mineral property titles; general market and industry conditions; and other factors detailed in the Company's public filings.

Forward-looking statements are based on the beliefs, opinions and expectations of the Company's management at the time they are made, and the Company does not assume any obligation to update its forward-looking statements if those beliefs, opinions or expectations, or other circumstances, should change. Readers should not place undue reliance on forward-looking statements. Precautionary statements made herein should be read as being applicable to all related forward-looking statements wherever they appear in this MD&A.

OVERVIEW

The Company's principal business activities consist of the production of gold and silver in Mexico and the exploration for and development of gold and silver properties in Mexico and the western United States, primarily Nevada.

Since incorporation on March 11, 1997, the Company has acquired the Magistral Gold Mine in Sinaloa, Mexico. The Company has also evaluated numerous properties of potential merit. Several of the properties evaluated have been acquired by purchase agreement or by staking for further exploration, evaluation and development. Costs directly relating to the identification, exploration and development of projects are capitalized and are either amortized over the life of the project's, commencing when the property goes into production, written off when the property is sold or released or written down if determined to be impaired.

Mexico

From the acquisition on February 2, 2004 until December 31, 2004, the Magistral Gold Mine underwent a revitalization program and was considered to be in pre-commercial production. During the revitalization period the mine experienced reduced gold production with all production related costs, offset by precious metal sales, being capitalized.

On July 27, 2005, the Company announced that the Magistral Mine would be moved to a leach only mode, effective August 1, 2005, and that mining has been temporarily suspended. By placing the mine in leach only mode the Company was able to reduce costs while continuing to produce gold and silver from the heap leach pad inventory. The Company has continued to monitor industry mining costs and metal prices and will re-commence mining when the proper conditions exist. In addition to mining costs and metal prices the Company is continuing to evaluate sources of funds required to have sufficient working capital to facilitate a restart of mining operations. Because of the inherent delay in producing gold from a heap leach process, working capital needs to be available to fund mining operations for several months before gold production commences.

During fiscal year 2006 the Company operated the mine at full capacity for only the month of July 2005. Mining from the pits was curtailed the end of July 2005 and crushing and placing ore material in stockpiles was completed in August 2006. 53,571 tonnes of ore and 408,014 tonnes of waste were mined for total material movements of 461,585 tonnes. Ore mined was at a gold ore grade of 1.34 grams per tonne and contained 2,313 ounces of gold. Throughout the fiscal year the mine continued to produce gold, on a cash flow positive basis, from existing leach pad inventories and for the year produced 12,632 ounces of gold and 14,752 ounces of silver. Although the draw down of the recoverable ounces in the pad has been slower than anticipated, recoveries have been higher than budgeted. This coupled with the higher metal prices have justified continued gold production through to the present time.

Production from the pad continues to decline and even with higher gold prices it is estimated that the application of cyanide required for continued gold leaching will not be cost effective by October 2006. At that time costs will be reduced to the minimum required for care and maintenance of the mine plus associated equipment. Solution processing along with gold production will be curtailed.

Management continues to refine plans for a possible resumption of mining at Magistral. To provide third-party support for this effort Pincock Allen & Holt ("PAH") was contracted to complete a complete review of the Magistral Mine. This review included updating reserves, mine plans, metallurgical recoveries, costs and prices to current levels. The final report from PAH was received in September 2006 and supports resuming full mining operations at gold prices at or above $469/ounce.

Exploration activity for the company in Mexico continued during the year. This activity was focused primarily on two projects, the Rocio project in Sinaloa, and the El Tule project in Nayarit. During the current fiscal year the Company has carried out an aggressive, yet systematic surface exploration program in the area that has expanded the geological mapping and sampling from previous campaigns, as well initiated a trenching program.

Nevada

During the year, Placer Dome U.S. Inc. ("Placer Dome") terminated their rights to earn interest in the Company's Limousine Butte, Keystone and BMX projects and the Company maintains a 100% interest in these projects.

The 2006 drilling program commenced with 18,480 feet of drilling completed to date on three of the Company's projects.

In June 2006, Phase I drilling was completed on the Company's Timber Creek property located in Lander County, Nevada. The Phase I drilling program consisted of 11,260 feet of drilling in 23 holes. A total of 48 drill pads have been permitted to test seven target areas on the district scale land package. Further drilling is warranted in this area and is dependant on drill rig availability.

In May 2006, the Company increased the size of the Cornerstone project through the addition of the Freestone property, which consists of 50 claims or 1.5 square miles. By July 2006, the Company had completed 3,810 feet of a planned 10,000 foot phase II drill program. Three holes were drilled in the CSZ zone and three holes in the BUTR zone. The Company's geologic team believes that the drilling and trenching in the CSZ Zone has shown the presence of three potentially stacked mineralized zones, of which two of the zones have been cut by trenching and the third intersected in drilling. This theory will be tested in the up-coming drilling which will target three additional drill holes in this area. Core drilling in this area will commence upon completion of contract negotiations with the drilling company.

At the BMX project, a total of 3,410 feet was drilled in eight reverse circulation drill holes. All eight drill holes contained significant intercepts of disseminated to locally semi-massive sulfide in what appears to be the continuation of structures exposed on the surface. Due to extreme spring run off, access to several drill sites were not possible and will be drilled at a later date, dependant on conditions and drill rig availability.

U.S. Gold Corporation

On March 5, 2006, US Gold Corporation ("US Gold") issued a News Release announcing its intent to acquire all of the outstanding common shares of Nevada Pacific (as well as the shares of White Knight Resources Ltd., Coral Gold Resources Ltd. and Tone Resources Ltd. (collectively, the "Target Companies"). Nevada Pacific responded by forming a Special Committee on March 6, 2006 and hiring financial advisors on March 15, 2006 to assist Nevada Pacific.

On April 5, 2006, Nevada Pacific received a copy of US Gold's application to various Canadian Securities Commissions seeking exemption from the requirement that it obtain a formal valuation of certain of the Target Companies, including Nevada Pacific. On April 12, 2006, the Special Committee of Nevada Pacific, in a submission to the Securities Commissions, stated its unequivocal support for the exemption order.

On April 19, 2006, US Gold requested that Nevada Pacific prepare its financial statements according to US GAAP for the past three years and provide these, together with Nevada Pacific's auditors' certification, to US Gold for inclusion in US Gold's registration statement. On May 18, 2006, the work and fee requirements were settled by US Gold together with a time line confirming a delivery date of June 19, 2006. Nevada Pacific completed the work within the original timeframe provided to US Gold.

On April 26, 2006, Nevada Pacific was advised that US Gold's application for exemption from the formal valuation requirement had been rejected, and on April 27, 2006, Nevada Pacific was requested by US Gold to proceed with the formal valuation. On May 1, 2006, the terms and conditions for preparation of a combined valuation for both Nevada Pacific and Coral Gold Resources Ltd. were confirmed by US Gold. The valuation work has been completed, several draft reports have been received and reviewed by Nevada Pacific's Special Committee and a final report was delivered to US Gold in mid June.

The Special Committee, with its financial advisor, will consider any U.S. Gold Corporation offer, if and when it is received, and will investigate alternatives that may be available to maximize shareholder value.

Consolidated Financial Results of Operations

For the year ended June 30, 2006 the Company incurred a net loss of $5,020,542 ($0.08 per share) as compared to a net loss of $2,381,658 ($0.05 per share) for the year ended June 30, 2005. The loss for the year ended June 30, 2006 includes a loss from mining operations of $2,370,544 (2005 – earnings of $838,070), general and administrative expenses of $1,944,511 (2005 - $2,084,400), stock-based compensation of $611,572 (2005 - $559,963), write-off of mineral property expenses of $114,360 (2005 - $630,332), a foreign exchange loss of $36,904 (2005 –$115,796) interest and financing costs of $Nil (2005 - $22,378) offset by other income of $57,349 (2005 - $37,942) and a gain on disposal of mining equipment of $Nil (2005 - $155,199). .

For the year ended June 30, 2006 revenues were $6,649,300 (2005 - $5,175,235) and the loss from mining operations was $2,370,544 (2005 – earnings of $838,070). The earnings (loss) from mining operations for the year ended June 30, 2005 only reflect six months of gold sales and the related expenses, the result of the Magistral Mine recommencing commercial production on January 1, 2005 and therefore the start of revenue recognition, whereas the year ended June 30, 2006 include twelve months of gold sales and the related expenses. During fiscal 2006, the Company recognized $3,788,972 of stockpiled ore inventory costs that were deferred as at June 30, 2005. All of the mine operating costs for the fiscal 2006 were recognized during the year as there were no costs deferred to the stockpiled ore as of June 30, 2006. The loss for the year ended June 30, 2006 also includes a one-time expense of $305,000 in severance payments incurred in the first quarter when the mine was placed in leach only mode and staff at the mine was reduced to 31 people.

The cash cost component of the pad inventory was approximately $300 per ounce. The monthly cash cost of the leach only mode was approximately $275,000 per month.

Expenses and other income decreased by 8% to $2,535,638 for the year compared to $2,744,595 for the same period in 2005. The majority of the decrease was related to general and administrative costs and foreign exchange losses. General and administrative costs were $1,944,511 for the year (2005 - $2,084,400), a decrease of $139,889 or 7%. The reduction is primarily due to decreases in consulting fees and travel expenses.

The write-off of mineral property expenses was $114,360 for the year ended June 30, 2006 as compared to $630,332 for the same period of 2005. The write-off for the year ended June 30, 2005 included a write-off of the Amador Canyon property of $451,768.

Selected Annual Information

For the years ended June 30

	2006	2005	2004
Gold sales revenue	$ 6,649,300	$ 5,175,235	$ -
Mine operating earnings (loss)	$ (2,370,544)	$ 838,070	$ -
Net income (loss)	$ (5,020,542)	$ (2,381,658)	$ (1,936,547)
Basic and diluted EPS	$ (0.08)	$ (0.05)	$ (0.06)
Total assets	$ 22,538,567	$ 22,569,326	$ 16,847,019
Total long-term liabilities	$ 1,797,209	$ 1,742,484	$ 1,631,704
Cash dividends declared	$ Nil	$ Nil	$ Nil

Fourth Quarter Results

For the year three months ended June 30, 2006 the Company incurred a net loss of $1,167,562 ($0.01 per share) as compared to a net loss of $328,1168 ($0.00 per share) for the three months ended June 30, 2005. The loss for the three months ended June 30, 2006 includes a loss from mining operations of $173,392 (2005 – earnings of $545,556), general and administrative expenses of $642,931 (2005 - $675,209), stock-based compensation of $341,377 (2005 - $163,002), write-off of mineral property expenses of $13,154 (2005 - $34,069), a foreign exchange loss of $23,905 (2005 –$10,059) interest and financing costs of Nil (2005 - $52) which is offset by other income of $27,197 (2005 - $8,955).

For the three months ended June 30, 2006 revenues were $1,553,673 (2005 - $3,120,218) and the loss from mining operations was $173,392 (2005 – earnings of $545,556). The decrease in revenues of $1,566,545 is reflective of the mine being in a leach only phase during the three months ended June 30, 2006, whereas the mine was in full production during the same period in 2005. The Company experienced a corresponding decrease of $847,597 in cost of sales, depreciation and depletions and royalties from $2,574,662 for the three months ended June 30, 2005 to $1,727,065 for the same period in 2006 The increase in the stock-based compensation expense for the three months ended June 30, 2006 as compared to the same period in 2005 is a result of additional stock options vesting in the fourth quarter 2006. Stock options were granted later in the fiscal year for 2006, which resulted in the expense being recognized later in the year.

Summary of Unaudited Quarterly Results

	Q4 2006	Q3 2006	Q2 2006	Q1 2006
	$	$	$	$
Gold sales revenue	1,553,673	1,389,694	1,520,420	2,185,513
Mine operating earnings (loss)	(173,392)	(540,282)	(516,185)	(1,140,685)
Net income (loss)	(1,167,562)	(1,222,450)	(1,033,586)	(1,596,944)
Basic and diluted EPS	(0.01)	(0.02)	(0.02)	(0.03)
Total assets	22,538,567	20,927,743	21,767,522	20,921,546
Total long-term liabilities	1,797,209	1,765,923	1,749,534	1,776,780
Cash dividends declared	Nil	Nil	Nil	Nil

	Q4 2005	Q3 2005	Q2 2005	Q1 2005
	$	$	$	$
Gold sales revenue	3,120,218	2,055,017	-	-
Mine operating earnings (loss)	545,556	292,514	-	-
Net income (loss)	(328,116)	(349,690)	(1,176,755)	(727,097)
Basic and diluted EPS	0.00	(0.01)	(0.02)	(0.02)
Total assets	22,569,326	22,352,494	22,359,902	18,959,179
Total long-term liabilities	1,742,484	1,708,716	1,680,991	1,653,711
Cash dividends declared	Nil	Nil	Nil	Nil

The change in gold sales revenues are primarily related to the change in the gold production during each quarter and are also affected by the increased gold price. Commercial production commenced at the Magistral Gold Mine on January 1, 2005 resulting with the reporting of gold sales revenues and mine operating earnings since Q3 of fiscal 2005. The loss for Q2 2005 includes mineral property write-downs of $508,880, which included a write-off of the Amador Canyon property of $451,768 and the increase in assets reflected the capitalization of pre-commercial production expenditures.

Review of Operations

July 2005 was the final month of open pit mining at the Magistral Gold Mine. In August 2005 the remaining ore in stockpiles was crushed and placed on the leach pad. Mobile mine equipment and the crushing plant were placed in care and maintenance upon completion of crushing and ore rehandling operations.

During the remainder of fiscal year 2006 the mine continued in a leach-only mode. In the processing plant, the cleaning of the intermediate solution and overflow ponds were completed during this period. For the intermediate solution pond an estimated 150 tonnes of gold-bearing carbon fines were recovered. This material was dried, sacked and shipped directly to a gold refinery in Mexico for processing. The processing plant continued to operate normally recovering gold and silver from the leach pad inventory. All equipment remains on site and in excellent condition. The workforce stands at 27 employees as of the end of August 2006.

Following is a summary of selected production statistics for the Magistral Mine:

	2006			
	Q4	Q3	Q2	Q1
Ore tonnes mined		-	-	53,571
Grade (grams/tonne)		-	-	1.34
Ounces mined		-	-	2,313
Waste tonnes		-	-	408,014
Total tonnes		-	-	461,585
Strip ratio		-	-	7.6
Tonnes/Ounce		-	-	200
Gold Ounces Produced	2,069	2,793	2,805	4,965

	2005			
	Q4	Q3	Q2	Q1
Ore tonnes mined	290,134	206,296	115,307	129,030
Grade (grams/tonne)	2.0	2.0	1.6	1.4
Ounces mined	18,785	13,177	5,751	5,786
Waste tonnes	960,867	1,092,900	1,312,696	826,679
Total tonnes	1,251,001	1,299,196	1,428,003	955,709
Strip ratio	3.3	5.3	11.4	6.4
Tonnes/Ounce	67	99	248	165
Gold Ounces Produced	7,016	5,108	3,860	3,205

During the year ended June 30, 2006 the Company sold 13,288 ounces of gold at an average price of $500 as compared to 12,069 ounces sold at an average price of $429 for the last two quarters of fiscal 2005. During fiscal 2006, silver production was 14,752 ounces and the Company sold 9,394 ounces of silver at an average price of $7.68, as compared to production of 12,766 ounces and the sale of 13,028 ounces at an average price of $7.50 for the last two quarters of fiscal 2005. Silver is currently being stockpiled and at June 30, 2006 the Company had silver inventory of 8,347 ounces.

Non-GAAP measures – total cash cost per gold ounce calculation

The company reports total cash costs on a sales basis. We have included total cash cost and cash operating cost information to provide investors with information about the cost structure of our mining operations. We use this information for the same purpose and for monitoring the performance of our operations. This information differs from measures of performance determined in accordance with Canadian GAAP and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under Canadian GAAP and may not be comparable to similarly titled measures of other companies.

The following table provides a reconciliation of total cash operating and total production costs per ounce to the financial statements:

	For the year ended	For the three months ended			
(in thousands, except per ounce amounts)	June 30 2006	June 30 2006	March 31 2006	Dec.31 2005	Sept. 30 2005
Cost of sales per financial statements	$ 7,903	$ 1,571	$ 1,655	$ 1,763	$ 2,914
Non-cash adjustments	(116)	(29)	(29)	(29)	(29)
Cash operating costs	7,787	1,542	1,626	1,734	2,885
Royalty expense	382	85	87	89	121
Total cash costs	8,169	1,627	1,713	1,823	3,006
Depreciation, depletion and accretion	851	102	216	213	320
Total production costs	9,020	1,729	1,929	2,036	3,326
Divided by gold ounces sold	13,288	2,604	2,465	3,160	5,059
Cash operating costs per ounce	$ 586	$ 592	$ 659	$ 549	*$ 570
Total cash cost per ounce	$ 615	$ 625	$ 695	$ 577	$ 594
Total production cost per ounce	$ 679	$ 664	$ 782	$ 644	$ 657

(in thousands, except per ounce amounts)	Six months ended June 30/05	Three months ended June 30/05	Three months ended March 31/05
Cost of sales per financial statements	$ 3,347	$ 1,997	$ 1,350
Non-cash adjustments	(45)	(23)	(22)
Cash operating costs	3,302	1,974	1,328
Royalty expense	262	161	101
Total cash costs	3,564	2,135	$ 1,429
Depreciation, depletion and accretion	772	439	333
Total production costs	4,336	2,574	$ 1,762
Divided by gold ounces sold	12,069	7,259	4,810
Cash operating costs per ounce	$ 274	$ 272	$ 276
Total cash cost per ounce	$ 295	$ 294	$ 297
Total production cost per ounce	$ 359	$ 355	$ 366

The term "cash operating costs" is used on a per ounce of gold basis. Cash operating costs per ounce is based on direct operating expense, inclusive of accumulated cash costs in the leach pad inventory, less production royalties, mining taxes and by-product credits for payable silver.
The term "total cash costs" is cash operating costs plus production royalties and mining taxes.
The term "total production costs" is total cash costs plus depreciation and amortization.
These costs are calculated using the standards set out by the Gold Institute.

* Cash operating costs per ounce for the three months ended September 30, 2005 include a one time severance cost of $62 per ounce

Expenditures on Mineral Exploration Properties

During the year ended June 30, 2006, the Company spent $1,681,428 (2005: $1,493,402) on acquisition and exploration expenditures on its exploration properties, inclusive of $461,042 (2005: $532,842) on Mexican properties, and recovered $11,620 (2005: $211,847) of these expenditures from earn in partners. A total of $114,360 (2005: $630,332) of exploration expenditures was written off during the period. The Company capitalizes the portion of the salaries of its personnel that relates to specific mineral properties as deferred exploration expenditures.

The gross expenditures broken down by expenditure category are as follows:

	Three months ended June 30,		Year ended June 30,	
	2006	2005	2006	2005
Exploration salaries & wages	$ 123,166	$ 72,728	$ 307,810	$ 262,988
Land holding costs	68,676	22,472	447,443	421,038
Surveying	13,394	6,843	14,399	52,526
Environmental	-	6,714	-	8,410
Geology	4,221	23,370	46,938	79,258
Surface geochemistry	42,824	42,953	61,391	125,387
Geophysics	10,824	111,136	29,774	113,636
Road work & trenching	40;382	32,352	69,619	84,796
Drilling	378,869	264,283	685,012	305,263
Other	1,786	20,224	19,042	40,100
Total expenditures	$ 684,142	$ 603,075	$ 1,681,428	$ 1,493,402

The total cumulative deferred property expenditures, after recoveries from earn-in partners, are as follows:

	June 30 2006	June 30 2005
Limousine Butte	$ 747,385	$ 744,425
South Carlin Project	541,628	532,012
Keystone	341,666	243,760
BMX	209,744	32,114
Cornerstone (Pat Canyon)	510,086	129,985
Timber Creek	476,086	153,005
Other Nevada Properties	673,181	570,069
Mexican Properties	1,162,029	700,987
	$ 4,661,805	$ 3,106,357

Mexican Exploration Review

Rocio Trend

Exploration on the Rocio Trend has been ongoing since the spring of 2004 when two claims, Rocio and Shakira, were staked. The Rocio Trend is located approximately 15 kilometers west of the Magistral Gold Mine. With subsequent staking since that time this claim group now totals more than 168,000 hectares. The claims adjoin the claim group acquired with the purchase of the Magistral Gold Mine, and cover an area primarily to the west and north of the mine. In June and July of 2006 additional claims covering approximately 29,000 hectares were filed to cover mineral occurrences discovered during reconnaissance work and cover areas internal to the current claims that had become open.

Compilation of available historical data, augmented by Nevada Pacific's fieldwork, has identified numerous northwest trending zones that host mineral occurrences with a variable metal content that includes gold, silver, copper, lead, and zinc. The Rocio Trend has received the majority of the exploration focus within the claim group and covers an area that is at least 16 kilometers long and 5 kilometers wide. Many of the showings have an alteration assemblage similar to that found with gold mineralization at Magistral, while others such as the more base-metal rich showings may require a different geological model to explain their genesis. The Rocio Trend is not the only area of interest within the Company's claim block. Compilation of data available from historic work by the Mexican Government work shows at least 85 identified showings within our claim group. The systematic review of all of these is not yet complete. Additional reconnaissance work is required to fully demonstrate the potential of the mineral concessions.

Initial mapping and prospecting has identified numerous showings aligned along this northwest trend. The most significant showings identified thus far are Revancha, Venado, Cobre Lomes, Twin Domes, and Shakira. There is also a significant past producer of silver within the claim, known as Palmarito; where previous drilling has outlined a historical silver resource of approximately 9,900,000 troy ounces. These estimates are not compliant to the current National Instrument 43-101 reporting requirements and are not classified as resources by the Company at this time. These estimates mentioned should not be relied upon.

A summary of work completed in the current areas of interest is as follows.

Revancha Area

The Revancha area is the southern most mineralized zone identified within the claim package to date. There is historical evidence of mining in the form of underground workings where a gold vein was worked on two levels. There is no record of this production to determine a mined grade or tonnage. These workings that consist of numerous adits and shafts that are currently not accessible. Work completed to date consists of surface grab sampling, completion of a soil sample grid, and trenching and results show potential for both precious and base metals over a strike length of greater than 2 kilometers.

During the year one additional "option to purchase agreement" was signed with a third-party to acquire an additional 93 hectares of mineral concessions internal the Company's concession.

The database collected during the fiscal year includes 63 grab samples and 585 soils samples taken on a grid covering an area 1,500 meters north-south by 1,300 meters east-west. Grab sample values range from not detectable to 9.39 g/t gold and 513 g/t silver. The soil samples returned gold and silver values ranging from not detectable to 0.658 ppm gold and 19 ppm silver. The most significant sample result to date is from a float sample with a silver value of 8.2 kg/t (8,200 g/t).

The trenching program collected 1,029 samples in 29 trenches totaling 2,283 meters. The most significant intercept from recent trenching shows 20 meters of 158.3 g/t silver and 1.55% lead, including 6 meters of 474 g/t silver and 4.31% lead, which includes 2 meters of 1,195 g/t silver and 6.86% lead.

The geology of the area consists primarily of andesite rock units. The only intrusive rocks observed in the area are hypabyssal ryolite stocks and dykes that are unaltered. Mineralization identified is found in the andesite package within vein structures that strike north-northwest and have steep dips to the west. These structures are interpreted to have a strike length of more than 2,000 meters.

Cobre Lomas Area

The Cobre Lomas area is located north of the village of Cerro Agudo. The main showing is located at a small prospect pit where a grab sample returned values of 0.605 g/t gold, 231 g/t silver, 2.21% copper, 22.6% lead, and 0.38% zinc. The database collected during the year consists of 30 grab samples, 158 soil samples covering and area 900 meters north-south by 1,800 meters east-west. A backhoe trenching program was completed and resulted in 59 samples collected in 6 trenches totaling 118 meters. A percussion drill program drilled 54 holes to depth of 27 meters (with the exception of 2 holes that were abandoned after 18 meters) which were sampled on 3 meter intervals. A total of 480 samples have been collected from the 1,440 meters of drilling with all assays pending.

There is very little outcrop exposed in the area. Prospecting in the area continues to identify copper oxides in float and outcrop, along with abundant altered rock that contains a quartz-epidote assemblage. Recent trenching in the pit area has identified a vein 2 meters wide with copper oxide and disseminated lead and zinc, with a strong argillic alteration envelop around the vein. The host rock at the prospect pit is andesite. The prospect pit falls within a copper-lead-zinc soil sample anomaly that is approximately 300m north-south by 300m east-west. A total of 16 percussion drill holes have been completed in this area.

A second area approximately 150 meters southeast of the prospect pit, that falls within the same soil anomaly, has been drill tested with 12 percussion holes. Drilling is focused on surface alteration similar to the main showing that includes copper oxides and secondary calc-silicate minerals.

Additional soil sampling completed shows another copper-lead-zinc anomaly identified approximately 500 meters to the east of the area trenched. The soil anomaly is currently 500 meters north-south by 300 meters east-west and remains open to the southeast. A road has been constructed to access the area for percussion drilling and trenching along the road is in progress. Initial observations from the trench exposure is that the copper mineralization is located within structures with a similar northeast orientation as the structure found in the prospect pit 500 meters to the west. A total of 26 percussion drill holes have been completed along the recently constructed road.

Twin Domes Area

The Twin Domes area is located in the vicinity of the village Palo de Asta. The zones were discovered through grab sampling of strongly hematite and quartz altered rock that outcrops intermittently on road cuts. The database at Twin Domes currently consists of 54 grab samples, and 210 soil samples covering two areas separated by approximately 1 kilometer. Both areas cover an area 1,000 meters north-south by 500 metres east-west and were sampled along east-west lines on 50 meter centers, with lines spaced 100 meters apart in a north-south direction. Results to date show two separate, parallel gold anomalies that along with grab sampling were the guide for locating the first phase of trenching. This trenching program consisted of 28 trenches totaling 1,458 meters with 729 channel samples collected. Trenching was completed in 3 separate areas.

Trench mapping in the area shows the geology of the area to be primarily a suite of andesites and rhyolites that are moderately to strongly altered. Weak gold mineralization is pervasive, evidenced by the fact that of the 729 samples collected from trenching only 49, or 7% show no detectable gold. Some of the rhyolites may be intrusive, but the alteration makes that determination difficult. Along with the clay alteration there are quartz veinlets that vary in width from 1 to 40 centimeters. The veinlets strike to the north-northwest, north, and northeast, although the north-northwest direction seems to be the better developed orientation. They are typically strongly oxidized with hematite with lesser limonite and specular hematite.

Shakira Area

Located at the northern extent of the Rocio Trend as currently defined is the Shakira area. Six rock chip samples collected show anomalous values of gold-silver-copper-lead-zinc, with values ranging from 0.04 to 0.44 g/t gold, 5.5 to 135 g/t silver, 0.20 to 1.19% Copper, 1.48 to 6.87% lead, and 0.15 to 1.49% zinc. The mineralization is interpreted to be striking east-west with a shallow dip to the north. A soil sampling program and trenching is planned to determine the size potential of the mineralized zone.

Palmarito Area

No expenditures were incurred in this area during the year, but Palmarito remains an important target within the Rocio Trend. RC drilling by previous claimholders in the 1990's outlined a resource estimated to contain 5,120,000 tonnes with an average silver grade of 60 g/t for a total of 9,900,000 ounces of silver. An additional estimated 442,000 tonnes of tailings and dumps exist on the property estimated to contain an additional 2,800,000 silver ounces. These estimates are not compliant to the current National Instrument 43-101 reporting requirements and are not classified as resources by the Company at this time. These estimates mentioned should not be relied upon.

El Tule Project

The El Tule Project is located in the State of Nayarit. A claim application for 13,000 hectares (50 square miles) was filed with the Mexican Secretary of Mines in January of 2006. During the year two additional "option to purchase agreements" were signed with third-parties to acquire an additional 190 hectares of mineral concessions internal the Company's concession. The property has excellent access via the Mexican Federal Highway 15 that transects the property. The area is primarily an agricultural district with elevation ranging from 50 to 200 meters above sea level.

Epithermal gold and silver mineralization is found on the property hosted by a suite of rhyolitic volcanic rocks along with high level intrusives that are also rhyolitic in composition. The mineralization identified is found in quartz veins, striking both northeast and northwest.

A trenching program is in progress in an area that was identified through surface rock and soil sampling. A total of 94 trenches have been completed with 1,156 channel samples collected. Significant intercepts include 21 meters of 5.03 g/t gold and 15 meters of 0.92 g/t gold that includes an interval of 7 meters with 9.66 g/t gold.

Nevada Exploration Review

Limousine Butte

On September 7, 2004, the Company signed a binding letter agreement with Placer Dome, a wholly owned subsidiary of Placer Dome Inc., whereby Placer Dome had the right to earn a 60% interest in the Limousine Butte project by spending $4,000,000 on exploration over a five-year period and earn an additional 15% interest by completing a feasibility study. On April 26, 2006, the Company received notification from Placer Dome of its election to terminate the aforementioned letter agreement and the Company maintains a 100% interest in the project

During the first quarter, land holding costs of $105,466 for the year were paid by Placer Dome. During the six months ended December 31, 2005, property wide exploration continued with additional mapping and sampling and Placer Dome completed a total of 2,700 feet of drilling in six holes in the Resurrection Ridge area.

Keystone

On September 7, 2004, the Company signed a binding letter agreement with Placer Dome, whereby Placer Dome has the right to earn a 60% interest in the Keystone project by spending $5,000,000 on exploration over a five-year period. Placer Dome can earn an additional 15% interest by completing a feasibility study. On April 26, 2006, the Company received notification from Placer Dome of its election to terminate the aforementioned letter agreement and the Company maintains a 100% interest in the project.

During the first quarter, land holding costs of $40,254 for the year were paid by Placer Dome. Three stratigraphic drill holes (total footage of 5,496.2 feet) were drilled to test for the depth to lower plate rocks along the range front. The first drill hole was lost in upper plate siltstones, whereas the other two holes successfully encountered Roberts Mountain lower plate carbonate rocks.

Hole PKSN0502 encountered the Roberts Mountain Thrust at 1,600 feet and remained in lower plate carbonaceous limestone and locally tremolite-rich garnet skarn to the bottom of the hole (2,520.6 feet). Trace element assays are pending for the zone below 1,700 feet (lower plate rocks); however, the zone above 1,700 feet contained a high value of 187 ppb gold, 1,825 ppm arsenic, 1.97 ppm mercury and 137 ppm antimony.

Hole PKSN0503 encountered the Roberts Mountain Thrust at 600 feet and remained in lower plate limestone to a depth of 1,720 feet where it intersected diorite and granodiorite associated with the Keystone Stock. The hole contained a high gold value over five feet of 27ppb; however, it contained a very anomalous Carlin-style suite of trace elements over the interval from 400 feet to 1,530 feet. This interval averaged 644.3 ppm arsenic, 2.10 ppm mercury, 68.5 ppm antimony and 7.98 ppm thallium.

During the year ended June 30, 2006, the Company spent $97,606, net of recoveries, on the Keystone property. Of this amount $80,104 was spent directly on drilling costs. The 2005 drilling program by Nevada Pacific consisted of 3,254 feet drilled in seven holes. Disseminated sulfides and semi-massive to massive sulfides were encountered in all seven drill holes. Zone widths varied from five feet to seventy feet thick, the later being mostly disseminated zones. Garnet skarn zones that contained mineralization on surface also exhibited mineralization at depth. Drilling within the intrusive exhibited broad zones of sulfides ranging from disseminated to semi-massive.

BMX

On November 27, 2002, the Company signed a binding letter of agreement with Placer Dome whereby Placer Dome had the right to earn a 60% interest in the BMX project by paying the Company $200,000 on signing and $4.0 million on exploration on the project over a five-year period. Placer Dome could earn an additional 10% interest by carrying the Company through a feasibility study. On October 21, 2005, the Company received notice of termination of the aforementioned binding letter agreement from Placer Dome and maintains a 100% interest in the project.

During the year ended June 30, 2006, the Company spent $177,630 on the BMX property. The most significant expenditures were $80,587 on land holding costs and $71,202 spent on drilling.

A total of 3,410 feet was drilled in eight reverse circulation drill holes. The following table summaries the results of this drilling:

Drill Hole	interval	thickness	gold (opt)	silver (opt)	arsenic (ppm)	antimony (ppm)
BMXR06-01	NSA		NSA	NSA	NSA	NSA
BMXR06-02	445'-450'	5 feet	0.027	NSA	NSA	NSA
BMXR06-03	15'-20'	5 feet	0.016	NSA	NSA	NSA
BMXR06-04	**110'-175'**	**65 feet**	**0.031**	**1.83**	**7,236**	**130**
Including	110'-120'	10 feet	0.072	6.51	10,000	53.2
including	150'-160'	10 feet	0.05	1.07	10,000	320
	205'-215'	10 feet	0.036	0	10,000	44.2
BMXR06-05	NSA		NSA	NSA	NSA	NSA
BMXR06-06	30'-40'	10 feet	0.022	NSA	2,230	15.8
BMXR06-07	NSA		NSA	NSA	NSA	NSA
BMXR06-08	200'-215'	15 feet	0.01	NSA	NSA	NSA
	320'-325'	5 feet	0.015	NSA	NSA	NSA
*NSA - no significant assays						

Cornerstone (Pat Canyon)

During the year ended June 30, 2006, the Company spent $380,101 on the Cornerstone property. Of this amount, $43,009 was spent on land holding costs for the year and the remainder was spent primarily on drilling activities.

In May 2006, the Company increased the size of the Cornerstone project through the addition of the Freestone property. The 100% owned Freestone Property consists of 50 claims or 1.5 square miles and lies 12 miles southeast of the 10 million ounce Cortez Hills/Pediment deposit (Barrick Gold 60% - Kennecott 40%), and immediately adjacent to the Tonkin Springs property owned by US Gold. The claims were staked to cover a large gap between White Knight's Indian Ranch property (optioned to Barrick Gold) to the north and US Gold's Tonkin Springs property to the south. The claim block overlies an area of pediment cover where north/northwest Cortez trend structures from the Indian Ranch property intersect a major north-south valley bounding structural feature.

The first phase drilling and trenching at Cornerstone was completed on September 19, 2005. Mineralization encountered in Trench #1 totaled 180 linear feet of 0.041 opt gold, containing 30 feet of 0.204 opt in a structure located on the eastern edge of the trench. Trench #6 was located 200 feet south of Nevada Pacific's Trench #1 and contained 205 feet of 0.012 opt gold, including 75 feet of 0.021 opt gold, along with anomalous trace element geochemistry. Drilling permits to drill the Trench #6 area were approved; however, adverse weather conditions pushed the initiation of further drilling of this area to June 2006.

Drilling and trenching to date at Cornerstone has targeted the CSZ Zone as the priority area of interest at this time. Some of the rocks exposed at the surface have tentatively been assigned (by age date relationships and lithology) to the Horse Canyon Formation, which is one of the ore hosts for the mineralization at Cortez Hills. The mineralization, in the trenches and drilling, is hosted in intensely altered and brecciated, cherty to silicified, siltstones (and locally limestones and shales) with the high grade mineralization being controlled by north/south and northeast trending silicified structures. Age dating has shown that lower plate rocks are exposed in the Cornerstone area and further studies are on going to better define the aerial extent of these lower plate units.

Nevada Pacific's geologic team believes that the drilling and trenching in the CSZ Zone has shown the presence of three potentially stacked mineralized zones, of which two of the zones have been cut by trenching and the third intersected in drilling. This theory will be tested in the up-coming drilling which will target three additional drill holes in this area. The main objective of the drilling will be to test for favorable host rock at or near the intersections of the structures that appear to control the higher gold grades.The drilling completed to date in the Flag Zone and the Southern Flag Zone show low ppb gold values in all of the drill holes and increasing trace elements at depth.

Trench #2 and trench#4 returned significant gold numbers that will be followed up on, based on our new understanding of the geology in the CSZ Zone. The increase in Carlin-style trace geochemistry in the bottom of the drill holes may indicate that the mineralization encountered in the CSZ Zone to be faulted downward as you move northward towards the Flag Zone. Deeper drilling is targeted for this area.

The following table summaries the drilling completed on the Cornerstone Project:

CSZ Zone			
Drill hole/trench	Location	Interval	footage/gold grade
CSR05-01	CSZ Zone	120'-145'	25' @ 168 ppb
CSR05-02	CSZ Zone	40'-135'	95' @ 0.017 opt
including		40'-105'	65' @ 0.023 opt
CSR05-03	CSZ Zone	50'-90'	40' @ 223 ppb
		220'-255'	35' @ 0.012 opt
		305'-315'	10' @ 0.022 opt
CSR05-04	CSZ Zone	105'-140'	35' @ 171 ppb
CSR05-13	CSZ Zone	160'-200'	40' @ 0.010 opt
CSR05-14	CSZ Zone	10'-130'	120' @ 0.015 opt
including		80'-130'	50' @ 0.029 opt
trench #1	CSZ Zone		180' @ 0.041 opt
including			30' @ 0.204 opt
trench #6	CSZ Zone		205' @ 0.012 opt
including			75' @ 0.021 opt

South Flag Zone			
Drill hole/trench	Location	Interval	footage/gold grade
CSR05-05	South Flag Zone	50'-135'	85' @ 144 ppb
CSR05-11	South Flag Zone	70'-120'	50' @ 146 ppb
CSR05-12	South Flag Zone	0-40'	40' @ 122 ppb
trench #2			5' @ 0.044 opt
trench # 3			barren

North Flag Zone			
Drill hole/trench	Location	Interval	footage/gold grade
CSR05-06	North Flag Zone	0-15'	15' @ 190 ppb
CSR05-07	North Flag Zone	0-120'	120' @ 214 ppb
CSR05-08	North Flag Zone	0-280'	280' @ 149 ppb
	North Flag Zone	275-305'	30' @ 0.013 opt
	North Flag Zone	300'-305'	5' @ 0.045 opt
CSR05-09	North Flag Zone	265'-400'	135' @ trace
CSR05-10	North Flag Zone	65'-205'	140' @ 142 ppb
trench #4			30' @ 0.018 opt
trench #5			no outcrop

Timber Creek

During the year ended June 30, 2006, the Company spent $323,081 on the Timber Creek property. Of this amount, $48,151 was spent on land holding costs for the year and the remainder was spent primarily on drilling activities.

In April 2006, Phase I drilling commenced on the Company's Timber Creek property located in Lander County, Nevada. The 100% owned property covers approximately 6 square miles on the northern end of the Battle Mountain/Eureka gold trend. The Phase I drilling program consisted of 11,260 feet of drilling in 23 holes at a cost of approximately $240,000. A total of 48 drill pads have been permitted to test seven target areas on the district scale land package.

Assay results showed drill hole TCR06-03 encountering 20 feet of 0.02 opt gold at 130 feet to 150 feet, under 130 feet of pediment cover. This zone appears to be structurally or stratigraphically controlled and further drilling is warranted in this area. Assay results for drill holes TCR06-15 and TCR06-16, located two miles northwest of TCR06-03 returned significant base-metal assays. Drill hole TCR06-15 was drilled to 500 feet and bottomed in 100 feet of 0.209% zinc and 910 ppm copper from 400' – 500'. Drill hole TCR06-16 was drilled to 540 feet and bottomed in 300 feet of 0.19% zinc (including 100 feet of 0.27% zinc from 440' – 540') and 653 ppm copper. These two holes lie on the southeast edge of what appears to be an area of base-metal zoning related to the copper/moly porphyry which is exposed in trenching 3,000 feet north of the area drilled. Further drilling in this area is warranted and will begin once additional drill sites have been approved.

Other Nevada Properties

During the year ended June 30, 2006, the Company spent $217,449 on other Nevada properties. The most significant expenditures were $93,121 on salaries and wages, $58,234 on land holding costs for various properties for the year, $36,541 spent on drilling at the Buffalo Canyon property and $18,950 on geophysics at the Bat Ridge property.

Buffalo Canyon

The Buffalo Canyon Project is a one square mile property 100% owned by the Company located on the west flank of the Shoshone Range in Nye County, Nevada.

On May 4, 2005 Nevada Pacific commenced a 10,520 foot reverse circulation drilling program budgeted at US$250,000, which was completed in July. The drill program was designed to further define the potential for this project as a possible bulk tonnage open pit heap leach type operation.

Twenty-three drill holes were drilled with depths ranging from 215 to 525 feet. The drilling program was designed to test the southern portion of a 1,600 foot by 2,600 foot, open ended (greater than 50 ppb) gold soil anomaly located over the project area. Drilling shows that the southern portion of this soil anomaly contains a significantly large zone of low-grade gold mineralization with thickness up to 525 feet of 0.01 opt and 500 feet of 0.012 opt over an area presently measuring approximately 300 feet by 500 feet. Drill road sampling in this area has returned gold numbers up to 0.021 opt over 160 linear feet. Preliminary evaluation of the surface sampling and drilling results, along with additional reconnaissance geology and geophysics, indicates that the project area may lie above a potential porphyry gold/copper system.

Bat Ridge

The property is located eleven miles northwest of Milford, Utah in the Beaver Lake Mountains. The project consists of 164 unpatented claims and one State Lease (523 fee acres). The Beaver Lake Mountains are located within the Pioche-Marysvale igneous belt. Bat Ridge is a large Tertiary granodiorite intrusion resulting in widespread metamorphism and the introduction of base and precious metals. The alluvial covered pediment on the south side of the ridge, which comprises the area of known gold mineralization, contains local exposures of recrystallized limestone, marble and calc-silicate skarn.

On March 9, 2005, an action was commenced by Western Utah Copper Company ("Western Utah") against Nevada Pacific Gold (US), Inc. ("Nevada Pacific (US)") in a district court of the State of Utah regarding the Bat Ridge property, alleging that Nevada Pacific (US) wrongfully located 36 lode mining claims over certain existing unpatented placer claims held by Western Utah. Due to extremely high legal cost to defend the lawsuit, the Company has elected not to further defend the lawsuit and has negotiated a settlement whereby the Company has been reimbursed for some costs and title will be transferred to Western Copper for these claims.

Financial Position and Liquidity

Operating cash flows

During the year ended June 30, 2006, the company used $476,138 on net operating activities compared to $4,847,459 for the same period of the prior year. Although there was an increase in the loss for the year from fiscal 2005 to fiscal 2006, during fiscal 2006 there was a non-cash inflow of $3,353,464 from deferred product inventory and stockpiled ore costs and during the year ended June 30, 2005, the Company paid a $2,500,000 note payable relating to the purchase of the Magistral Mine and spent $1,452,205 that was assigned to product inventory and stockpiled ore.

Investing activities

The Company expended $1,733,643 on investing activities during the year ended June 30, 2006 as compared to $5,154,255 during the same period in 2005. For the current fiscal year, the Company expended $1,704,808 on exploration properties and the remainder on property, plant and equipment and reclamation bonds. During the year ended June 30, 2005, the Company expended $3,987,643 on property, plant and equipment at the Magistral Mine, $1,321,555 on exploration properties, $45,256 on reclamation bonds and received $200,1999 on the disposal of equipment..

Financing activities

During the year ended June 30, 2006, the Company received $4,912,268 on net financing activities compared to $10,361,114 during the same period in 2005. The Company received $5,005,285 through private placements and the exercise of stock options and share purchase warrants during the year ended June 30, 2006 compared to $11,053,855 through private placements, an underwritten offering, the exercise of stock options and the exercise of share purchase warrants during the year ended June 30, 2005. Share issue costs and finder's fees for the year ended June 30, 2006 were $93,017 as compared to $692,741 for the same period in 2005.

On December 9, 2005, the Company announced that it had entered into an agreement with Mr. Robert McEwen to issue 12,500,000 units at a price of $0.40 CDN per unit for aggregate proceeds of $5,000,000 CDN. Each unit consists of one common share and one common share purchase warrant with each warrant exercisable to acquire one common share of the Company at an exercise price of $0.50 CDN for a term of two years. As a result of the private placement, Mr. McEwen will hold approximately 18.12% of the outstanding shares of the Company and, in event of the exercise of all the warrants, Mr. McEwen will hold approximately 30.69% of the outstanding common shares of the Company.

In accordance with the rules of the TSX Venture Exchange, as this constitutes a "change in control", the placement closed in two tranches. The first tranche, consisting of 6,921,213 units was completed on December 14, 2005 for aggregate proceeds of $2,768,485 CDN. The second tranche for the balance of the units was conditional upon receiving disinterested shareholder approval, which was subsequently received at the extraordinary general meeting of the shareholders on January 23, 2006. The second tranche of the private placement consisting of 5,578,787 units at a price of $0.40 CDN for aggregate proceeds of $2,231,515 CDN was completed on May 11, 2006. The shares and warrants comprising the units and the shares underlying such warrants are subject to a four-month hold period. No finder's fees were payable on this placement.

On January 13, 2006, the Company issued 200,000 units to an officer of the Company. Each unit was issued at a price of $0.64 CDN for gross proceeds of $128,000 CDN. Each unit is comprised of one common share of the Company and one share purchase warrant with each purchase warrant entitling the holder to purchase one common share of the Company at $0.80 CDN until January 13, 2008. The shares and warrants comprising the units and the shares underlying such warrants are subject to a four-month hold period. No finder's fees were paid on this issue.

During the year ended June 30, 2006, 740,000 common shares were issued pursuant to the exercise of stock options and 89,515 common shares were issued on the exercise of share purchase warrants. The stock options were exercised at weighted-average exercise price of $0.57 CDN per share for gross proceeds of $421,800 CDN. The share purchase warrants were exercised at weighted-average exercise price of $1.20 CDN per share for gross proceeds of $107,418 CDN

There were a total of 1,712,500 stock options granted during the year with a weighted-average exercise price of $ 1.05 CDN. On August 30, 2005, the Company granted to consultants 50,000 stock options with an exercise price of $0.80 CDN. These options have a term of one year and vest in equal amounts every three months for 1 year. The fair value of these options was estimated at approximately $0.16 per option at grant date. On March 2, 2006 the Company granted to directors, employees and consultants 1,462,500 stock options with an exercise price of $0.99 CDN. These options have a term of ten years and vest in equal amounts every three months for 1 year. The fair value of these options was estimated at approximately $0.45 per option at grant date. On June 1, 2006, the Company granted to a director 200,000 stock options with an exercise price of $1.54 CDN. These options have a term of ten years and vest in equal amounts every three months for 1 year. The fair value of these options was estimated at approximately $0.66 per option at grant date.

Cash resources and liquidity

As at June 30, 2006 the Company had cash and cash equivalents of $3,659,738 (June 30, 2005 - $957,251) and working capital of $3,279,590 (June 30, 2005 - $4,197,510). The decrease in working capital of $917,920 is predominately due to an increase of cash of $2,702,487, a decrease of accounts payable and accrued liabilities of $588,782 and a decrease in leach pad inventory of $3,788,972. The decrease in the pad inventory is the result of the decision to move the Magistral mine to a leach only phase effective August 1, 2005.

As at June 30, 2006 the Company had 3,840,000 options outstanding entitling the holders to purchase common shares of the Company at prices from $0.53 CDN to $1.54 CDN with expiry dates from January 22, 2008 to June 1, 2016. The Company also had 14,706,900 warrants outstanding entitling the holders to purchase common shares of the Company between $0.50 CDN and $1.20 CDN that expire between August 17, 2006 and January 13, 2008.

The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain additional financing to develop its mineral properties, the performance of the Magistral Gold Mine, which is currently in a leach only phase, the existence of economically recoverable reserves, and upon its ability to attain profitable operations. Management continues to seek additional financing necessary to permit the Company to continue operations. There can be no assurance that management will be successful in all these activities. These consolidated financial statements do not give effect to any adjustments that would be necessary should the Company not be able to continue as a going concern.

Subsequent to June 30, 2006, there were 175,000 stock options exercised for gross proceeds of $99,635 and 1,418,150 share purchase warrants exercised for gross proceeds of $1,521,768.

The Magistral Gold Mine is subject to a net smelter return royalty of 1% for the first 30,000 ounces of gold, 3.5% on the next 350,000 ounces of gold and 1% thereafter. The Company is currently paying a net smelter royalty of 3.5%. The royalty requirement is settled from current gold production.

The Company also has minimum lease payment requirements on some of its Nevada exploration properties. These payments are at the discretion of the Company as long as it wants to maintain its interest in the property.

Transactions with Related Parties
During the year ended June 30, 2006, a total of $149,730 (2005 – $129,055) was charged for fees by a legal firm of which the Company's corporate secretary is a partner. At June 30, 2006, $17,352 (June 30, 2005 - $5,112) was owing to this legal firm.

In May, 1999, the Company became the leaseholder of the head office premises. During the year ended June 30, 2001, the Company entered into a separate sub-lease agreement with Portal Resources Ltd. of which the Company's Chairman is a director. During the year ended June 30, 2006, a total of $60,340 (2005 - $47,781) was charged by the Company for rent and common office costs. At June 30, 2006, $nil (June 30, 2005 - $4,425) was receivable from this company.

Financial Instruments and Other Instruments
The Company's consolidated financial instruments include cash and cash equivalents, accounts receivable, reclamation bonds, and accounts payable. The fair values of these financial instruments approximate their carrying values.

Outstanding Share Data
As at September 28, 2006, the Company had the following items issued and outstanding:

- 70,565,171 common shares
- 3,665,000 common share purchase options with a weighted average exercise price of $1.01 CDN expiring at various dates until June 1, 2016
- 12,700,000 share purchase warrants at a weighted average price of $0.50 CDN expiring at between December 14, 2007 and May 11, 2008.

More information on the terms of the options and warrants are set out in Note 8 of the Company's financial statements.

Outlook
Management continues to evaluate projects for potential merit and is assessing options that include the resumption of mining operations, the possible sale of the mine and joint ventures with other mining companies. The Company has plans to attend various national and international mining industry trade shows, which should provide the Company with additional opportunities in the precious metals sector for assessment.

At the Magistral Mine, gold recovery from inventory from the heap leach pad continues with a reduced staff of 27 employees. Gold production continues to decline and resulting gold sales are nearing cash flow neutral. It is anticipated the mine will cease gold production and reduce staffing and costs to a care and maintenance level by October 2006. The equipment required for resumption of mining operations is still on-site and available. Several startup scenarios are being reviewed, including the use of contracted labor to resume open pit mining operations.

Exploration is ongoing in Nevada and Mexico. In Nevada, the remainder of the budgeted 50,000 feet of drilling for the 2006 drilling program will commence based on drill rig availability. In Mexico, drill targets are being developed for the El Tule Gold project located in the state of Nayarit. A drill program has begun on the Revancha project, located on the Rocio Trend approximately 15 kilometres southwest of the Company's Magistral Gold mine in Sinaloa state, Mexico. Drilling is planned for 11 projects this year within the US and Mexico.

Risk Factors
The Company is subject to financial and operational risks due to various factors outside of the control of the Company. Gold prices are affected by factors such as global supply and demand, expectations of the future rate of inflation, the strength of, and confidence in, the US dollar relative to other currencies, interest rates, and geopolitical events. Should the price of gold drop and the prices realized by the Company on gold sales were to decrease significantly and remain at such a level for any substantial period, the Company's cash flow would be negatively affected.

The Company has limited financial resources, has no source of operating cash flow other than the Magistral Mine and has no assurance that additional funding will be available to it. The only source of additional financing for the Company is through the sale of equity securities or the optioning or joint venturing of its properties. Failure to obtain financing could result in the delay or indefinite postponement of further exploration and development of its projects with the possible loss of the Company's interest in such properties.

Although the Company has carefully prepared its gold reserve and resource estimates, no assurance can be given that the indicated mining and processing recoveries of gold from the estimated reserves will be realized over the life of the mine. The business of mining is generally subject to a number of risks including equipment failure, operational accidents, unstable ground conditions and severe weather.

The Company's exploration work involves many risks and may be unsuccessful. Substantial expenditures are required to establish proven and probable reserves and to complete the related mine development. It may take several years from the initial phases of drilling until production is possible. As a result of these uncertainties, there is no assurance that current or future exploration programs will be successful and result in the expansion or replacement of current production with new reserves. The validity of mining claims can also be uncertain. Although the Company has attempted to acquire satisfactory title to its properties, some risk exists that some titles may be defective.

Additional Information

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions is contained in the Company's 2004 annual report, an information circular dated for the annual general meeting of the Company held on December 6, 2005 and an information circular dated for the extraordinary general meeting of the shareholders on January 23, 2006. Copies of the Company's filings are available at www.sedar.com.

Recent Canadian Accounting Pronouncements

Derivative Instruments

In April 2005, the Accounting Standards Board issued new accounting standards dealing with the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income. These standards are applicable for fiscal years beginning on or after October 1, 2006. The Company is currently reviewing the impact of these new standards. These standards are as follows:

(i) Financial Instruments – Recognition and Measurement, Section 3855

This standard prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet, whether fair value or cost-based measures are used and specifies how financial instrument gains and losses are to be presented.

(ii) Comprehensive Income, Section 1530

This standard introduces new rules for reporting and display of comprehensive income. Comprehensive income, which is currently reported under US GAAP, is the change in shareholders' equity of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investment by owners and distributions to owners. These items include holding gains and losses on certain investments, gain and losses on certain derivative instruments and foreign currency gains and losses related to self –sustaining foreign operations (cumulative translation adjustment).

(iii) Hedges, Section 3865

This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the existing Accounting Guideline AcG-13, *Hedging Relationships*, and Section 1650 F*oreign Currency Translation*, by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2006. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.



NEVADA PACIFIC GOLD LTD.

CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2006

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

NEVADA PACIFIC GOLD LTD.

CONSOLIDATED BALANCE SHEETS

(expressed in US Dollars)
(Unaudited)

	December 31, 2006	June 30, 2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,607,817	$ 3,659,738
Accounts receivable	293,966	180,697
Product inventory (Note 3)	-	109,074
Supplies inventory	249,519	285,152
Prepaid expenses	167,197	239,424
	2,318,499	4,474,085
Property, plant and equipment (Note 4)	13,188,060	13,306,314
Mineral properties	6,858,962	4,661,805
Reclamation bonds	87,683	96,363
	$ 22,453,204	$ 22,538,567
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 933,911	$ 1,194,495
	933,911	1,194,495
Other liabilities	74,218	112,397
Asset retirement obligation (Note 5)	1,661,110	1,684,812
	1,735,328	1,797,209
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	32,660,133	30,955,143
Contributed surplus	1,759,654	1,490,594
Deficit	(14,635,822)	(12,898,874)
	19,783,965	19,546,863
	$ 22,453,204	$ 22,538,567

Nature of operations and Going Concern (Note 1)
Commitments (Note 9)
Subsequent Events (Note 11)

Approved by the Board:

"Michael Beley"
Michael Beley,
Director

"Gary Nordin"
Gary Nordin,
Director

See accompanying notes to consolidated financial statements

NEVADA PACIFIC GOLD LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

(expressed in US Dollars)
(Unaudited)

	For the Three Months Ended December 31		For the Six Months Ended December 31	
	2006	2005	2006	2005
GOLD SALES	$ 260,994	$ 1,520,420	$ 1,013,584	$ 3,705,933
COST OF SALES	407,769	1,763,094	1,150,169	4,676,979
DEPRECIATION AND DEPLETION	11,572	184,294	23,144	475,278
ROYALTIES	8,766	89,217	55,489	210,546
	428,107	2,036,605	1,228,802	5,362,803
LOSS FROM MINING OPERATIONS	167,113	516,185	215,218	1,656,870
EXPENSES AND OTHER INCOME				
General and administrative	543,119	427,452	1,093,390	795,155
Stock-based compensation	192,995	62,117	327,559	117,557
Foreign exchange (gain) loss	98,774	6,221	99,172	(250)
Other income	(23,809)	(5,153)	(59,940)	(6,023)
	811,079	490,637	1,460,181	906,439
LOSS BEFORE THE UNDERNOTED ITEMS	978,192	1,006,822	1,675,399	2,563,309
Write-down of mineral properties	10,821	26,764	61,549	67,221
LOSS FOR THE PERIOD	$ 989,013	$ 1,033,586	$ 1,736,948	$ 2,630,530
Basic and diluted loss per share	$ 0.01	$ 0.02	$ 0.02	$ 0.05
Weighted average number of shares outstanding	70,570,171	56,854,375	70,173,717	56,163,024

CONSOLIDATED STATEMENTS OF DEFICIT

(expressed in US Dollars)
Unaudited

	For the Three Months Ended December 31		For the Six Months Ended December 31	
	2006	2006	2006	2005
DEFICIT, Beginning of the period	$ 13,646,809	$ 9,475,276	$ 12,898,874	$ 7,878,332
Loss for the period	989,013	1,033,586	1,736,948	2,630,530
DEFICIT, End of the period	$ 14,635,822	$ 10,508,862	$ 14,635,822	$ 10,508,862

See accompanying notes to consolidated financial statements

NEVADA PACIFIC GOLD LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in US Dollars)
(Unaudited)

	For the Three Months Ended December 31		For the Six Months Ended December 31	
	2006	2005	2006	2005
CASH PROVIDED BY (USED FOR) OPERATIONS				
Loss for the period	$ (989,013)	$ (1,033,586)	$ (1,736,948)	$ (2,630,530)
Items not affecting cash				
Depreciation, depletion & amortization	17,257	189,805	34,512	486,199
Accretion of asset retirement obligation	30,020	29,386	60,040	58,772
Stock based compensation	192,995	62,117	327,559	117,557
Write-down of mineral properties	10,821	26,764	61,549	67,221
Severance expense	(35,132)	(46,632)	(38,179)	(31,722)
	(773,052)	(772,146)	(1,291,467)	(1,932,503)
Changes in non-cash working capital items (Note 8)	148,462	606,118	(270,301)	1,610,721
	(624,590)	(166,028)	(1,561,768)	(321,782)
INVESTING ACTIVITIES				
Property, plant and equipment	-	(7,261)	-	(11,206)
Reclamation bonds	8,680	-	8,680	-
Expenditures on mineral properties, net of recoveries	(1,346,799)	(150,140)	(2,145,324)	(591,168)
	(1,338,119)	(157,401)	(2,136,644)	(595,113)
FINANCING ACTIVITIES				
Common shares issued:				
On private placements	-	2,400,830	-	2,400,830
On warrant conversion	-	-	1,521,768	-
On option exercise	25,675	25,305	125,310	78,855
Shares subscribed	-	(99,157)	-	-
Share issue costs and finder's fees	-	(21,145)	(587)	(23,875)
	25,675	2,305,833	1,646,491	2,455,810
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,937,034)	1,982,404	(2,051,921)	1,381,514
CASH AND CASH EQUIVALENTS, Beginning of the period	3,544,851	356,361	3,659,738	957,251
CASH AND CASH EQUIVALENTS, End of the period	$ 1,607,817	$ 2,338,765	$ 1,607,817	$ 2,338,765

See accompanying notes to consolidated financial statements

NEVADA PACIFIC GOLD LTD.

CONSOLIDATED STATEMENTS OF MINERAL PROPERTY EXPENDITURES

As at June 30, 2006 and December 31, 2006
(expressed in US Dollars)
(Unaudited)

	Limousine Butte	South Carlin Project	Keystone	BMX	Cornerstone	Timber Creek	Other Nevada Properties	Mexican Properties	Total
Total as at June 30, 2005	$ 744,425	$ 532,012	$ 243,760	$ 32,114	$ 129,985	$ 153,005	$ 570,069	$ 700,987	$ 3,106,357
Exploration salaries & wages	2,960	-	17,782	15,505	53,181	18,132	93,121	107,129	307,810
Land holding costs	-	9,639	20	80,587	43,009	48,151	58,234	207,803	447,443
Surveying	-	-	-	-	991	6,716	4,966	1,726	14,399
Geology	-	-	-	1,226	212	666	1,453	43,381	46,938
Surface geochemistry	-	-	-	-	2,199	-	3,962	55,230	61,391
Geophysics	-	-	-	-	-	5,300	18,950	5,524	29,774
Road work & trenching	-	-	-	9,110	31,880	7,200	222	21,207	69,619
Drilling	-	-	91,724	71,202	248,629	236,916	36,541	-	685,012
Other	-	-	-	-	-	-	-	19,042	19,042
Total expenditures	2,960	9,639	109,526	177,630	380,101	323,081	217,449	461,042	1,681,428
Cost recoveries	-	-	(11,620)	-	-	-	-	-	(11,620)
Property write-offs	-	(23)	-	-	-	-	(114,337)	-	(114,360)
Total as at June 30, 2006	747,385	541,628	341,666	209,744	510,086	476,086	673,181	1,162,029	4,661,805
Exploration salaries & wages	-	-	2,419	146	26,200	-	24,206	212,973	265,944
Land holding costs	129,632	9,616	49,552	64,712	50,830	41,523	59,424	277,093	682,382
Surveying	-	-	-	-	-	-	-	-	-
Geology	-	-	107	-	1,888	-	707	210	2,912
Surface geochemistry	-	-	-	-	207	-	-	105,572	105,779
Geophysics	-	-	-	-	-	-	-	7,290	7,290
Road work & trenching	-	-	-	-	6,655	-	531	86,865	94,051
Drilling	-	-	-	7,935	384,149	-	322.	704,783	1,097,189
Other	-	-	-	-	-	-	-	3,159	3,159
Total expenditures	129,632	9,616	52,078	72,793	469,929	41,523	85,190	1,397,945	2,258,706
Property write-offs	-	-	-	(24,580)	-	-	(36,969)	-	(61,549)
Total as at Dec. 31, 2006	$ 877,017	$ 551,244	$ 393,744	$ 257,957	$ 980,015	$ 517,609	$ 721,402	$ 2,559,974	$ 6,858,962

See accompanying notes to consolidated financial statements

NEVADA PACIFIC GOLD LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended December 31st 2006
(Unaudited - Expressed in US Dollars unless otherwise noted)

---

1. Nature of Operations and Going Concern

Nevada Pacific Gold Ltd. ("the Company") was incorporated under the laws of the Province of British Columbia. Its principal business activities consist of the production of gold and silver in Mexico and exploring for and developing gold and silver properties in Mexico and the western United States, primarily Nevada.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the realization of assets and discharge of liabilities in the normal course of business. The Company has recorded losses from operations since its inception. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain additional financing to develop its mineral properties, the future performance of the Magistral Gold Mine, which is currently in care and maintenance, the existence of economically recoverable reserves, and upon its ability to attain profitable operations. Management continues to seek additional financing necessary to permit the Company to continue operations. There can be no assurance that management will be successful in all these activities. These consolidated financial statements do not give effect to any adjustments that would be necessary should the Company not be able to continue as a going concern. Such adjustments could be material.

2. Significant Accounting Policies

Basis of presentation and principles of consolidation
These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These interim consolidated financial statements do not include in all respects the annual disclosure requirements of generally accepted accounting principles and should be read in conjunction with the most recent annual consolidated financial statements.

These interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements of the Company.

The interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Nevada Pacific Gold (US), Inc., Pangea Resources Inc. and Compania Minera Pangea, S.A. de C.V. All inter-company transactions and balances have been eliminated.

3. Product inventory

	December 31 2006	June 30 2006
Gold dore	$ -	$ 109,074

4. Property, plant and equipment

	December 31 2006	June 30 2006
Magistral Gold Mine		
Plant and equipment	$ 2,760,526	$ 2,760,526
Property and deferred costs	10,245,081	10,245,081
Asset retirement obligation asset	1,393,851	1,477,593
Accumulated amortization and depletion	(1,243,690)	(1,220,546)
	13,155,768	13,262,654
Other equipment	136,776	136,776
Accumulated amortization	(104,484)	(93,116)
	32,292	43,660
	$ 13,188,060	$ 13,306,314

5. Asset retirement obligation

	December 30, 2006	June 30, 2006
Asset retirement obligation – beginning of year	$ 1,684,812	$ 1,567,267
Obligations incurred during the period	-	-
Accretion expense	60,040	117,545
Revisions in estimated cash flows	(83,742)	-
Asset retirement obligation – end of period	$ 1,661,110	$ 1,684,812

The Company's asset retirement obligation arises from it obligations for site reclamation and remediation in connection with the Magistral Gold Mine. Under Mexican regulations no deposits are required to secure these obligations.

The total undiscounted asset retirement obligation is $2,561,919, which is expected to be expended in 2013. In determining the carrying value of the asset retirement obligation, the Company has assumed a credit-adjusted risk-free rate of 7.5% and an inflation rate of 3.33%.

NEVADA PACIFIC GOLD LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended December 31st 2006
(Unaudited - Expressed in US Dollars unless otherwise noted)

6. Share capital

Authorized
Unlimited Preferred Shares without par value, with rights to be determined upon issue
Unlimited Common Shares without par value

Issued and outstanding	Number of Shares	Amount
Balance as at June 30, 2005	55,442,506	$ 25,920,223
Private Placement	12,500,000	4,431,286
Private Placement	200,000	110,221
On exercise of warrants	89,515	93,952
On exercise of options	740,000	369,826
Fair value of options exercised	-	122,652
Share issue costs	-	(93,017)
Balance as at June 30, 2006	68,972,021	30,955,143
On exercise of warrants	1,418,150	1,521,768
On exercise of options	205,000	125,310
Fair value of options exercised	-	58,499
Share issue costs	-	(587)
Balance as at December 31, 2006	70,595,171	$ 32,660,133

Stock options

The Company has a stock option plan as described in the most recent annual financial statements of the Company. The Company accounts for its grants in accordance with the fair value method of accounting for stock-based compensation.

A summary of changes to stock options during the period are as follows:

	Six months ended December 31, 2006		Year ended June 30, 2006	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	3,840,000	$ 0.99 CDN	3,328,500	$ 0.86 CDN
Granted	1,050,000	$ 1.09 CDN	1,712,500	$ 1.05 CDN
Exercised	(205,000)	$ 0.69 CDN	(740,000)	$ 0.57 CDN
Forfeited	(585,000)	$ 1.04 CDN	(461,000)	$ 0.94 CDN
Outstanding at end of the period	4,100,000	$ 1.03 CDN	3,840,000	$ 0.99 CDN
Options exercisable at the end of the period	2,645,625	$ 0.99 CDN	2,263,750	$ 0.95 CDN

6. Share capital, Continued

On November 29, 2006 the Company granted to directors and employees 1,050,000 share purchase options with an exercise price of $1.09 CDN. These options have a term of ten years and vest in equal amounts every three months for 1 year. The fair value of these options was calculated at approximately $0.50 per option at grant date using the Black-Scholes option-pricing model, based on the following assumptions; risk free interest rate of 4.25% per annum; expected life of 3 years; expected volatility of 76.31% and a dividend yield rate of nil.

Option-pricing models require the input of highly subjective assumptions regarding the expected volatility and expected life. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options at the date of grant.

Stock options outstanding as at December 31, 2006 are as follows:

Range of Exercise Prices ($)	Number outstanding at September 30, 2006	Weighted-average life remaining (years)	Weighted-average exercise price ($)
0.53 - 1.00 CDN	2,415,000	7.13	0.91 CDN
1.01 - 1.54 CDN	1,685,000	9.16	1.20 CDN
Total	4,100,000	7.96	1.03 CDN

Warrants

A summary of changes to warrants during the period are as follows:

	Six months ended December 31, 2006		Year ended June 30, 2006	
	Number of warrants	Weighted-Average Exercise Price	Number of warrants	Weighted-Average Exercise Price
Outstanding at beginning of year	14,706,900	$ 0.60 CDN	6,420,841	$ 1.19 CDN
Granted	-		12,700,000	$ 0.50 CDN
Exercised	(1,418,150)	$ 1.20 CDN	(89,515)	$ 1.20 CDN
Expired	(588,750)	$ 1.20 CDN	(4,324,426)	$ 1.18 CDN
Outstanding at end of the period	12,700,000	$ 0.50 CDN	14,706,900	$ 0.60 CDN

Share purchase warrants outstanding at December 31, 2006 were as follows:

Number	Exercise Price	Expiry Date
6,921,213	$0.50 CDN	December 14, 2007
200,000	$0.80 CDN	January 13, 2008
5,578,787	$0.50 CDN	May 11, 2008
12,700,000		

NEVADA PACIFIC GOLD LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended December 31st 2006
(Unaudited - Expressed in US Dollars unless otherwise noted)

7. Related party transactions

During the six months ended December 31, 2006, a total of $58,621 (2005 – $36,634) was charged for fees by a legal firm of which the Company's corporate secretary is a partner. At December 31, 2006, $Nil (June 30, 2006 - $17,352) was owing to this legal firm.

In May, 1999, the Company became the leaseholder of the head office premises. During the year ended June 30, 2001, the Company entered into a separate sub-lease agreement with Portal Resources Ltd. of which the Company's Chairman is a director. During the six months ended December 31, 2006, a total of $60,859 (2005 - $25,619) was charged by the Company for rent and common office costs. At December 31, 2006, $1,912 (June 30, 2006 - $Nil) was receivable from this company.

8. Supplemental cash flow information

	For the Three months Ended December 31		For the Six months Ended December 31	
	2006	2005	2006	2005
Changes in non-cash working capital				
Accounts receivable	$ (85,589)	$ 35,580	$ (113,269)	$ 152,197
Product inventory and stockpiled ore	204,217	988,012	109,074	2,026,001
Supplies inventory	9,619	(32,977)	35,633	76,976
Prepaid expenses	114,695	76,645	72,227	107,238
Accounts payable and accrued liabilities	(94,480)	(461,142)	(373,966)	(751,691)
	$ 148,462	$ 606,118	$ (270,301)	$ (3,919,776)

9. Commitments

The Company has obligations under operating leases for its corporate offices. Future minimum lease payments for non-cancellable leases with initial or remaining lease terms in excess of one year at December 31, 2006 for the fiscal years ended June 30 are:

2007 - $ 50,910
2008 - $ 67,881

The Magistral Gold Mine production is subject to a net smelter return royalty of 1% for the first 30,000 ounces of gold, 3.5% on the next 350,000 ounces of gold and 1% thereafter. The Company is currently paying net smelter royalties at 3.5%. As at December 31, 2006 the life of mine production is not anticipated to exceed 380,000 ounces.

10. Segmented information

The Company has reportable segments in three geographic areas: gold mining operations and exploration in Mexico, exploration and development in the United States and corporate in Canada. Gold mining operations consist of the Magistral Gold Mine in Mexico, acquired on February 2, 2004, which commenced commercial production on January 1, 2005.

	Corporate (Canada)	Exploration (U. S.)	Gold Mining & Exploration (Mexico)	Total
	($)	($)	($)	($)
Property, plant and equipment				
December 31, 2006	20,984	11,308	13,155,768	13,188,060
June 30, 2006	29,610	14,050	13,262,654	13,306,314
Property, plant and equipment: expenditures for the six months ended				
December 31, 2006	-	-	-	-
December 31, 2005	5,218	1,150	4,838	11,206
Mineral Properties				
December 31, 2006	-	4,298,988	2,559,974	6,858,962
June 30, 2006	-	3,499,776	1,162,029	4,661,805
Mineral Properties: expenditures for the six months ended				
December 31, 2006	-	860,761	1,397,945	2,258,706
December 31, 2005	-	650,638	90,670	741,308
Net income (loss) for the six months ended				
December 31, 2006	(1,390,431)	(131,299)	(215,218)	(1,736,948)
December 31, 2005	(796,005)	(177,655)	(1,656,870)	(2,630,530)
Net income (loss) for the three months ended				
December 31, 2006	(787,355)	(34,545)	(167,113)	(989,013)
December 31, 2005	(426,655)	(90,746)	(516,185)	(1,033,586)
Gold revenues for the six months ended				
December 31, 2006	-	-	1,013,584	1,013,584
December 31, 2005	-	-	3,705,933	3,705,933
Gold revenues for the three months ended				
December 31, 2006	-	-	260,994	260,994
December 31, 2005	-	-	1,520,420	1,520,420
Depreciation, depletion and amortization for the six months ended				
December 31, 2006	8,626	2,742	23,144	34,512
December 31, 2005	8,942	1,979	475,278	486,199
Depreciation, depletion and amortization for the three months ended				
December 31, 2006	4,314	1,371	11,572	17,257
December 31, 2005	4,497	1,014	184,294	189,805

NEVADA PACIFIC GOLD LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended December 31st 2006
(Unaudited - Expressed in US Dollars unless otherwise noted)

---

11. Subsequent Events

On February 12, 2007, Nevada Pacific Gold Ltd. received a formal offer from US Gold Corporation ("US Gold") to acquire all of the outstanding common shares of Nevada Pacific Gold Ltd. Under the offer, US Gold will issue 0.23 of an exchangeable share of US Gold Canadian Acquisition Corporation ("Canadian Acquisition Co."), a wholly-owned subsidiary of US Gold, for each outstanding common share of Nevada Pacific.

Each exchangeable share is convertible at the option of the holder into one common share of US Gold for no additional consideration. US Gold has advised that the offer will remain open until 5:00p.m. (Vancouver time) on March 23, 2007, unless otherwise withdrawn or extended.

The Special Committee of the Board of Directors of Nevada Pacific will review US Gold's formal offer and will report to the Board of Directors with its views and a recommendation regarding the US Gold offer after receiving advice from its financial advisors Capital West Partners. The Board of Directors of Nevada Pacific will then consider and evaluate the offer and will advise shareholders of their position in a directors' circular that is required to be mailed within 15 days, of the date of the offer, to all Nevada Pacific shareholders and filed with the applicable securities regulatory authorities in accordance with applicable takeover bid regulations. All Nevada Pacific shareholders are advised not to take any action with respect to the offer until they have had the opportunity to review and consider the directors' circular. All such information will be available at www.sedar.com.

NEVADA PACIFIC GOLD LTD.

Management's Discussion and Analysis of Financial Position and Results of Operations

This discussion and analysis of the financial position and results of operations has been prepared as at February 23, 2007 and should be read in conjunction with the unaudited interim consolidated financial statements of Nevada Pacific Gold Ltd ("Nevada Pacific" or "the Company") for the six months ended December 31, 2006 and the audited annual consolidated financial statements for the year ended June 30, 2006. The Company's consolidated financial statements and related notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and all amounts are presented in United States dollars unless otherwise noted.

Cautionary Statement on Forward-Looking Information

This Management's Discussion and Analysis ("MD&A") contains forward-looking statements about Nevada Pacific Gold Ltd. (the "Company") and its business. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects," "anticipates," "believes," "intends," "estimates," "projects" and similar expressions, or that events or conditions "will," "may," "could" or "should" occur.

The forward-looking statements in this MD&A are subject to various risks, uncertainties and other factors that could cause the Company's actual results or achievements to differ materially from those expressed in or implied by forward-looking statements. These risks, uncertainties and other factors include, without limitation, uncertainty as to the Company's ability to achieve the goals and satisfy the assumptions of management; uncertainties as to the availability and cost of financing; uncertainty as to the results of current operation and exploration activities; uncertainty as to market reaction to future operation and exploration activities; significant changes in metal prices; currency fluctuations; increases in production costs; differences and fluctuations in ore grades, recovery rates and tonnes mined from those expected; changes in mining, or heap leaching rates from currently planned rates; the timing and content of work programs; geological interpretations; receipt and security of mineral property titles; general market and industry conditions; and other factors detailed in the Company's public filings.

Forward-looking statements are based on the beliefs, opinions and expectations of the Company's management at the time they are made, and the Company does not assume any obligation to update its forward-looking statements if those beliefs, opinions or expectations, or other circumstances, should change. Readers should not place undue reliance on forward-looking statements. Precautionary statements made herein should be read as being applicable to all related forward-looking statements wherever they appear in this MD&A.

OVERVIEW

The Company's principal business activities consist of the production of gold and silver in Mexico and the exploration for and development of gold and silver properties in Mexico and the western United States, primarily Nevada.

Since incorporation on March 11, 1997, the Company has acquired the Magistral Gold Mine in Sinaloa, Mexico. The Company has also evaluated numerous properties of potential merit. Several of the properties evaluated have been acquired by purchase agreement or by staking for further exploration, evaluation and development. Costs directly relating to the identification, exploration and development of projects are capitalized and are either amortized over the life of the project, commencing when the property goes into production, written off when the property is sold or released or written down to fair value if determined to be impaired.

Mexico

From the acquisition on February 2, 2004 until December 31, 2004, the Magistral Gold Mine underwent a revitalization program and was considered to be in pre-commercial production. During the revitalization period the mine experienced reduced gold production with all production related costs, offset by precious metal sales, being capitalized.

On July 27, 2005, the Company announced that the Magistral Mine would be moved to a leach only mode, effective August 1, 2005, and that mining had been temporarily suspended. By placing the mine in leach only mode the Company was able to reduce costs while continuing to produce gold and silver from the heap leach pad inventory. The Company has continued to monitor industry mining costs and metal prices and will re-commence mining when the proper conditions exist. In addition to mining costs and metal prices, the Company is continuing to evaluate sources of funds required to have sufficient working capital to facilitate a restart of mining operations. Because of the inherent delay in producing gold from a heap leach process, working capital needs to be available to fund mining operations for several months before sufficient gold production occurs to make the operation cash flow positive.

During fiscal year 2006 the Company operated the mine at full capacity for only the month of July 2005. Mining from the pits was curtailed the end of July 2005 and crushing and placing ore material in stockpiles was completed in August 2006. 53,571 tonnes of ore and 408,014 tonnes of waste were mined for total material movements of 461,585 tonnes. Ore mined was at a gold ore grade of 1.34 grams per tonne and contained 2,313 ounces of gold. Throughout the fiscal year the mine continued to produce gold, on a cash flow positive basis, from existing leach pad inventories and for the year produced 12,632 ounces of gold and 14,752 ounces of silver. Although the draw down of the recoverable ounces in the pad has been slower than anticipated, recoveries were higher than budgeted. This coupled with the higher metal prices justified continued gold production through September 2006.

In October 2006, with production from the pad continuing to decline and even with higher gold prices it was no longer cost effective to operate the processing plant and to continue gold leaching. The last gold pour was conducted on October 10, 2006 and following that the decision was made suspend gold leaching and processing operations.

Since the October 2006 cessation of processing operations mine staff have continued to maintain the mine and process plant in stand-by conditions. All equipment is still on-site and operational. In addition, the process facility shutdown afforded the opportunity to clean and carefully inspect all solution handling facilities including the ponds to ensure environmental integrity. All three ponds were completely drained of solution and the sediments that had collected were dried and removed. That material having sufficient gold values was sent to a refinery and the non-economic material was placed on the lined leach pad. The pond liners were reviewed and minor repairs made. Inside the processing plant, all of the equipment and tankage were pressure-washed to remove the remaining low concentration of reagents and reduce corrosive coatings on the metal surfaces.

Management continues to refine and review plans for a possible resumption of mining at Magistral. To provide third-party support for this effort Pincock Allen & Holt ("PAH") was contracted to complete a review of the Magistral Mine. This review included updating reserves, mine plans, metallurgical recoveries, costs and prices to current levels. The final report from PAH was received in September 2006 and supports resuming full mining operations at gold prices at or above $469/ounce.

Exploration activity for the company in Mexico continued during the period. This activity is focused primarily on two projects, the Rocio project in the state of Sinaloa, and the El Tule project in the state of Nayarit. Core drilling was completed in both project areas, as well as a reverse circulation drill program at three project areas on the Rocio Trend.

Nevada

In October 2006, the Company secured a core drill and the continuation of the Phase II drill program on the Cornerstone property commenced in early November and was completed on January 15, 2007. This phase of drilling consisted of a total of 3,383 feet of core drilled. The planned target depths for both drill holes was not reached due to drilling difficulties, poor recoveries and double digit, negative freezing temperatures which basically shut the drill rigs down due to "freeze-up" problems. The plan in early 2007 is to re-drill the first 500 feet of each of the core holes to test for better recovery and look for potential lost zones of mineralization.

U.S. Gold Corporation

On March 5, 2006, US Gold Corporation ("US Gold") issued a News Release announcing its intent to acquire all of the outstanding common shares of Nevada Pacific (as well as the shares of White Knight Resources Ltd., Coral Gold Resources Ltd. and Tone Resources Ltd. (collectively, the "Target Companies"). Nevada Pacific responded by forming a Special Committee on March 6, 2006 and hiring financial advisors on March 15, 2006 to assist Nevada Pacific.

In October 2006, US Gold filed an S-4 registration statement with the SEC relating to the Company.

On February 12, 2007Nevada Pacific Gold Ltd. received a formal offer from US Gold Corporation ("US Gold") to acquire all of the outstanding common shares of Nevada Pacific Gold Ltd. Under the offer, US Gold will issue 0.23 of an exchangeable share of US Gold Canadian Acquisition Corporation ("Canadian Acquisition Co."), a wholly-owned subsidiary of US Gold, for each outstanding common share of Nevada Pacific.

Each exchangeable share is convertible at the option of the holder into one common share of US Gold for no additional consideration. US Gold has advised that the offer will remain open until 5:00p.m. (Vancouver time) on March 23, 2007, unless otherwise withdrawn or extended.

The Special Committee of the Board of Directors of Nevada Pacific will review US Gold's formal offer and will report to the Board of Directors with its views and a recommendation regarding the US Gold offer after receiving advice from its financial advisors Capital West Partners. The Board of Directors of Nevada Pacific will then consider and evaluate the offer and will advise shareholders of their position in a directors' circular that is required to be mailed within 15 days, of the date of the offer, to all Nevada Pacific shareholders and filed with the applicable securities regulatory authorities in accordance with applicable takeover bid regulations. All Nevada Pacific shareholders are advised not to take any action with respect to the offer until they have had the opportunity to review and consider the directors' circular. All such information will be available at www.sedar.com.

Consolidated Financial Results of Operations

For the three months ended December 31, 2006 and 2005

For the three months ended December 31, 2006 the Company incurred a net loss of $989,013 ($0.01 per share) as compared to a net loss of $1,033,586 ($0.02 per share) for the three months ended December 31, 2005. The loss for the period includes a loss from mining operations of $167,113 (2005 – $516,185), general and administrative expenses of $543,119 (2005 - $427,452), stock-based compensation of $192,995 (2005 - $62,117), write-down of mineral property expenses of $10,821 (2005 - $26,764), a foreign exchange loss of $98,774 (2005 –$6,221) offset by other income of $23,809 (2005 - $5,153)

For the three months ended December 31, 2006 revenues were $260,994 (2005 - $1,520,420), cost of sales was $407,769 (2005 - $1,763,094) and the loss from mining operations was $167,113 (2005 – $516,185). The decrease in revenues is a result of the Company's decision to suspend gold leaching and processing operations at the Magistral mine, which was effective October 10, 2006. Cost of sales for the second quarter of fiscal 2007 consists only of current operating costs whereas the cost of sales for the same quarter of fiscal 2006 had both current operating costs and deferred pad inventory costs.

Expenses and other income increased by 65% to $811,079 for the three months ended December 31, 2006 compared to $490,637 for the same period in 2005. The majority of the increase was related to general and administrative costs and stock-based compensation. General and administrative costs were $543,119 for the three months ended December 31, 2006 (2005 - $427,452), an increase of $115,667 or 27%. The increase in general and administrative expenses is primarily due to increased consulting and legal fees of $34,966, relating to the proposed acquisition by U.S. Gold, and an increase in investor relations and promotion expenses of $62,162. Stock-based compensation increased by $130,878 to $192,995 for the current period as compared to $62,117 for the same period in the prior year. There were more stock options vesting during the three months ended December 31, 2006 as compared to the prior year, which is a result of options being granted later in fiscal year 2006 than fiscal 2007 and a reduction of the vesting period from 24 months to 12 months.

For the six months ended December 31, 2006 and 2005

For the six months ended December 31, 2006 the Company incurred a net loss of $1,736,948 ($0.02 per share) as compared to a net loss of $2,630,530 ($0.05 per share) for the six months ended December 31, 2005. The loss for the period includes a loss from mining operations of $215,218 (2005 – $1,656,870), general and administrative expenses of $1,093,390 (2005 - $795,155), stock-based compensation of $327,559 (2005 - $117,557), write-down of mineral property expenses of $61,549 (2005 - $67,221), a foreign exchange loss of $99,172 (2005 – gain of $250) offset by other income of $59,940 (2005 - $6,023)

For the six months ended December 31, 2006 revenues were $1,013,584 (2005 - $3,705,933), cost of sales was $1,150,169 (2005 - $4,676,979) and the loss from mining operations was $215,218 (2005 – $1,656,870). The decrease in revenues is a result of the Company's decision to move to a leach only mode at the Magistral mine, which was effective August 1, 2005 and the suspension of gold leaching and processing operations at the Magistral mine, which was effective August 1, 2005. Cost of sales for the current period consist only of current operating costs whereas the cost of sales for the three months ended December 31, 2005 had both current operating costs and deferred pad inventory costs. The loss for the six months ended December 31, 2005 also included a one-time expense of $305,000 in severance payments incurred when the mine was placed in leach only mode and staff at the mine was reduced to 31 people.

Expenses and other income increased by 61% to $1,460,181 for the six months ended December 31, 2006 compared to $906,439 for the same period in 2005. The majority of the increase was related to general and administrative costs and stock-based compensation. General and administrative costs were $1,093,390 for the six months ended December 31, 2006 (2005 - $795,155), an increase of $298,235 or 38%. The increase in general and administrative expenses is primarily due to increased consulting and legal fees of $137,301, relating to the proposed acquisition by U.S. Gold, and an increase in investor relations and promotion expenses of $123,222. Stock-based compensation increased by $210,002 to $327,559 for the current period as compared to $117,557 for the same period in the prior year. There were more stock options vesting during the six months ended December, 2006 as compared to the prior year, which is a result of options being granted later in fiscal year 2006 than fiscal 2007 and a reduction of the vesting period from 24 months to 12 months.

Summary of Unaudited Quarterly Results

	Q2 2007	Q1 2007	Q4 2006	Q3 2006
	$	$	$	$
Gold sales revenue	260,994	752,590	1,553,673	1,389,694
Mine operating earnings (loss)	(167,113)	(48,105)	(173,392)	(540,282)
Net income (loss)	(989,013)	(747,935)	(1,167,562)	(1,222,450)
Basic and diluted EPS	(0.01)	(0.01)	(0.01)	(0.02)
Total assets	22,453,204	23,308,162	22,538,567	20,927,743
Total long-term liabilities	1,735,328	1,740,440	1,797,209	1,765,923
Cash dividends declared	Nil	Nil	Nil	Nil

	Q2 2006	Q1 2006	Q4 2005	Q3 2005
	$	$	$	$
Gold sales revenue	1,520,420	2,185,513	3,120,218	2,055,017
Mine operating earnings (loss)	(516,185)	(1,140,685)	545,556	292,514
Net income (loss)	(1,033,586)	(1,596,944)	(328,116)	(349,690)
Basic and diluted EPS	(0.02)	(0.03)	0.00	(0.01)
Total assets	21,767,522	20,921,546	22,569,326	22,352,494
Total long-term liabilities	1,749,534	1,776,780	1,742,484	1,708,716
Cash dividends declared	Nil	Nil	Nil	Nil

The change in gold sales revenues are primarily related to the change in the gold production during each quarter and are also affected by the increased gold price. Commercial production commenced at the Magistral Gold Mine on January 1, 2005 resulting with the reporting of gold sales revenues and mine operating earnings since Q3 of fiscal 2005, the mine was in leach only mode from August 1, 2005 until October 10, 2006, at which time gold leaching and processing operations were suspended. The loss for Q2 2005 includes mineral property write-downs of $508,880, which included a write-off of the Amador Canyon property of $451,768.

Review of Operations

July 2005 was the final month of open pit mining at the Magistral Gold Mine. In August 2005 the remaining ore in stockpiles was crushed and placed on the leach pad. Mobile mine equipment and the crushing plant were placed in care and maintenance upon completion of crushing and ore rehandling operations.

During the first quarter of fiscal year 2007, the mine continued in a leach-only mode. By October 2006 with the continuing decline in gold production the operation of the leach pads and processing plant were no longer cost-effective and operations were suspended. Currently there is no solution being pumped to the pads and process ponds. The equipment and facilities associated with the process have been cleaned of all hazardous materials and they are being disposed of in accordance with permit and other governmental requirements. All equipment, including mobile mine equipment remains on site and in excellent condition. The mine workforce was reduced to 17 full-time as of December 2006.

Following is a summary of selected production statistics for the Magistral Mine:

	2007		2006			
	Q2	Q1	Q4	Q3	Q2	Q1
Ore tonnes mined	-	-	-	-	-	53,571
Grade (grams/tonne)	-	-	-	-	-	1.34
Ounces mined	-	-	-	-	-	2,313
Waste tonnes	-	-	-	-	-	408,014
Total tonnes	-	-	-	-	-	461,585
Strip ratio	-	-	-	-	-	7.6
Tonnes/Ounce	-	-	-	-	-	200
Gold Ounces Produced	239	1,336	2,069	2,793	2,805	4,965

During the three months ended December 31, 2006 the Company sold 435 ounces of gold at an average price of $600 as compared to 3,160 ounces sold at an average price of $481 for the same period of fiscal 2006. During the quarter, silver production was 380 ounces as compared to production of 3,246 ounces for the three months ended December 31, 2005. During the quarter ended December 31, 2006 a total of 10,606 ounces of silver were sold at $13.70 as compared to 4,463 ounces sold at an average price of $8.12 for the same period in fiscal 2006.

During the six months ended December 31, 2006 the Company sold 1,645 ounces of gold at an average price of $616 as compared to 8,219 ounces sold at an average price of $451 for the same period of fiscal 2006. During the first two quarters, silver production was 2,260 ounces as compared to production of 6,697 ounces for the six months ended December 31, 2005. During the six months ended December 31, 2006 a total of 10,606 ounces of silver were sold at $13.70 as compared to a total of 8,999 ounces of silver sold at an average price of $7.56 and during the same period in fiscal 2006.

Non-GAAP measures – total cash cost per gold ounce calculation

The company reports total cash costs on a sales basis. We have included total cash cost and cash operating cost information to provide investors with information about the cost structure of our mining operations. We use this information for the same purpose and for monitoring the performance of our operations. This information differs from measures of performance determined in accordance with Canadian GAAP and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under Canadian GAAP and may not be comparable to similarly titled measures of other companies.

The following table provides a reconciliation of total cash operating and total production costs per ounce to the financial statements:

	For the three months ended			
(in thousands, except per ounce amounts)	Dec. 31/06	Sept. 30/06	June 30/06	Mar.31/06
Cost of sales per financial statements	$ 407	$ 742	$ 1,571	$ 1,655
Non-cash adjustments	(30)	(30)	(29)	(29)
Cash operating costs	377	712	1,542	1,626
Royalty expense	9	47	85	87
Total cash costs	386	759	1,627	1,713
Depreciation, depletion and accretion	42	42	102	216
Total production costs	428	801	1,729	1,929
Divided by gold ounces sold	435	1,210	2,604	2,465
Cash operating costs per ounce	$ 866	$ 588	$ 592	$ 659
Total cash cost per ounce	$ 887	$ 627	$ 625	$ 695
Total production cost per ounce	$ 984	$ 662	$ 664	$ 782

	For the three months ended			
(in thousands, except per ounce amounts)	Dec. 31/05	Sept. 30/05	June 30/05	March 31/05
Cost of sales per financial statements	$ 1,763	$ 2,914	$ 1,997	$ 1,350
Non-cash adjustments	(29)	(29)	(23)	(22)
Cash operating costs	1,734	2,885	1,974	1,328
Royalty expense	89	121	161	101
Total cash costs	1,823	3,006	2,135	$ 1,429
Depreciation, depletion and accretion	213	320	439	333
Total production costs	2,036	3,326	2,574	$ 1,762
Divided by gold ounces sold	3,160	5,059	7,259	4,810
Cash operating costs per ounce	$ 549	*$ 570	$ 272	$ 276
Total cash cost per ounce	$ 577	$ 594	$ 294	$ 297
Total production cost per ounce	$ 644	$ 657	$ 355	$ 366

The term "cash operating costs" is used on a per ounce of gold basis. Cash operating costs per ounce is based on direct operating expense, inclusive of accumulated cash costs in the leach pad inventory, less production royalties, mining taxes and by-product credits for payable silver.
The term "total cash costs" is cash operating costs plus production royalties and mining taxes.
The term "total production costs" is total cash costs plus depreciation and amortization.
These costs are calculated using the standards set out by the Gold Institute.

* Cash operating costs per ounce for the three months ended September 30, 2005 include a one-time severance cost of $62 per ounce

Expenditures on Mineral Exploration Properties

During the six months ended December, 2006, the Company capitalized $2,258,706 (2005: $732,928) on acquisition and exploration activities on its exploration properties, inclusive of $1,397,945 (2005: $90,670) on Mexican properties, and recovered $Nil (2005: $11,620) from earn in partners. A total of $61,549 (2005: $67,221) of exploration expenditures was written off during the period. The largest expenditures during the period were drilling costs of $1,097,189 (20054: $306,143), land holding costs of $682,392 (2005: $256,007) and exploration salaries and wages of $265,944 (2005: 119,942). The increase in land holding costs are primarily due to the resumption of the Company's responsibility to pay the land holding costs for the Keystone and Limousine Butte properties in Nevada, due to the termination of the earn in agreements with Placer Dome U.S. Inc., and the increased land holdings associated with the increased land holdings in Mexico. The Company capitalizes the portion of the salaries of its personnel that relates to specific mineral properties as deferred exploration expenditures.

The gross expenditures broken down by category are as follows:

	Three months ended December 31,		Six months ended December 31,	
	2006	2005	2006	2005
Exploration salaries & wages	$ 154,133	$ 49,799	$ 265,944	$ 119,942
Land holding costs	93,021	61,558	682,382	256,007
Surveying	-	15	-	1,005
Geology	2,067	437	2,912	1,044
Surface geochemistry	50,583	3,667	105,779	9,568
Geophysics	7,290	-	7,290	-
Road work & trenching	51,745	7,848	94,051	26,467
Drilling	1,001,250	11,271	1,097,189	306,143
Other	1,687	5,545	3,159	12,752
Total expenditures	$ 1,361,776	$ 140,140	$ 2,258,706	$ 732,928

The total cumulative deferred property expenditures, after recoveries from earn-in partners, are as follows:

	Dec. 31 2006	Sept. 30 2006	June 30 2006
Limousine Butte	$ 877,017	$ 877,017	$ 747,385
South Carlin Project	551,244	551,244	541,628
Keystone	393,744	393,392	341,666
BMX	257,957	257,957	209,744
Cornerstone (Pat Canyon)	980,015	549,366	510,086
Timber Creek	517,609	517,609	476,086
Other Nevada Properties	721,402	724,727	673,181
Mexican Properties	2,559,974	1,636,695	1,162,029
	$ 6,858,962	$ 5,508,007	$ 4,661,805

Mexican Exploration Review

Rocio Trend

Revancha Area

During the quarter a reverse circulation drilling program consisting 14 holes totaling 1,953 meters was completed at Revancha. The objective of the drilling was to follow up on previous core drilling, and drill test areas that were not included in the core drilling program.

Drilling focused on 4 separate areas. 1) Gold bearing veins near the historic workings of the Revancha Mine. 2) A drill core intercept of 3.66 meters of 0.213 g/t gold, 99.25 g/t silver, 3.88 % lead and 1.38 % zinc. 3) A drill core intercept of 1,530 g/t silver over 1.52 meters. 4) The interpreted northwest strike extension of the Revancha vein.

In the area 1 area of the historic working of the Revancha Mine three reverse circulation holes were drilled. Only one of the drill holes encountered significant mineralization that consists of 16 metres of 1.721 g/t gold that includes 2 meters of 12.35 g/t gold. In area 2 three holes drilled to follow up on the core drilling intercept of 3.66 meters of 0.213 g/t gold, 99.25 g/t silver, 3.88 % lead and 1.38 % zinc show values of the same order of magnitude. In area 3 total of five reverse circulation drill holes were drilled to follow up on the core drilling intercept of 1,530 g/t silver across 1.52 meters, two of the holes were abandoned before reaching their target depth due to drilling problems associated with a fault zone. The other three holes reached targeted depths and show only anomalous values of silver and gold.

Cobre Lomas Area

At the Cobre Lomas base metal silver target, a broad area of calc-silicate skarn alteration mapped in float and limited outcrop exposures is associated with widespread anomalous mineralization in blast hole drill hole. The mineralization is interpreted to indicate the potential at depth for a large mineralized body of higher grade skarn mineralization. To test this interpretation the Company drilled 7 core holes totaling 1,085 meters. While drilling did not intersect expected base metal values it did confirm the extent and intensity of extensive silicious calc-silicate alteration in the area. Only a small portion of the large alteration zone was tested with this first drill program and the Company is currently reviewing the available data to develop further exploration programs.

Twin Domes Area

At Twin Domes during the quarter a reverse circulation drill program of 6 holes totaling 983 meters was completed. Drilling targeted north trending quartz hematite stockwork zones with both low grade and narrow high grade values in bedrock trenches. Results of the drilling show weakly anomalous gold values over across narrow zones. The Company is currently reviewing the available data to develop further exploration programs.

El Venado Area

The El Venado area is located approximately 1,000 meters northwest and along strike with the mineralization found at Revancha. The area is characterized by vein structures that have an alteration assemblage of silicification, hematite, specular hematite, chlorite and copper oxides. This alteration assemblage is very similar to that associated with gold mineralization at the Magistral Gold Mine. These vein structures can be traced on surface by outcrop and float material over a strike length of more than 1 kilometer.

To test the potential of the area a reverse circulation drill program of 14 holes drill holes totaling 1,818 meters was executed. The drilling consistently intersected the target structures as evidenced the alteration observed in sampling and by the typical geochemical signature of anomalous copper, silver, bismuth, and tungsten. Gold values however were low and erratic with the best intercept being 0.586 g/t over 22 metres that includes 1.542 g/t over 6 meters.

Palmarito Area

During December 2006 and January 2007 a core drilling program consisting of 15 holes totalling 928 meters was completed, with 14 of the 15 drill holes twinning existing historical reverse circulation drill holes. The objective of the program was to confirm data available from historical reverse circulation drilling undertaken by previous claim holders in 1995 and 1996 and to test for higher grade mineralized shoots. Based on information from this prior reverse circulation drill data, consisting of 74 holes totaling 4,484 meters, a historical resource estimated to contain 5,120,000 tonnes with an average silver grade of 60 g/t for a total of 9,900,000 ounces of silver. An additional estimated 442,000 tonnes of tailings and dumps exist on the property estimated to contain an additional 2,800,000 silver ounces. These estimates are not compliant to the current National Instrument 43-101 reporting requirements and are not classified as resources by the Company at this time. These estimates mentioned should not be relied upon.

The Company is currently reviewing the results of the core drilling program and incorporating them into the project database.

Shakira Area

The Shakira area is located at the northern end of the Rocio Trend. Surface sampling from the area demonstrates potential for both precious and base metals. During the quarter a soil sample grid was established and sampled over an area of 350 by 400 meters. As follow up work to the soil sampling program, a drill program utilizing the Magistral Mine blast hole drill rig was undertaken. The program consisted of 67 vertical drill holes drilled to a maximum depth of 36 meters and sampled on 3 meter intervals. Results from this drill program are currently being compiled and interpreted.

El Tule Project

The core drilling program was completed during the quarter and consisted of 18 holes totaling 1,512 meters. The objective of the program was targeted to test zones of interest developed through previous trenching programs. Results from this drill program are currently being compiled and interpreted.

Nevada Exploration Review

Cornerstone (Pat Canyon)

In October 2006, the Company secured a core drill and the continuation of the Phase II drill program on the Cornerstone property commenced in early November and was completed on January 15, 2007. This phase of drilling consisted of a total of 3,383 feet of core drilled. The planned target depths for both drill holes was not reached due to drilling difficulties, poor recoveries and double digit, negative freezing temperatures which basically shut the drill rigs down due to "freeze-up" problems.

The core drilling program targeted the following areas of interest:

- the CSZ in the area of trench #1 and trench #6, which contained gold values of 180' of 0.041 opt (ounce per ton), including 30" of 0.204 opt) and 205" of 0.012 opt, including 75" of 0.021 opt., respectively
- the contact of the sediments and volcanics where gold values up to 0.291 opt are found in silicified ribs and jasperoid outcrops exposed in the area of volcanic cover

Core hole CSC06-01 (total depth 1883 feet) drilled in the trench #6 area and contained 52.3 feet of 0.025 opt gold from 71.7'-124' with significant core loss from 0-71.7'. CSC06-02 (total depth 1553 feet) contained 48 feet of 0.012 opt gold from 80'-128' with significant core loss from 0-80' and from 128'-483'.

The purpose of drilling core was to better understand the geologic control on the mineralization that was intersected in the drilling during 2005 and early 2006. However, due to severe core loss, some assay intervals were lost. The drilling did confirm the existence of intense faulting and brecciation and that the area contains significant gold mineralization in the upper 124 feet of the Horse Canyon Formation. The plan in early 2007 is to re-drill the first 500 feet of each of the core holes to test for better recovery and look for potential lost zones of mineralization.

Financial Position and Liquidity

Operating cash flows

During the six months ended December 31, 2006, the company used $1,561,768 on net operating activities compared to $321,782 for the same period of the prior year. Although there was a decrease in the loss for the six months ended December 31, 2006 as compared to the prior year, during the prior year there was a non-cash inflow of $2,026,001 from deferred product inventory and during the current period there were no deferred product inventory costs recognized.

Investing activities

The Company expended $2,136,644 on investing activities during the six months ended December 31, 2006 as compared to $752,514 during the six months ended December 31, 2005. For the current fiscal period, the Company expended $2,145,324 was on exploration properties and received $8,680 from the redemption of a reclamation bond and during the same period for the prior year all but $11,206 was expended on exploration properties.

Financing activities

During the six months ended December 31, 2006, the Company received $1,646,491 from net financing activities compared to $2,455,810 during the same period in the prior year. The Company received $1,647,078 through the exercise of stock options and share purchase warrants during the six months ended December 31, 2006 compared to $78,855 through the exercise of stock options during the six months ended December 31, 2005. Share issue costs for the six months ended December 31, 2006 were $587 as compared to $23,875 for the same period in the prior year.

During the six months ended December 31, 2006, 205,000 common shares were issued pursuant to the exercise of stock options and 1,418,150 common shares were issued on the exercise of share purchase warrants. The stock options were exercised at weighted-average exercise price of $0.69 CDN per share for gross proceeds of $125,310 ($141,200 CDN). The share purchase warrants were exercised at weighted-average exercise price of $1.20 CDN per share for gross proceeds of $1,521,768 ($1,701,780 CDN).

Cash resources and liquidity

As at December 31, 2006 the Company had cash and cash equivalents of $1,607,817 (June 30, 2006 - $3,659,738) and working capital of $1,384,588 (June 30, 2006 - $3,279,590). The decrease in working capital of $1,895,002 is predominately due to a decrease of cash of $2,051,921 and a decrease of accounts payable and accrued liabilities of $260,584.

On November 29, 2006 the Company granted to directors and employees 1,050,000 share purchase options with an exercise price of $1.09 CDN. These options have a term of ten years and vest in equal amounts every three months for 1 year. The fair value of these options was estimated at approximately $0.50 CDN per option at grant date.

On January 25, 2007 the Company granted to an employee 40,000 share purchase options with an exercise price of $1.13 CDN. These options have a term of ten years and vest in equal amounts every three months for 1 year. The fair value of these options was estimated at approximately $0.59 CDN per option at grant date.

As at December 31, 2006 the Company had 4,100,000 options outstanding entitling the holders to purchase common shares of the Company at prices from $0.53 CDN to $1.54 CDN with expiry dates from January 22, 2008 to November 29, 2016. The Company also had 12,700,000 warrants outstanding entitling the holders to purchase common shares of the Company between $0.50 CDN and $0.80 CDN that expire between December 14, 2007 and May 11, 2008.

The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain additional financing to develop its mineral properties, the performance of the Magistral Gold Mine, which is currently in care and maintenance, the existence of economically recoverable reserves, and upon its ability to attain profitable operations. Management continues to seek additional financing necessary to permit the Company to continue operations. There can be no assurance that management will be successful in all these activities. The consolidated financial statements do not give effect to any adjustments that would be necessary should the Company not be able to continue as a going concern.

The Magistral Gold Mine is subject to a net smelter return royalty of 1% for the first 30,000 ounces of gold, 3.5% on the next 350,000 ounces of gold and 1% thereafter. The Company is currently paying a net smelter royalty of 3.5%. The royalty requirement is settled from current gold production.

The Company also has minimum lease payment requirements on some of its Nevada exploration properties. These payments are at the discretion of the Company as long as it wants to maintain its interest in the property.

Transactions with Related Parties
During the six months ended December 31, 2006, a total of $58,621 (2005 – $36,634) was charged for fees by a legal firm of which the Company's corporate secretary is a partner. At December 31, 2006, $Nil (June 30, 2006 - $17,352) was owing to this legal firm.

In May, 1999, the Company became the leaseholder of the head office premises. During the year ended June 30, 2001, the Company entered into a separate sub-lease agreement with Portal Resources Ltd. of which the Company's Chairman is a director. During the six months ended December 31, 2006, a total of $60,859 (2005 - $25,619) was charged by the Company for rent and common office costs. At December 31, 2006, $1,912 (June 30, 2006 - $Nil) was receivable from this company.

Significant Equity Investees
On December 9, 2005, the Company announced that it had entered into an agreement with Mr. Robert McEwen to issue 12,500,000 units at a price of $0.40 CDN per unit for aggregate proceeds of $5,000,000 CDN. Each unit consists of one common share and one common share purchase warrant with each warrant exercisable to acquire one common share of the Company at an exercise price of $0.50 CDN for a term of two years. As a result of the private placement, Mr. McEwen I holds approximately 17.69% of the outstanding shares of the Company as at February 23, 2007 and, in event of the exercise of all the warrants, Mr. McEwen would hold approximately 30.07% of the outstanding common shares of the Company.

In accordance with the rules of the TSX Venture Exchange, as this constitutes a "change in control", the placement closed in two tranches. The first tranche, consisting of 6,921,213 units was completed on December 14, 2005 for aggregate proceeds of $2,768,485 CDN. The second tranche for the balance of the units was conditional upon receiving disinterested shareholder approval, which was subsequently received at the extraordinary general meeting of the shareholders on January 23, 2006. The second tranche of the private placement consisting of 5,578,787 units at a price of $0.40 CDN for aggregate proceeds of $2,231,515 CDN was completed on May 11, 2006. The shares and warrants comprising the units and the shares underlying such warrants are subject to a four-month hold period. No finder's fees were payable on this placement.

Termination of Employment, Change in Responsibilities and Employment Contracts

The Company entered into an employment agreement dated December 1, 2006 with David N. Hottman whereby the Company retained Mr. Hottman to act as the Company's President and Chief Executive Officer. In consideration for Mr. Hottman's services, the Company agreed to pay Mr. Hottman an annual salary of $145,000, payable in equal semi-monthly installments subject to all applicable statutory deductions and payments required to be made by the Company. The employment agreement provides that in the event of Mr. Hottman's termination of employment without cause, the Company shall pay Mr. Hottman a severance benefit in an amount equal to his current month's salary installment multiplied by twelve, together with the continuation of all medical, dental and other employee benefit program coverage for twelve months (or a lump sum cash equivalent in lieu of such continued employee benefits) (the "Benefit payments"). The employment agreement further provides that in the event that there is a change of control of the Company and Mr. Hottman's employment is terminated within six months thereafter, the Company must pay an amount equal to Mr. Hottman's current month's salary installment multiplied by twelve.

On November 29, 2006, the Company entered into retention bonus agreements with each of David Hottman, Curtis I. Everson and Ross Zawada (each, an "Executive") whereby the Company agreed to pay each Executive an amount equal to his six months' base salary (excluding benefits subject to such mandatory deductions at law), Provided that such person continued to work for the Company until the earlier of June 30, 2007 or the date on which the Executive's employment is terminated by the Company (or any successor thereto) for reasons other than just cause (the "Payment Date"). The retention bonus is payable on the Payment Date and is independent of any severance entitlement that the Executive may have at law or otherwise. The retention bonus is not payable if the Executive resigns from employment with the Company prior to the Payment Date.

On November 29, 2006, the Board of Directors passed a resolution whereby, upon of acquisition by US Gold Corporation or any of its affiliates or associates (collectively, "US Gold") of common shares of the Company which results in US Gold holding, directly or indirectly, in excess of 50% of the issued and outstanding common shares of the Company, the exercise period for all stock options would be extended from 30 days after the date of termination to the original expiry date.

Financial Instruments and Other Instruments

The Company's consolidated financial instruments include cash and cash equivalents, accounts receivable, reclamation bonds, and accounts payable. The fair values of these financial instruments approximate their carrying values, due to their short-term nature.

Outstanding Share Data

As at February 23, 2007, the Company had the following items issued and outstanding:

- 70,647,671 common shares
- 4,037,500 common share purchase options with a weighted average exercise price of $1.03 CDN expiring at various dates until January 25, 2017
- 12,700,000 share purchase warrants at a weighted average price of $0.50 CDN expiring at between December 14, 2007 and May 11, 2008.

More information on the terms of the options and warrants are set out in Note 8 of the Company's financial statements.

Outlook

At the Magistral Mine, currently there is no solution being pumped to the pads and process ponds. The equipment and facilities associated with the process have been cleaned of all hazardous materials and they are being disposed of in accordance with permit and other governmental requirements. All equipment, including mobile mine equipment remains on site and in excellent condition. Several mine employees and various mine equipment continue to be used in support of exploration activities at and near the mine. The mine workforce was reduced to 17 full-time employees as of December 2006.

Exploration is ongoing in Nevada and Mexico. In Nevada, follow up drilling is planned for the Cornerstone project. Further drilling will commence based on drill rig availability and weather conditions. In Mexico, drilling is planned for the Palmarito and Rebecca areas in the immediate future.

Risk Factors

The Company is subject to financial and operational risks due to various factors outside of the control of the Company. Gold prices are affected by factors such as global supply and demand, expectations of the future rate of inflation, the strength of, and confidence in, the US dollar relative to other currencies, interest rates, and geopolitical events. Should the price of gold drop and the prices realized by the Company on gold sales were to decrease significantly and remain at such a level for any substantial period, the Company's cash flow would be negatively affected.

The Company has limited financial resources, has no source of operating cash flow other than the Magistral Mine and has no assurance that additional funding will be available to it. The only source of additional financing for the Company is through the sale of equity securities or the optioning or joint venturing of its properties. Failure to obtain financing could result in the delay or indefinite postponement of further exploration and development of its projects with the possible loss of the Company's interest in such properties.

Although the Company has carefully prepared its gold reserve and resource estimates, no assurance can be given that the indicated mining and processing recoveries of gold from the estimated reserves will be realized over the life of the mine. The business of mining is generally subject to a number of risks including equipment failure, operational accidents, unstable ground conditions and severe weather.

The Company's exploration work involves many risks and may be unsuccessful. Substantial expenditures are required to establish proven and probable reserves and to complete the related mine development. It may take several years from the initial phases of drilling until production is possible. As a result of these uncertainties, there is no assurance that current or future exploration programs will be successful and result in the expansion or replacement of current production with new reserves. The validity of mining claims can also be uncertain. Although the Company has attempted to acquire satisfactory title to its properties, some risk exists that some titles may be defective.

Additional Information

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions are contained in the Company's public filings. Recent filings include the 2006 Annual Report, an information circular dated for the annual general meeting of the Company held on December 6, 2006, the Company's Annual Information Form dated October 24, 2006 and an information circular dated for the extraordinary general meeting of the shareholders on January 23, 2006 and the PAH Technical Report dated September 13, 2006. Copies of the Company's filings are available at www.sedar.com.

Recent Canadian Accounting Pronouncements

Derivative Instruments

In April 2005, the Accounting Standards Board issued new accounting standards dealing with the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income. These standards are applicable for fiscal years beginning on or after October 1, 2006. The Company is currently reviewing the impact of these new standards. These standards are as follows:

(i) Financial Instruments – Recognition and Measurement, Section 3855
This standard prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet, whether fair value or cost-based measures are used and specifies how financial instrument gains and losses are to be presented.

(ii) Comprehensive Income, Section 1530
This standard introduces new rules for reporting and display of comprehensive income. Comprehensive income, which is currently reported under US GAAP, is the change in shareholders' equity of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investment by owners and distributions to owners. These items include holding gains and losses on certain investments, gain and losses on certain derivative instruments and foreign currency gains and losses related to self –sustaining foreign operations (cumulative translation adjustment).

(iii) Hedges, Section 3865
This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the existing Accounting Guideline AcG-13, *Hedging Relationships*, and Section 1650 *Foreign Currency Translation*, by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

This is **Exhibit "F"** referred to in the affidavit of William F. Pass sworn before me at Vancouver this 15th day of May, 2007.

A Commissioner for taking Affidavits for British Columbia

SUSAN A. GRIFFIN, Q.C.
Barrister & Solicitor
FRASER MILNER CASGRAIN LLP
1500 - 1040 West Georgia Street
Vancouver, B.C. V6E 4H8
Telephone (604) 687-4460

WHITE KNIGHT RESOURCES LTD.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

JUNE 30, 2006

DAVIDSON & COMPANY LLP Chartered Accountants A Partnership of Incorporated Professionals

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
White Knight Resources Ltd.

We have audited the consolidated balance sheets of White Knight Resources Ltd. as at June 30, 2006 and 2005 and the consolidated statements of operations, shareholders' equity and cash flows for the years ended June 30, 2006, 2005 and 2004 and the cumulative amounts from inception on December 18, 1986 to June 30, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2006 and 2005 and the results of its operations and its cash flows for the years ended June 30, 2006, 2005 and 2004 and the cumulative amounts from inception on December 18, 1986 to June 30, 2006 in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada
August 22, 2006

Chartered Accountants

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA -U.S. REPORTING DIFFERENCE

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) to identify circumstances when the financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern, such as those described in Note 1 to the financial statements. Our report to the shareholders dated August 22, 2006 is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions in the auditors' report when these are adequately disclosed in the financial statements.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada
August 22, 2006

Chartered Accountants

WHITE KNIGHT RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)
AS AT JUNE 30

	2006	2005
ASSETS		
Current		
Cash	$ 11,397,885	$ 282,459
Temporary investments (Note 3)	2,107,699	10,895,443
Receivables (net of allowance - $NIL; 2005 - $NIL)	117,490	176,164
Prepaid expenses	49,370	41,974
Total current assets	13,672,444	11,396,040
Mineral property interests (Note 4)	2,799,619	2,456,147
Deferred exploration costs (Note 5)	3,864,359	1,508,878
Equipment (Note 6)	930,853	139,118
Restricted reclamation bonds (Note 12)	234,783	196,692
Total assets	$ 21,502,058	$ 15,696,875
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 315,515	$ 161,831
Due to related parties (Note 7)	118,002	17,754
Total current liabilities	433,517	179,585
Asset retirement obligation (Note 8)	165,985	
Total Liabilities	599,502	179,585
Shareholders' equity		
Capital stock (Note 9)		
Authorized: unlimited common shares without par value		
Issued and outstanding 59,384,972 (2005 – 54,089,386)	33,630,385	26,844,701
Contributed surplus	3,153,572	1,246,525
Deficit accumulated during the exploration stage	(15,881,401)	(12,573,936)
Total shareholders' equity	20,902,556	15,517,290
Total liabilities and shareholders' equity	$ 21,502,058	$ 15,696,875

Nature and continuance of operations (Note 1)
Commitments (Note 14)

On behalf of the Board:

"John Leask" Director "Megan Cameron-Jones" Director

John M. Leask Megan Cameron-Jones

The accompanying notes are an integral part of these consolidated financial statements

WHITE KNIGHT RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in Canadian Dollars)
YEAR ENDED JUNE 30

	Cumulative Amounts from Inception on December 18, 1986 to June 30, 2006	2006	2005	2004
ADMINISTRATION COSTS				
Amortization	$ 220,145	$ 34,051	$ 30,546	$ 13,893
Audit	255,423	116,362	48,696	10,950
Bank charges and interest	26,349	7,464	5,762	1,520
Consulting	1,283,627	123,809	116,588	82,540
Consulting – stock-based compensation (Note 9)	3,263,846	2,275,298	148,543	840,005
Investor relations and shareholder information	665,974	175,427	123,189	52,889
Legal	641,631	120,155	26,958	23,196
Management fees – related party (Note 7)	1,437,910	264,000	264,000	210,000
Office and miscellaneous	753,670	96,089	85,068	56,201
Rent	338,199	56,497	54,873	28,300
Telephone	204,215	21,183	16,444	8,898
Transfer agent and listing fees	305,597	43,589	31,029	55,506
Travel and entertainment	505,337	108,044	69,132	52,569
Wages and benefits	831,071	130,998	79,918	31,863
Loss before other items	(10,732,994)	(3,572,966)	(1,100,746)	(1,468,330)
OTHER ITEMS				
Write-off of deferred exploration costs (Note 5)	(3,560,589)	(143,783)	(194,598)	(241,549)
Interest income	1,295,734	442,036	261,600	97,920
Option payments received (net)	633,519			
Write-off of mineral property interests	(3,814,257)			
Gain (loss) on foreign exchange	125,574	(11,574)	(60,377)	(9,299)
Gain (loss) on disposal of temporary investments	166,591	(23,927)		
Unrealized recovery (loss) on temporary investments (Note 3)	(8,846)	2,749	31,404	(42,999)
Gain (loss) on disposal of equipment	13,867		(757)	
	(5,148,407)	265,501	37,272	(195,927)
Loss for the period	$ (15,881,401)	$ (3,307,465)	$ (1,063,474)	$ (1,664,257)
Basic and diluted loss per common share		$ (0.06)	$ (0.02)	$ (0.04)
Weighted average number of common shares outstanding		58,855,176	53,091,304	39,038,472

The accompanying notes are an integral part of these consolidated financial statements.

WHITE KNIGHT RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of Shares	Price	Amount	Contributed Surplus	Deficit Accumulated During the Exploration Stage	Total
Balance, June 30, 1986		$	$	$	$	$
Shares issued for:						
Incorporation	1					
Initial offering	201,200	0.13	26,300			26,300
Loss for the period					(17,325)	(17,325)
Balance, June 30, 1987	201,201		26,300		(17,325)	8,975
Shares issued for:						
Initial offering	1,176,400	0.12	138,100			138,100
Loss for the year					(49,793)	(49,793)
Balance, June 30, 1988	1,377,601		164,400		(67,118)	97,282
Loss for the year					(44,166)	(44,166)
Balance, June 30, 1989	1,377,601		164,400		(111,284)	53,116
Shares issued for:						
Mineral property interests	150,000	0.46	68,499			68,499
Exercise of stock options	332,680	0.40	133,072			133,072
Private placement	350,000	0.40	140,000			140,000
Private placement	250,000	0.50	125,000			125,000
Flow-through private placement	279,905	0.54	150,100			150,100
Exercise of agent's warrants	105,000	0.40	42,000			42,000
Private placement expenses			(30,000)			(30,000)
Loss for the year					(282,410)	(282,410)
Balance, June 30, 1990	2,845,186		793,071		(393,694)	399,377
Shares issued for:						
Exercise of stock options	50,000	0.90	45,000			45,000
Exercise of stock options	262,250	0.28	73,430			73,430
Private placement	600,000	0.15	90,000			90,000
Private placement	263,158	0.95	250,000			250,000
Flow-through private placement	286,666	0.15	43,000			43,000
Loss for the year					(119,275)	(119,275)
Balance, June 30, 1991	4,307,260		$ 1,294,501	$	$ (512,969)	$ 781,532

The accompanying notes are an integral part of these consolidated financial statements.

WHITE KNIGHT RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY... continued
(Expressed in Canadian Dollars)

	Number of Shares	Price	Amount	Contributed Surplus	Deficit Accumulated During the Exploration Stage	Total
Balance, June 30, 1991	4,307,260	$	$ 1,294,501	$	$ (512,969)	$ 781,532
Shares issued for:						
Mineral property interests	100,000	0.29	29,000			29,000
Exercise of stock options	245,000	0.15	36,750			36,750
Debt settlement	114,308	0.53	60,869			60,869
Private placement	55,555	0.18	10,000			10,000
Finder's fee	9,000	0.33	2,970			2,970
Private placement	300,000	0.33	99,000			99,000
Private placement	122,222	0.45	55,000			55,000
Exercise of warrants	460,000	0.20	92,000			92,000
Exercise of warrants	75,000	0.33	24,750			24,750
Loss for the year					(164,398)	(164,398)
Balance, June 30, 1992	5,788,345		1,704,840		(677,367)	1,027,473
Shares issued for:						
Mineral property interests	250,000	0.20	50,000			50,000
Exercise of stock options	189,999	0.15	28,500			28,500
Exercise of stock options	395,000	0.20	79,000			79,000
Private placement	500,000	0.40	200,000			200,000
Private placement	20,000	0.45	9,000			9,000
Private placement	28,000	0.50	14,000			14,000
Loss for the year					(115,290)	(115,290)
Balance, June 30, 1993	7,171,344		2,085,340		(792,657)	1,292,683
Shares issued for:						
Mineral property interests	190,000	0.24	46,000			46,000
Exercise of stock options	15,000	0.15	2,250			2,250
Exercise of stock options	132,000	0.21	27,720			27,720
Private placement	600,000	0.15	90,000			90,000
Private placement	300,000	0.23	67,500			67,500
Loss for the year					(1,051,873)	(1,051,873)
Balance, June 30, 1994	8,408,344		2,318,810		(1,844,530)	474,280
Shares issued for:						
Mineral property interests	70,000	0.17	11,900			11,900
Loss for the year					(84,711)	(84,711)
Balance, June 30, 1995	8,478,344		$ 2,330,710	$	$ (1,929,241)	$ 401,469

The accompanying notes are an integral part of these consolidated financial statements.

WHITE KNIGHT RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY... continued
(Expressed in Canadian Dollars)

	Number of Shares	Price	Amount	Contributed Surplus	Deficit Accumulated During the Exploration Stage	Total
Balance, June 30, 1995	8,478,344	$	$ 2,330,710	$	$ (1,929,241)	$ 401,469
Shares issued for:						
Mineral property interests	130,000	0.50	65,000			65,000
Exercise of stock options	4,000	0.62	2,480			2,480
Exercise of stock options	580,000	0.22	127,600			127,600
Exercise of stock options	265,000	0.30	79,500			79,500
Private placement	650,000	0.30	195,000			195,000
Private placement	1,800,000	0.15	270,000			270,000
Private placement	500,000	0.46	230,000			230,000
Private placement	2,000,000	0.68	1,360,000			1,360,000
Exercise of warrants	10,000	0.30	3,000			3,000
Exercise of warrants	600,000	0.17	102,000			102,000
Exercise of warrants	300,000	0.26	78,000			78,000
Loss for the year					(288,538)	(288,538)
Balance, June 30, 1996	15,317,344		4,843,290		(2,217,779)	2,625,511
Shares issued for:						
Exercise of stock options	205,000	0.78	159,900			159,900
Exercise of stock options	9,500	0.62	5,890			5,890
Private placement	100,000	1.40	140,000			140,000
Private placement	3,600,000	1.00	3,600,000			3,600,000
Exercise of warrants	470,000	0.30	141,000			141,000
Exercise of warrants	225,000	0.15	33,750			33,750
Exercise of warrants	500,000	0.46	230,000			230,000
Loss for the year					(477,124)	(477,124)
Balance, June 30, 1997	20,426,844		9,153,830		(2,694,903)	6,458,927
Shares issued for:						
Mineral property interests	70,000	1.32	92,700			92,700
Exercise of warrants	1,575,000	0.17	267,750			267,750
Loss for the year					(1,063,932)	(1,063,932)
Balance, June 30, 1998	22,071,844		9,514,280		(3,758,835)	5,755,445
Shares issued for:						
Private placement	3,708,132	0.38	1,409,090			1,409,090
Mineral property interests	70,000	0.41	28,500			28,500
Management bonus	500,000	0.30	150,000			150,000
Loss for the year					(2,173,417)	(2,173,417)
Balance, June 30, 1999	26,349,976		$ 11,101,870	$	$ (5,932,252)	$ 5,169,618

The accompanying notes are an integral part of these consolidated financial statements.

WHITE KNIGHT RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY... continued
(Expressed in Canadian Dollars)

	Number of Shares	Price	Amount	Contributed Surplus	Deficit Accumulated During the Exploration Stage	Total
Balance, June 30, 1999	26,349,976	$	$ 11,101,870	$	$ (5,932,252)	$ 5,169,618
Shares issued for:						
Mineral property interests	170,000	0.27	46,300			46,300
Loss for the year					(1,234,438)	(1,234,438)
Balance, June 30, 2000	26,519,976		11,148,170		(7,166,690)	3,981,480
Loss for the year					(642,586)	(642,586)
Balance, June 30, 2001	26,519,976		11,148,170		(7,809,276)	3,338,894
Shares issued for:						
Mineral property interests	20,000	0.20	4,000			4,000
Exercise of stock options	300,000	0.10	30,000			30,000
Private placement	1,764,706	0.17	300,000			300,000
Finder's fee	176,470					
Loss for the year					(1,679,183)	(1,679,183)
Balance, June 30, 2002	28,781,152		11,482,170		(9,488,459)	1,993,711
Shares issued for:						
Mineral property interests	40,000	0.20	8,000			8,000
Exercise of stock options	337,500	0.10	33,750			33,750
Loss for the year					(357,746)	(357,746)
Balance, June 30, 2003	29,158,652		11,523,920		(9,846,205)	1,677,715
Shares issued for:						
Mineral property interests	40,000	0.78	31,200			31,200
Exercise of stock options	1,712,500	0.10	171,250			171,250
Exercise of stock options	422,000	0.23	97,060			97,060
Private placement	2,500,000	0.40	1,000,000			1,000,000
Finder's fee	125,000					
Private placement	7,764,704	0.85	6,599,998			6,599,998
Private placement	2,222,222	0.90	2,000,000			2,000,000
Exercise of warrants	3,708,132	0.44	1,631,578			1,631,578
Exercise of warrants	1,941,176	0.25	485,294			485,294
Exercise of warrants	435,000	0.60	261,000			261,000
Private placement expenses			(896,428)	355,906		(540,522)
Stock-based compensation				840,005		840,005
Loss for the year					(1,664,257)	(1,664,257)
Balance, June 30, 2004	50,029,386		$ 22,904,872	$ 1,195,911	$ (11,510,462)	$ 12,590,321

The accompanying notes are an integral part of these consolidated financial statements.

WHITE KNIGHT RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY... continued
(Expressed in Canadian Dollars)

	Number of Shares	Price	Amount	Contributed Surplus	Deficit Accumulated During the Exploration Stage	Total
Balance, June 30, 2004	50,029,386	$	$ 22,904,872	$ 1,195,911	$ (11,510,462)	$ 12,590,321
Shares issued for:						
Mineral property interests	40,000	0.71	28,400			28,400
Exercise of stock options (Note 9)	230,000	0.30	120,125			120,125
Exercise of warrants (Note 9)	1,965,000	0.60	1,179,000			1,179,000
Exercise of broker's warrants (Note 9)	325,000	0.60	242,304			242,304
Private placement	1,500,000	1.58	2,370,000			2,370,000
Stock-based compensation				148,543		148,543
Less: options and broker's warrants exercised				(97,929)		(97,929)
Loss for the year					(1,063,474)	(1,063,474)
Balance, June 30, 2005	54,089,386		26,844,701	1,246,525	(12,573,936)	15,517,290
Shares issued for:						
Mineral property interests	40,000	1.80	72,000			72,000
Exercise of stock options (Note 9)	315,000	0.54	298,384			298,384
Exercise of warrants (Note 9)	4,397,057	1.25	5,496,321			5,496,321
Exercise of broker's warrants (Note 9)	543,529	1.25	918,979			918,979
Stock-based compensation				2,275,298		2,275,298
Less: Fair market value of stock options and broker's warrants exercised				(368,251)		(368,251)
Loss for the year					(3,307,465)	(3,307,465)
Balance, June 30, 2006	59,384,972		$ 33,630,385	$ 3,153,572	$ (15,881,401)	$ 20,902,556

The accompanying notes are an integral part of these consolidated financial statements.

WHITE KNIGHT RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
YEAR ENDED JUNE 30

	Cumulative Amounts from Inception on December 18, 1986 to June 30, 2006	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$ (15,881,401)	$ (3,307,465)	$ (1,063,474)	$ (1,664,257)
Items not affecting cash:				
Amortization	220,145	34,051	30,546	13,893
Write-off of mineral property interests	3,814,257			
Write-off of deferred exploration costs	3,560,589	143,783	194,598	241,549
Loss (gain) on disposal of equipment	(13,867)		757	
Stock-based compensation	3,263,846	2,275,298	148,543	840,005
Unrealized loss (recovery) on temporary investments	8,846	(2,749)	(31,404)	42,999
Loss (gain) on disposal of investments	(166,591)	23,927		
Shares issued for management bonus	150,000			
Changes in non-cash working capital items:				
Decrease (increase) in receivables	(117,490)	58,674	(103,457)	(70,608)
Increase in prepaid expenses	(49,370)	(7,396)	(26,214)	(4,374)
Increase (decrease) in accounts payable and accrued liabilities	298,409	75,709	(51,640)	12,714
Increase (decrease) in due to related parties	118,002	100,248	(52,616)	(153,168)
Net cash used in operating activities	(4,794,625)	(605,920)	(954,361)	(741,247)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of capital stock	32,724,773	6,345,433	3,813,500	11,705,658
Net cash provided by financing activities	32,724,773	6,345,433	3,813,500	11,705,658
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of mineral property interests	(6,046,712)	(288,777)	(673,373)	(611,213)
Deferred exploration costs	(7,339,341)	(2,413,657)	(816,648)	(442,661)
Restricted reclamation bond refunded (posted)	(228,453)	(31,761)	15,547	(65,252)
Acquisition (disposal) of temporary investments (net)	(1,909,954)	8,806,566	(3,413,215)	(7,493,823)
Proceeds from disposal of equipment	58,141		1,968	
Acquisition of equipment	(1,065,944)	(696,458)	(86,486)	(89,321)
Net cash provided by (used in) investing activities	(16,532,263)	5,375,913	(4,972,207)	(8,702,270)
Increase (decrease) in cash during the period	11,397,885	11,115,426	(2,113,068)	2,262,141
Cash, beginning of period		282,459	2,395,527	133,386
Cash, end of period	$ 11,397,885	$ 11,397,885	$ 282,459	$ 2,395,527

Supplemental disclosures with respect to cash flows (Note 13)

The accompanying notes are an integral part of these consolidated financial statements.

WHITE KNIGHT RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
JUNE 30, 2006

1. NATURE AND CONTINUANCE OF OPERATIONS

White Knight Resources Ltd. (the "Company") is a Canadian company incorporated in British Columbia. The Company is primarily engaged in the acquisition and exploration of mineral property interests.

At the date of these consolidated financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its mineral property interests. The ability of the Company to realize the costs it has incurred to date on these mineral property interests is dependent upon the Company being able to lever its property interests and cash, by way of exploration activities and option/joint ventures, into assets of greater value or to identify a commercial ore body, to finance its exploration costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the mineral property interest. To date, the Company has not earned revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. The Company has sufficient resources to meet its obligations for the foreseeable future at its current level of activity.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated balance sheets.

All amounts are in Canadian dollars unless otherwise stated.

	2006	2005
Working capital	$ 13,238,927	$ 11,216,455
Deficit	(15,881,401)	(12,573,936)

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The significant accounting policies adopted by the Company are as follows:

Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and the following subsidiaries, all of which are 100% owned:

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

White Knight Gold (U.S.) Inc.
CUN Minerals Inc.
Quito Gold Corp.

All material inter-company transactions have been eliminated upon consolidation.

Cash

Cash consists of cash on hand and highly liquid investments with original maturities of three months or less. At June 30, 2006 and 2005, cash consisted of cash and guaranteed investment certificates held in financial institutions.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash. The Company places its cash with high quality financial institutions, thereby minimizing exposure for deposits in excess of federally insured amounts. The Company believes that credit risk associated with cash is remote.

Temporary investments

Temporary investments are recorded at the lower of cost or market on an aggregate basis. For temporary investments in which unrealized losses had been recognized in a previous year, any subsequent recoveries in market value are recorded up to original cost. This occurred during fiscal 2006 and 2005.

Mineral property interests and deferred exploration costs

The Company records mineral property interests, which consist of the right to explore for mineral deposits, at cost. The Company records deferred exploration costs, which consist of costs attributable to the exploration of mineral property interests, at cost. All direct and indirect costs relating to the acquisition and exploration of these mineral property interests are capitalized on the basis of specific claim blocks until the mineral property interests to which they relate are placed into production, the mineral property interests are disposed of through sale or where management has determined there to be an impairment. If a mineral property interest is abandoned, the mineral property interest and deferred exploration costs will be written off to operations in the period of abandonment.

On an ongoing basis, the capitalized costs are reviewed on a property-by-property basis to consider if there is any impairment on the subject mineral property interest. Management's determination for impairment is based on: i) whether the Company's exploration programs on the mineral property interests have significantly changed, such that previously identified resource targets are no longer being pursued; ii) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future or iii) whether remaining lease terms are insufficient to conduct necessary studies or exploration work. As at June 30, 2006 and 2005, management believes that no impairment relating to the mineral property interests and deferred exploration costs was required.

The recorded cost of mineral property interests and deferred exploration costs is based on cash paid and the assigned value of share consideration issued for mineral property interest acquisitions and exploration costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Canadian GAAP Conflict in Accounting for Mineral Property Interests and Deferred Exploration Costs

In March 2000, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") issued Accounting Guideline No. 11 "Enterprises in the Development Stage" ("AcG 11"). AcG 11 addresses three

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

distinct issues: i) the capitalization of costs/expenditures; ii) impairment; and iii) disclosure. Prior to its issuance, development stage entities were exempt from following certain aspects of Canadian GAAP. AcG 11 requires that all companies account for transactions based on the underlying characteristics of the transaction rather than the maturity of the enterprise. In addition, AcG 11 requires specific disclosure of information by development stage companies.

In March 2002, the Emerging Issues Committee ("EIC") of the CICA issued EIC-126 "Accounting by Mining Enterprises for Exploration Costs" ("EIC-126") which interprets how AcG 11 affects mining companies with respect to the deferral of exploration costs. EIC-126 refers to CICA Handbook Section 3061 "Property, Plant and Equipment" ("HB 3061"), paragraph .21, which states that for a mineral property interest, the cost of the asset includes exploration costs if the enterprise considers that such costs have the characteristics of property, plant and equipment.

EIC-126 then states that a mining enterprise that has not established mineral reserves objectively, and therefore does not have a basis for preparing a projection of the estimated cash flow from the mineral property interest, is not precluded from considering the exploration costs to have the characteristics of property, plant and equipment. EIC-126 also sets forth the EIC's consensus that a mining enterprise in the development stage is not required to consider the conditions in AcG 11 regarding impairment in determining whether exploration costs may be initially capitalized. With respect to impairment of capitalized exploration costs, EIC-126 sets forth the EIC's consensus that a mining enterprise in the development stage that has not established mineral reserves objectively, and, therefore, does not have a basis for preparing a projection of the estimated cash flow from the property, is not obliged to conclude that capitalized costs have been impaired. However, such an enterprise should consider the conditions set forth in AcG 11 and HB 3061 in determining whether a subsequent write-down of capitalized exploration costs related to mineral property interests is required.

As disclosed above, the Company considers that its mineral property interests and deferred exploration costs have the characteristics of property, plant and equipment, and, accordingly, the Company has chosen to classify its mineral property interests and deferred exploration costs as tangible assets in accordance with its interpretation of Canadian GAAP.

Although the Company believes its accounting policy is appropriate and consistent with Canadian GAAP, there is an alternative interpretation of Canadian GAAP that would consider them to be intangible assets as a result of the issuance of CICA Handbook Section 1581 "Business Combinations" ("HB 1581") and CICA Handbook Section 3062 "Goodwill and Other Intangible Assets" ("HB 3062").

This alternative interpretation under HB 1581 and HB 3062 would provide for the capitalization of a contract based mining asset as an intangible asset at its fair value at the time it was acquired, either as an individual asset purchase or as part of a business combination. For exploration stage mineral property interests and deferred exploration costs such as those owned by the Company, the excess of the carrying value over the residual value of the intangible assets would be amortized on a straight-line basis over the period in which the Company expected to complete its exploration process or convert, develop or further explore the underlying properties. For the Company, a reasonable estimate of this amortization period would be 5 years.

In September, 2004, the CICA amended the guidance in HB 3062 to remove the example of mineral rights as this reference may have implied that mineral rights are necessarily an intangible asset. This amendment confirmed the Company's current method of accounting for mineral property interests. Unless alternative guidance is provided, the Company expects to continue accounting for these assets as tangible assets.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Asset retirement obligations

Effective July 1, 2004, the Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability for an asset retirement obligation and the cost of the related long-lived asset.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount and the fair value less costs to sell.

Risk management

The Company's largest non-monetary assets are its mineral property interests in the United States of America. The Company could accordingly be at risk for foreign currency fluctuations and developing legal and political environments.

The Company does not maintain significant cash or other monetary assets or liabilities in the United States.

The Company relies on local consultants for the management of its exploration activities and for legal and accounting matters.

Equipment and amortization

Equipment is recorded at cost and amortization is calculated at the following rates per annum using the declining-balance method:

Vehicles and technical equipment	30%
Office equipment	20%

Foreign currency translation

The Company's subsidiaries are integrated foreign operations and its operating results are translated into Canadian dollar equivalents using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the period. Translation gains and losses are reflected in loss for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Stock-based compensation

The Company has an employee stock option plan. The Company recognizes an expense arising from stock options granted to both employees and non-employees using the fair value method. The fair value of option grants is generally established at the date of grant using the Black Scholes option pricing model and the compensation amount, equal to the option's fair value, is then recognized over the options vesting periods.

Future income taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. The weighted average number of common shares outstanding at June 30, 2006 of 58,855,176 (2005 – 53,091,304; 2004 – 39,038,472) does not include the 1,500,000 (2005 – 9,808,233; 2004 – 11,964,899) warrants outstanding and the 5,120,000 (2005 – 3,385,000; 2004 – 3,665,000) stock options outstanding.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year.

Comprehensive income (loss)

SFAS No. 130 "Reporting Comprehensive Income" establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at June 30, 2006, the Company has no items that represent comprehensive loss, and therefore has not included a schedule of comprehensive loss in the financial statements.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. TEMPORARY INVESTMENTS

Temporary investments consist of highly liquid bonds with a carrying value at June 30, 2006 of $2,107,699 and a fair value of $2,155,981. The recovery reported in the consolidated financial statements of $2,749 (2005 - $31,404) related to temporary investments is a partial recovery of the unrealized loss on temporary investments reported in fiscal 2004 of $42,999.

WHITE KNIGHT RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
JUNE 30, 2006

4. MINERAL PROPERTY INTERESTS

	Balance at June 30, 2005	Additions	Recovery	Balance at June 30, 2006
Nevada Properties				
Benmark	$ 61,163	$ 19,955	$	$ 81,118
Celt	283,867	1,052		284,919
Cottonwood	93,403	66,811		160,214
Fye Canyon	173,778	47		173,825
Gold Bar Horst	120,828	28,409		149,237
Gold Pick	19,555	5,001		24,556
Goldstone	22,684	9,625		32,309
Hunter	88,788	48,103		136,891
Ian	18,930	12,387		31,317
Knolls	58,154	27,948		86,102
McClusky Pass	96,737	37,723		134,460
New Pass	419,727	1,062	(1,057)	419,732
Pat Canyon	81,163	27,634		108,797
Patty (formerly Indian Ranch)	108,402			108,402
Slaven Canyon	254,556	110,871		365,427
South Cabin Creek	34,349	13,040		47,389
Squaw Creek	377,471	1,498	(108,708)	270,261
Tonkin Summit	100,788	28,875		129,663
Other	41,804	13,196		55,000
Total Nevada Properties	$ 2,456,147	$ 453,237	$ (109,765)	$ 2,799,619

	Balance at June 30, 2004	Additions	Recovery	Balance at June 30, 2005
Nevada Properties				
Benmark	$ 24,922	$ 36,241	$	$ 61,163
Celt	106,057	194,427	(16,617)	283,867
Cottonwood	58,016	35,387		93,403
Fye Canyon	119,889	57,559	(3,670)	173,778
Gold Bar Horst	82,543	38,285		120,828
Gold Pick	10,811	8,744		19,555
Goldstone	19,846	2,838		22,684
Hunter	62,830	25,958		88,788
Ian		18,930		18,930
Knolls		58,154		58,154
McClusky Pass	56,194	40,543		96,737
New Pass	402,981	17,888	(1,142)	419,727
Pat Canyon	34,965	46,198		81,163
Patty (formerly Indian Ranch)	108,402			108,402
Slaven Canyon	163,314	91,242		254,556
South Cabin Creek	17,426	16,923		34,349
Squaw Creek	426,563	25,511	(74,603)	377,471
Tonkin Summit	59,615	41,173		100,788
Other		41,804		41,804
Total Nevada Properties	$ 1,754,374	$ 797,805	$ (96,032)	$ 2,456,147

WHITE KNIGHT RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
JUNE 30, 2006

4. MINERAL PROPERTY INTERESTS (cont'd...)

	Balance at June 30, 2003	Additions	Recovery	Balance at June 30, 2004
Nevada Properties				
Benmark	$	$ 24,922	$	$ 24,922
Celt		106,057		106,057
Cottonwood	30,692	27,324		58,016
Fye Canyon		119,889		119,889
Gold Bar Horst	61,700	20,843		82,543
Gold Pick	8,202	2,609		10,811
Goldstone		19,846		19,846
Hunter	36,203	26,627		62,830
McClusky Pass	400	55,794		56,194
New Pass	387,381	15,600		402,981
Pat Canyon		34,965		34,965
Patty (formerly Indian Ranch)	108,402			108,402
Slaven Canyon	54,177	109,137		163,314
South Cabin Creek	13,052	4,374		17,426
Squaw Creek	404,550	22,013		426,563
Tonkin Summit		59,615		59,615
Total Nevada Properties	$ 1,104,759	$ 649,615	$	$ 1,754,374

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, expects title to all of its interests to be in good standing. The mineral property interests in which the Company has committed to earn an interest are located in the United States and the Company is therefore relying on advice by legal counsel who are basing such advice on the laws of the United States.

Celt, Eureka County, Nevada

In fiscal 2004, the Company acquired the property by staking. During the 2005 fiscal year, the Company entered into a Financing and Acquisition Agreement with Teck Cominco American Incorporated ("TCAI") whereby TCAI was granted the option to earn an initial 51% interest in the property. The terms of the agreement provide for exploration expenditures of US$4,000,000 and cash payments of US$750,000 (US$50,000 paid) which must be incurred and paid to the Company's U.S. subsidiary in annual increments prior to December 31, 2008. TCAI has made a firm commitment to incur US$500,000 in exploration expenditures by December 31, 2005 (completed). Upon TCAI vesting its 51% interest, TCAI and the Company will form a joint venture to further develop the property. When the joint venture completes the earlier of US$8.0 million in expenditures or a preliminary feasibility study, TCAI will have a one-time option to elect to earn an additional 9% interest in the property by funding and completing a feasibility study. Upon TCAI earning its additional interest and the approval of a production plan, the Company will have the option to request that TCAI arrange financing for the Company's share of the capital costs required to develop the property. If the Company exercises this option TCAI shall commit to use its best efforts to arrange or provide project debt financing for not less than 60% of projected capital costs on a limited recourse basis after technical completion. If project costs exceed the amount available for debt financing and the parties elect nonetheless to put the property into production then at the Company's election TCAI shall also arrange or provide the Company's share of equity financing on a subordinate loan basis at LIBOR plus 4%. The property is comprised of 608 claims.

4. MINERAL PROPERTY INTERESTS (cont'd...)

Cottonwood, Eureka County, Nevada

In fiscal 2002, the Company staked 56 claims and executed a mining lease agreement to acquire six adjacent claims. Under the terms of the agreement, the Company has made lease payments totalling US$9,000 and has issued 80,000 common shares of the Company at a value of $69,800. The Company is required to make further annual lease payments of US$5,000. The Company has staked an additional 57 claims in the surrounding area.

Fye Canyon, Eureka County, Nevada

In fiscal 2004, the Company executed a mining lease agreement to acquire 114 claims (the "Underlying Fye Agreement"). Under the terms of the agreement, the Company has made an initial lease payment of US$5,000 which will increase by US$5,000 per year to a maximum of US$50,000 per year. The underlying royalty retained by the owner is 2% of net smelter returns up to a maximum of US$1,000,000 after which it is reduced to 1% of net smelter returns to a maximum of US$5,000,000. During the 2005 fiscal year, the Company entered into a Financing and Acquisition Agreement with TCAI whereby TCAI was granted the option to earn an initial 51% interest in the property. The terms of the agreement provide for exploration expenditures of US$4,000,000, cash payments of US$750,000 (US$50,000 paid) which must be incurred and paid to the Company's U.S. subsidiary in annual increments prior to December 31, 2008, and the assumption of all obligations under the Underlying Fye Agreement. TCAI completed a firm commitment to incur US$500,000 in exploration expenditures by December 31, 2005. Upon TCAI vesting its 51% interest, TCAI and the Company will form a joint venture to further develop the property. When the joint venture completes the earlier of US$8.0 million in expenditures or a preliminary feasibility study, TCAI will have a one-time option to elect to earn an additional 9% interest in the property by funding and completing a feasibility study. Upon TCAI earning its additional interest and the approval of a production plan, the Company will have the option to request that TCAI arrange financing for the Company's share of the capital costs required to develop the property. If the Company exercises this option TCAI shall commit to use its best efforts to arrange or provide project debt financing for not less than 60% of projected capital costs on a limited recourse basis after technical completion. If project costs exceed the amount available for debt financing and the parties elect nonetheless to put the property into production then at the Company's election TCAI shall also arrange or provide the Company's share of equity financing on a subordinate loan basis at LIBOR plus 4%. An additional 231 claims have been staked in the area of interest.

Hunter, Eureka County, Nevada

In fiscal 2002, the Company staked 46 claims and executed a mining lease agreement to acquire two adjacent claims. Under the terms of the agreement, the Company has made lease payments totalling US$14,000 and issued 100,000 common shares of the Company at a value of $73,800. The Company is required to make further annual lease payments of US$7,000.

Patty (formerly Indian Ranch), Eureka County, Nevada

In fiscal 1994, the Company entered into a lease agreement for a 100% interest in 48 claims by issuing 100,000 common shares of the Company. The agreement is subject to a 6% net smelter return royalty payable to the lessee. The agreement was amended during a prior year whereby the Company secured the ability to buy down the 6% net smelter return royalty to 3% by making a payment of US$500,000 and extending the lease term to 2014. The Company holds an additional 496 claims within the area of interest.

4. MINERAL PROPERTY INTERESTS (cont'd...)

In fiscal 1997, the Company entered into an option agreement with Chapleau Resources Ltd. ("Chapleau"). Pursuant to the terms of the agreement and the subsequent amendment, Chapleau was vested a 40% undivided interest in the property in 2001.

In fiscal 2001, the Company and Chapleau entered into an option agreement with Kennecott Exploration Company ("Kennecott") whereby Kennecott could earn a 60% interest in the property by making certain option payments and incurring certain exploration expenditures. After paying the Company certain option payments, Kennecott terminated the agreement in November 2001. Upon termination of the Kennecott agreement, Chapleau's interest in the property was reduced to a 25% undivided interest, leaving the Company with a 75% undivided interest in the property.

In fiscal 2003, the Company and Chapleau entered into an option-joint venture agreement with Placer Dome U.S. Inc. ("PDUS"). Under the terms of the agreement, PDUS may earn a 60% interest in the property by incurring minimum work expenditures of US$2.0 million over a four year period and reimbursing the companies for their 2002 claim filing costs. During fiscal 2005, PDUS provided notice that it had completed the work expenditure requirement and was exercising its right to vest its 60% ownership. The Company now owns an undivided 30% interest.

New Pass, Churchill County, Nevada

In fiscal 1998, the Company purchased a 100% interest in the property from Quest USA Resources Inc. by making payments totalling US$165,000, subject to a 2.75% net smelter return royalty. In fiscal 2000, the Company purchased the 2.75% net smelter return royalty by issuing 100,000 common shares of its capital stock to the vendor. In fiscal 2005, the Company granted Consolidated Odyssey Exploration Inc. ("ODE") an option to earn an initial 50% interest in the property. The Company paid a finders fee of $10,000 with respect to the ODE agreement. In February 2005, ODE assigned all of its rights under the agreement to Bonaventure Enterprises Inc. ("Bonaventure"). Under the terms of the agreement, Bonaventure must incur US$2,000,000 in exploration expenditures, issue 500,000 shares and make option payments totalling US$500,000 over a 4-year period (US$125,000 and 200,000 shares valued at $44,617 received). Upon vesting a 50% interest, Bonaventure may elect to earn an additional 10% interest by financing the completion of a feasibility study. The property is comprised of 107 claims.

Slaven Canyon, Lander County, Nevada

In fiscal 2002, the Company acquired 51 claims by staking. In fiscal 2003, the Company acquired 17 claims by staking and acquired an additional 642 acres of land contiguous to the Company's claims by executing three lease agreements which provide for escalating lease payments. In fiscal 2004, the Company acquired an additional 190 claims by staking and acquired an additional 350 acres of land contiguous to the Company's claims by executing seven lease agreements which provide for cash payments totalling US$7,400 on signing and escalating lease payments thereafter. The underlying royalty retained by the owners ranges from ½% of net smelter returns to 3½% of net smelter returns with a buy-down provision allowing the Company to reduce the underlying royalty to a 2% net smelter return by paying US$1,500,000. In July, 2005, the Company acquired an additional 320 acres of land contiguous to the Company's claims by executing a lease agreement which provides for a cash payment of US$7,619 and re-imbursement of fees of US$15,000 upon signing (both payments made), and escalating lease payments thereafter. The underlying royalty retained by the owner is 2.75%.

4. MINERAL PROPERTY INTERESTS (cont'd...)

Squaw Creek, Elko County, Nevada

Since 1996, the Company has held a 100% interest in 151 claims located in Elko County which were acquired by staking. During the 2005 fiscal year, the Company granted ODE an option to earn an initial 50% interest in the property. The Company paid a finders fee of $10,000 with respect to the ODE agreement. In February 2005, ODE assigned all of its rights under the agreement to Bonaventure. Under the terms of the agreement, Bonaventure must incur US$2,000,000 in exploration expenditures, issue 500,000 shares and make option payments totaling US$500,000 over a 4-year period (US$125,000 and 200,000 shares at a value of $44,617 received). Upon vesting a 50% interest, Bonaventure may elect to earn an additional 10% interest by financing the completion of a feasibility study.

Other Nevada Properties

In fiscal 2002, the Company acquired a 100% interest by staking the South Cabin Creek and Gold Bar Horst properties. In fiscal 2003, the Company acquired a 100% interest in the Gold Pick property by staking. In fiscal 2004, the Company acquired the McClusky Pass, Pat Canyon, Tonkin Summit, Benmark, and Goldstone properties. During the 2005 fiscal year, the Company acquired the Ian and Knolls properties.

5. DEFERRED EXPLORATION COSTS

By Type of Cost	Balance at June 30, 2005	Additions	Balance at June 30, 2006
Assays	$ 713,694	$ 170,016	$ 883,710
Consulting	2,875,000	573,571	3,448,571
Drafting and report preparation	431,177	12,385	443,562
Drilling	3,103,814	1,474,859	4,578,673
Field operations	847,547	151,922	999,469
Reclamation	191,795	176,375	368,170
Recording	80,079		80,079
Supervision	374,039	17,668	391,707
Surveys	740,154	70,595	810,749
Trenching and site preparation	397,332	75,376	472,708
Recovery	(4,998,875)	(223,503)	(5,222,378)
Write-off	(3,246,878)	(143,783)	(3,390,661)
Total	$ 1,508,878	$ 2,355,481	$ 3,864,359

5. DEFERRED EXPLORATION COSTS (cont'd...)

By Type of Cost	Balance at June 30, 2004	Additions	Balance at June 30, 2005
Assays	$ 681,131	$ 32,563	$ 713,694
Consulting	2,577,377	297,623	2,875,000
Drafting and report preparation	416,202	14,975	431,177
Drilling	2,753,845	349,969	3,103,814
Field operations	771,641	75,906	847,547
Reclamation	179,489	12,306	191,795
Recording	80,079		80,079
Supervision	356,723	17,316	374,039
Surveys	497,305	242,849	740,154
Trenching and site preparation	368,921	28,411	397,332
Recovery	(4,897,361)	(101,514)	(4,998,875)
Write-off	(3,052,280)	(194,598)	(3,246,878)
Total	$ 733,072	$ 775,806	$ 1,508,878

By Type of Cost	Balance at June 30, 2003	Additions	Balance at June 30, 2004
Assays	$ 680,604	$ 527	$ 681,131
Consulting	2,342,159	235,218	2,577,377
Drafting and report preparation	393,336	22,866	416,202
Drilling	2,753,845		2,753,845
Field operations	739,812	31,829	771,641
Reclamation	178,609	880	179,489
Recording	80,079		80,079
Supervision	356,177	546	356,723
Surveys	320,921	176,384	497,305
Trenching and site preparation	368,921		368,921
Recovery	(4,897,361)		(4,897,361)
Write-off	(2,810,731)	(241,549)	(3,052,280)
Total	$ 506,371	$ 226,701	$ 733,072

WHITE KNIGHT RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
JUNE 30, 2006

5. DEFERRED EXPLORATION COSTS (cont'd...)

By Property	Balance at June 30, 2005	Additions	Recoveries	Write-offs	Balance at June 30, 2006
Nevada Properties					
Benmark	$ 6,743	$ 25,388	$	$	$ 32,131
Celt	70,920	4,729	(58,144)		17,505
Cottonwood	105,702	351,546			457,248
Fye Canyon	78,139	816	(58,144)		20,811
Gold Bar Horst	54,943	92,504			147,447
Gold Pick	75,290	389,571			464,861
Goldstone	3,864				3,864
Hunter	24,926	9,260			34,186
Ian	625				625
Knolls	9,636	11,723			21,359
McClusky Pass	71,157	458,007			529,164
New Pass	162,063	9,301	(107,215)		64,149
Pat Canyon	22,846				22,846
Patty (formerly Indian Ranch)	24,223	92,487			116,710
Slaven Canyon	730,729	1,075,530			1,806,259
South Cabin Creek	34,106	4,539			38,645
Tonkin Summit	32,966	53,583			86,549
General exploration		143,783		(143,783)	
Total Nevada Properties	$ 1,508,878	$ 2,722,767	$ (223,503)	$ (143,783)	$ 3,864,359

By Property	Balance at June 30, 2004	Additions	Recoveries	Write-offs	Balance at June 30, 2005
Nevada Properties					
Benmark	$ 2,091	$ 4,652	$	$	$ 6,743
Celt	24,295	46,625			70,920
Cottonwood	30,807	74,895			105,702
Fye Canyon	31,495	46,644			78,139
Gold Bar Horst	40,975	13,968			54,943
Gold Pick	60,933	14,357			75,290
Goldstone	2,920	944			3,864
Hunter	23,028	1,898			24,926
Ian		625			625
Knolls		9,636			9,636
McClusky Pass	21,506	49,651			71,157
New Pass	237,246	11,919	(87,102)		162,063
Pat Canyon	13,007	9,839			22,846
Patty (formerly Indian Ranch)	12,395	11,828			24,223
Slaven Canyon	199,521	531,208			730,729
South Cabin Creek	26,322	7,784			34,106
Squaw Creek	2,227	12,185	(14,412)		
Tonkin Summit	4,304	28,662			32,966
General exploration		194,598		(194,598)	
Total Nevada Properties	$ 733,072	$ 1,071,918	$ (101,514)	$ (194,598)	$ 1,508,878

5. DEFERRED EXPLORATION COSTS (cont'd...)

By Property	Balance at June 30, 2003	Additions	Write-offs	Balance at June 30, 2004
Nevada Properties				
Benmark	$	$ 2,091	$	$ 2,091
Celt		24,295		24,295
Cottonwood	30,807			30,807
Fye Canyon		31,495		31,495
Gold Bar Horst	40,975			40,975
Gold Pick	47,939	12,994		60,933
Goldstone		2,920		2,920
Hunter	23,028			23,028
McClusky Pass	7,266	14,240		21,506
New Pass	229,959	7,287		237,246
Pat Canyon		13,007		13,007
Patty (formerly Indian Ranch)	10,099	2,296		12,395
Slaven Canyon	88,532	110,989		199,521
South Cabin Creek	26,322			26,322
Squaw Creek	1,444	783		2,227
Tonkin Summit		4,304		4,304
General exploration		241,549	(241,549)	
Total Nevada Properties	$ 506,371	$ 468,250	$ (241,549)	$ 733,072

6. EQUIPMENT

	2006			2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Vehicles	$ 93,552	$ 40,476	$ 53,076	$ 76,745	$ 24,156	$ 52,589
Technical equipment	847,526	20,602	826,924	41,041	14,221	26,820
Office equipment	79,378	28,525	50,853	76,884	17,175	59,709
	$ 1,020,456	$ 89,603	$ 930,853	$ 194,670	$ 55,552	$ 139,118

7. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2006, the Company entered into the following transactions with related parties:

a) Paid or accrued $264,000 (2005 - $264,000; 2004 - $210,000) in management fees to directors and officers of the Company and to companies controlled by directors of the Company.

b) Paid or accrued $127,504 (2005 - $111,223; 2004 - $115,879) in consulting fees to directors and officers of the Company and to companies controlled by directors of the Company, of which $111,636 (2005 - $111,223; 2004 - $115,879) is included in or written-off to deferred exploration costs.

c) Paid or accrued $117,770 (2005 - $8,815; 2004 – $NIL) in administrative fees to officers and a company controlled by a director of the Company.

At June 30, 2006, there is $118,002 (2005 - $17,754) payable to directors and officers of the Company and to companies controlled by directors of the Company. The amounts are unsecured and non-interest bearing.

The Company entered into consulting agreements with directors and officers of the Company and to companies controlled by directors of the Company. The annual consulting fee commitments are as follows:

2007	$ 324,000
2008	162,000
	$ 486,000

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

8. ASSET RETIREMENT OBLIGATION

The following table presents the aggregate carrying amount of the obligation associated with the retirement of the properties:

	2006	2005
Asset retirement obligation	$ 165,985	$

The undiscounted amount of cash flows, required over the estimated reserve life of the underyling assets, to settle the obligation, adjusted for inflation, is estimated at $196,768 (2005 – $NIL). The obligation was calculated using a credit-adjusted risk free discount rate of 4% and an inflation rate of 4.1%. It is expected that this obligation will be funded from general Company resources at the time the costs are incurred with the majority of costs expected to occur when the properties are disposed of.

9. CAPITAL STOCK

Share issuances

During the 2006 fiscal year the Company had no share issuances other than those issued for mineral property interests, exercise of warrants and stock options.

During the 2005 fiscal year the Company completed a private placement of 1,500,000 units at $1.58, each unit consisting of one common share and one non-transferable share purchase warrant, each warrant entitling the holder to purchase an additional share at $2.50 for one year.

9. CAPITAL STOCK (cont'd...)

During the 2004 fiscal year the Company completed three private placements:

a) 2,500,000 units at $0.40, each unit consisting of one common share and one non-transferable share purchase warrant, each warrant entitling the holder to purchase an additional share at $0.60 for two years (435,000 warrants exercised during the year) with an additional provision that if the closing price of the Company's shares exceeds $0.95 for a period of more than 20 business days, the warrants must be exercised within two weeks of notice (triggered subsequent to year end). A finder's fee of 125,000 units were issued as well as finder's warrants valued at $47,304 entitling the holder to acquire 200,000 shares of the Company at a price of $0.60 for one year; subject to the same additional provision as for the placees (triggered subsequent to year end);

b) 7,764,704 units at $0.85, each unit consisting of one common share and one non-transferable share purchase warrant, each warrant entitling the holder to purchase an additional share at $1.25 for 18 months. Brokers' warrants valued at $239,567 were issued entitling the holder to acquire 543,529 shares of the Company at a price of $1.25, exercisable for 18 months; and

c) 2,222,222 units at $0.90, each unit consisting of one common share and one-half non-transferable share purchase warrant, each one warrant entitling the holder to purchase an additional share at $1.25 for one year. Brokers' warrants valued at $69,035 were issued entitling the holder to acquire 155,555 shares of the Company at a price of $1.25, exercisable for 1 year.

d) Share issuance costs related to private placements during the year totalled $540,522.

Stock options

Under the Company's stock option plan effective November 4, 2002 and amended December 12, 2003, the Company may grant options for up to 7,072,935 common shares to directors, employees and consultants at exercise prices to be determined by the market value on the date of grant. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted with the exception of options granted in relation to investor relations. Options granted to consultants engaged in investor relations activities vest no earlier than as to one-quarter upon the grant date and a further one-quarter after each of the following three three-month periods. The options can be granted for a maximum term of 10 years.

At June 30, 2006, the following incentive stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
755,500	$ 0.23	January 23, 2008
2,074,500	0.41	September 23, 2008
150,000	0.75	March 1, 2009
50,000	0.85	March 21, 2010
40,000	0.67	April 6, 2010
50,000	1.50	October 19, 2010
2,000,000	1.91	January 10, 2011
5,120,000		

9. CAPITAL STOCK (cont'd...)

Stock options (cont'd...)

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2003	3,075,000	$ 0.15
Options granted	2,724,500	0.51
Options exercised	(2,134,500)	0.13
Balance, June 30, 2004	3,665,000	0.43
Options granted	150,000	0.73
Options expired/cancelled	(200,000)	1.25
Options exercised	(230,000)	0.30
Balance, June 30, 2005	3,385,000	0.41
Options granted	2,050,000	1.90
Options exercised	(315,000)	0.54
Balance, June 30, 2006	5,120,000	$ 1.00
Number of options currently exercisable	4,920,000	$ 0.96
Weighted average fair value of options granted during the year	2004	$ 0.39
	2005	0.56
	2006	1.16

Stock-based compensation

The following assumptions were used in the Black-Scholes valuation of stock options and warrants granted during the years presented:

	2006	2005	2004
Weighted average risk-free interest rate	3.9%	3.7 %	4.2 %
Expected life of options and warrants	5 years	5 years	1 year -5 years
Weighted average annualized volatility	71%	101%	118 %
Dividend	0.00%	0.00 %	0.00 %

9. CAPITAL STOCK (cont'd...)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Exercise Price	Expiry Date
Balance, June 30, 2003	5,649,308		
Warrants exercised	(3,708,132)	$ 0.44	November 18, 2003
Warrants exercised	(1,941,176)	0.25	June 27, 2004
Warrants granted	200,000	0.60	October 24, 2004
Warrants granted	2,625,000	0.60	August 3, 2004
Warrants exercised	(435,000)	0.60	August 3, 2004
Warrants granted	7,719,998	1.25	July 29, 2005
Warrants granted	588,235	1.25	August 3, 2005
Warrants granted	1,266,666	1.25	June 25, 2005
Balance, June 30, 2004	11,964,899		
Warrants exercised	(2,290,000)	0.60	August 3, 2004
Warrants expired	(100,000)	0.60	August 3, 2004
Warrants expired	(1,266,666)	1.25	June 25, 2005
Warrants granted	1,500,000	2.50	December 20, 2006
Balance, June 30, 2005	9,808,233		
Warrants exercised	(4,352,351)	1.25	July 29, 2005
Warrants exercised	(588,235)	1.25	August 3, 2005
Warrants expired	(3,367,647)	1.25	July 29, 2005
Balance, June 30, 2006	1,500,000		

The number of warrants outstanding at June 30, 2006 is summarized as follows:

Number of Warrants	Exercise Price	Expiry Date
1,500,000	$ 2.50	December 20, 2006

10. INCOME TAXES

A reconciliation of income tax recovery at statutory rates with the reported income tax recovery is as follows:

	2006	2005	2004
Loss before income tax recovery	$ (3,307,465)	$ (1,063,474)	$ (1,664,257)
Expected income tax recovery	$ (1,227,731)	$ (378,597)	$ (618,241)
Non-deductible expenses	1,144,086	14,884	315,842
Differences in foreign tax rates	13,135	32,371	1,810
Tax loss benefit not recognized for book purposes	70,510	331,342	300,589
Actual income tax recovery	$ NIL	$ NIL	$ NIL

The significant components of the Company's future tax assets are as follows:

	2006	2005	2004
Net operating loss carry forwards	$ 2,413,320	$ 2,338,680	$ 2,517,008
Mineral properties and other assets	681,280	590,427	618,517
Share issuance costs	80,257	117,590	158,213
	3,174,857	3,046,697	3,293,738
Less: valuation allowances	(3,174,857)	(3,046,697)	(3,293,738)
Net future tax assets	$ NIL	$ NIL	$ NIL

The Company has non-capital losses of approximately $6,853,000 which may be carried forward and applied against taxable income in future years. These losses, if unutilized, will begin to expire in 2007. Subject to certain restrictions, the Company has further resource development and exploration expenditures totalling approximately $1,709,000 available to reduce taxable income of future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

11. SEGMENTED INFORMATION

The Company's one reportable operating segment is the exploration and development of mineral properties. Geographic information is as follows:

	Total Assets	Equipment	Mineral Property Interests and Deferred Exploration Costs	Other Assets
June 30, 2006				
Canada	$ 13,637,654	$ 24,639	$	$ 13,613,015
United States	7,864,404	906,214	6,663,978	294,212
	$ 21,502,058	$ 930,853	$ 6,663,978	$ 13,907,227
June 30, 2005				
Canada	$ 11,377,473	$ 30,799	$	$ 11,346,674
United States	4,319,402	108,319	3,965,025	246,058
	$ 15,696,875	$ 139,118	$ 3,965,025	$ 11,592,732

	2006	2005	2004
Loss before other items:			
Canada	$ 3,338,256	$ 893,992	$ 1,366,939
United States	234,710	206,754	101,391
	$ 3,572,966	$ 1,100,746	$ 1,468,330

12. RESTRICTED RECLAMATION BONDS

The Company has secure funds in place with the United States government, a Canadian bank and a United States bank as security for reclamation bonds on its mineral properties. These restricted reclamation bonds were required by the local jurisdictions at the time exploration activities commenced on the properties and do not represent an asset retirement obligation (Note 2). Interest on the certificates of deposit with Canadian and United States banks is paid on a periodic basis to the Company.

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the years ended June 30, 2006, June 30, 2005 and June 30, 2004 include the Company issuing 40,000 common shares each year at a value in the current year of $72,000 (2005 – $28,400; 2004 - $31,200) for the acquisition of mineral property interests. In the year ended June 30, 2004, the Company issued 125,000 units as a finder's fee related to a private placement. Included in accounts payable are $93,378 (2005 – $153,756) relating to deferred exploration costs, $129,328 (2005 – $NIL) relating to equipment, $6,330 (2005 – $NIL) relating to restricted reclamation bonds and $2,695 (2005 – $NIL) relating to mineral property interests.

14. COMMITMENTS

The Company has entered into lease agreements for its premises in Canada and the United States. The annual lease commitments are as follows:

2007	$ 38,295
2008	22,500
	$ 60,795

15. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, temporary investments, receivables, restricted reclamation bonds, accounts payable and accrued liabilities, and due to related parties. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The Company has its cash primarily in one commercial bank in Vancouver, British Columbia, Canada and one commercial bank in Reno, Nevada, United States.

16. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These financial statements have been prepared in accordance with Canadian GAAP. Material variations in the accounting principles, practices and methods used in preparing these financial statements from principles, practices and methods accepted in the United States ("United States GAAP") are described and quantified below.

The impact of the differences between Canadian GAAP and United States GAAP on the consolidated balance sheets would be as follows:

	2006			2005		
	Balance, Canadian GAAP	Adjustments	Balance, United States GAAP	Balance, Canadian GAAP	Adjustments	Balance, United States GAAP
Temporary investments	$ 2,107,699	$ 48,282	$ 2,155,981	$ 10,895,443	$ 36,224	$ 10,931,667
Other current assets	11,564,745		11,564,745	500,597		500,597
Mineral property interests	2,799,619	(2,032,127)	767,492	2,456,147	(1,839,607)	616,540
Deferred exploration costs	3,864,359	(3,864,359)		1,508,878	(1,508,878)	
Equipment	930,853		930,853	139,118		139,118
Restricted reclamation bonds	234,783		234,783	196,692		196,692
	$ 21,502,058	$ (5,848,204)	$ 15,653,854	$ 15,696,875	$ (3,312,261)	$ 12,384,614
Current liabilities	$ 433,517	$	$ 433,517	$ 179,585	$	$ 179,585
Asset retirement obligation	165,985		165,985			
Shareholders' equity	20,902,556	(5,848,204)	15,054,352	15,517,290	(3,312,261)	12,205,029
	$ 21,502,058	$ (5,848,204)	$15,653,854	$ 15,696,875	$ (3,312,261)	$ 12,384,614

16. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd...)

The impact of the differences between Canadian GAAP and United States GAAP on the consolidated statements of operations would be as follows:

	Cumulative Amounts from Inception on December 18, 1986 to June 30, 2006	2006	2005	2004
Loss for the period, Canadian GAAP	$ (15,881,401)	$ (3,307,465)	$ (1,063,474)	$ (1,664,257)
Adjustments:				
Mineral property interests	(2,032,127)	(192,520)	(619,497)	(556,945)
Deferred exploration costs	(3,864,359)	(2,355,481)	(775,806)	(226,701)
Increase in temporary investments	48,282	22,634	36,224	
Loss for the period, United States GAAP	$ (21,723,605)	$ (5,832,832)	$ (2,422,553)	$ (2,447,903)
Basic and diluted loss per share, United States GAAP		$ (0.10)	$ (0.05)	$ (0.06)
Weighted average number of common shares outstanding, United States GAAP		58,855,176	53,091,304	39,038,472

The impact of the differences between Canadian GAAP and United States GAAP on the consolidated statements of cash flows would be as follows:

	Cumulative Amounts from Inception on December 18, 1986 to June 30, 2006	2006	2005	2004
Cash flows used in operating activities, Canadian GAAP	$ (4,794,625)	$ (605,920)	$ (954,361)	$ (741,247)
Acquisition of mineral property interests	(5,449,802)	(209,852)	(619,497)	(556,945)
Deferred exploration costs	(7,339,941)	(2,413,657)	(816,648)	(442,661)
Acquisition (disposal) of temporary investments (net)	(1,909,954)	8,806,566	(3,413,215)	(7,493,823)
Cash flows provided by (used in) operating activities, United States GAAP	(19,494,322)	5,577,137	(5,803,721)	(9,234,676)
Cash flows provided by financing activities, Canadian GAAP and United States GAAP	32,724,773	6,345,433	3,813,500	11,705,658
Cash flows provided by (used in) investing activities, Canadian GAAP	(16,532,263)	5,375,913	(4,972,207)	(8,702,270)
Acquisition of mineral property interests	5,449,802	209,852	619,497	556,945
Deferred exploration costs	7,339,941	2,413,657	816,648	442,661
Acquisition (disposal) of temporary investments (net)	1,909,954	(8,806,566)	3,413,215	7,493,823
Cash flows used in investing activities, United States GAAP	(1,832,566)	(807,144)	(122,847)	(208,841)
Increase (decrease) in cash during the period	11,397,885	11,115,426	(2,113,068)	2,262,141
Cash, beginning of period		282,459	2,395,527	133,386
Cash, end of period	$ 11,397,885	$ 11,397,885	$ 282,459	$ 2,395,527

16. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd...)

Mineral property interests and deferred exploration costs

In accordance with EITF 04-02, the Company classifies the costs of acquiring its mineral interests as tangible assets resulting in no difference between Canadian and United States GAAP.

Under United States GAAP exploration costs on mineral properties, other than acquisition costs, prior to the establishment of proven or probable reserves are expensed as incurred. Under Canadian GAAP these costs may be deferred.

Under United States GAAP, the Company performs evaluations of its investment in mineral properties to assess the recoverability and the residual value of its investments in these assets. All mineral properties are reviewed for impairment whenever events or circumstances change which indicates the carrying amount of an asset may not be recoverable, utilizing established guidelines based on undiscounted future net cash flows from the asset or upon the determination that certain exploration properties do not have sufficient potential for economic mineralization.

Asset retirement obligations

The Company adopted new accounting and disclosure standards under Canadian GAAP (Note 2) since the 2005 fiscal year. Accordingly there were no differences between Canadian GAAP and United States GAAP as at June 30, 2006 and 2005.

Under Canadian GAAP, the Company was not required to record asset retirement obligations as at June 30, 2005. The Company determined there were no asset retirement obligations as at June 30, 2005.

Temporary Investments

Under Canadian GAAP, temporary investments are carried at the lower of aggregate cost or current market value, with any unrealized gain or loss included in the statement of operations. Long-term investments are carried on the cost or equity basis and are only written down when there is evidence of a decline in value that is other than temporary.

Under United States GAAP, SFAS 115 requires that certain debt and equity investments must be classified into available-for-sale or trading securities and stated at fair market values. Any unrealized holding gains or losses are reported as a separate component of shareholders' equity until realized for available-for-sale securities, and included in earnings for trading securities. For United States GAAP purposes, the Company's investment in debt securities have been classified as trading securities. Under SFAS 115, for the 2004 fiscal year there was no difference under Canadian GAAP or United States GAAP as these debt securities have been written down to their fair market value, with an unrealized loss of $42,999 included in the consolidated statement of operations. For the 2006 fiscal year, an excess holding gain of $48,282 (2005 - $36,224) would be recognized under United States GAAP.

16. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd...)

New accounting pronouncements

In May 2005, the Financial Accounting Standards Board (FASB) issued SFAS No. 154, *"Accounting Changes and Error Corrections – A Replacement of APB Opinion No. 20 and SFAS No. 3"*. SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle and applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The provisions of SFAS No. 154 are effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

The FASB has also issued SFAS No. 155 *"Accounting for Certain Hybrid Financial Instruments"* and SFAS No. 156 *"Accounting for Servicing of Financial Assets"*, but they will not have any relationship to the operations of the Company. Therefore a description and its impact for each on the Company's operations and financial position have not been disclosed.

The adoption of these new pronouncements is not expected to have a material effect on the Company's consolidated financial position or results of operations.

White
Knight
Resources Ltd.

Management Discussion & Analysis for the Year Ended June 30, 2006

September 30, 2006

Management's Discussion and Anaylsis (MD&A) is intended to help the reader understand the White Knight Resources Ltd. (the "Company" or "White Knight") financial statements. The information provided herein should be read in conjunction with the Company's audited financial statements and notes for the years ended June 30, 2006 and 2005. The following comments may contain management estimates of anticipated future trends, activities or results. These are not a guarantee of future performance, since actual results could change based on other factors and variables beyond management control.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure the information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

The reader is encouraged to review Company statutory filings on www.sedar.com and to review general information including reports and maps on the Company's website at www.whiteknightres.com.

DESCRIPTION OF BUSINESS AND OVERVIEW

White Knight is an exploration company active in finding and generating new mineral prospects. After performing cursory geologic work, the Company may seek a third party to further explore the project or develop it on its own behalf. The Company's operations have been based in Nevada since 1993.

White Knight has been exploring for Carlin-type gold deposits in Nevada since 1993. The Company has focused its efforts in north central Nevada because management believes the probability of a world-class gold discovery is greater here than in any other geographic region in the world. Industry experience has repeatedly shown that new large and profitable gold deposits are most likely to be discovered in areas where large gold deposits are known to exist. This exploration philosophy has recently been re-affirmed by the Cortez Joint Venture with its current world-class discovery, Cortez Hills.

On May 2, 2006, the Company was presented with a takeover proposal by U.S. Gold Corporation whereby the shareholders of White Knight would receive 0.35 shares of U.S. Gold Corporation for each outstanding share of White Knight with closing to take place by June 28, 2006. U.S. Gold Corporation was unable to receive appropriate clearances from the SEC on a timely basis, and the takeover proposal was withdrawn. Management is currently in communication with U.S. Gold Corporation and is anticipating that a new bid will be proposed in the near future.

The Company has been continuing to follow its own exploration plan whereby targets are being generated on a number of its 100% owned properties. During the 2006 exploration season, significant drill production difficulties have been encountered by the Company. Drill availability is at an all time low and in an effort to alleviate this obstacle, the Company is in the process of building its own drill rig. It is anticipated that this rig will be available for use in December 2006.

A major transaction occurred in the Cortez Trend this year when Barrick Gold Corporation made a successful takeover bid for Placer Dome Inc. Many analysts believe the Cortez Trend assets of Placer Dome were the main target of Barrick. This transaction supports the long held belief that the Company's land package in the Cortez Trend is extremely desirable.

It is management's belief that a well financed, land rich company in north central Nevada will be ultimately successful in the development of a major producing gold company. The Company has a strong financial

position, a substantial land holding in the Cortez Trend and an experienced exploration team. Management believes we have the right combination for success in Nevada.

The Company currently owns eighteen properties (over 70,000 acres), sixteen of which are located within the Cortez Trend. These properties are summarized as follows:

Property	Location	Trend	White Knight Ownership	Optioned to Third Party	Acres	Square Miles
Benmark	Eureka County	Cortez	100%		1,616	2.53
Celt	Eureka County	Cortez	100%	51%	12,569	19.64
Cottonwood	Eureka County	Cortez	100%		2,178	3.40
Fye Canyon	Eureka County	Cortez	100%	51%	6,320	9.88
Goldstone	Eureka County	Cortez	100%		1,191	1.86
Gold Bar Horst	Eureka County	Cortez	100%		3,652	5.71
Gold Pick	Eureka County	Cortez	100%		601	0.94
Hunter	Eureka County	Cortez	100%		1,116	1.74
Ian	Eureka County	Cortez	100%		1,101	1.72
Knolls	Humboldt County	Cortez	100%		3,637	5.68
McClusky Pass	Eureka County	Cortez	100%		5,175	8.09
New Pass	Churchill County	Austin-Lovelock	100%	50%	2,232	3.49
Pat Canyon	Eureka County	Cortez	100%		3,582	5.60
Patty	Eureka County	Cortez	30%		10,008	15.64
Slaven Canyon	Lander County	Cortez	100%		6,599	10.31
South Cabin Creek	Eureka County	Cortez	100%		1,735	2.71
Squaw Creek	Elko County	Carlin	100%	50%	3,040	4.75
Tonkin Summit	Eureka County	Cortez	100%		3,826	5.98
Miscellaneous	Eureka County	Cortez	100%		1,756	2.74
Total					71,934	112.41

MINERAL PROJECT REVIEW

This review of selected properties has been prepared by John M. Leask, P.Eng., Chairman and President of the Company, and a Qualified Person ("QP") as defined by National Instrument 43-101 (Standards of Disclosure for Mineral Projects).

Celt Property

During the 2005 field season, Teck Cominco American Incorporated ("Teck Cominco") executed gravity and Induced Polarization surveys that defined a 7 kilometre long zone interpreted as the faulted western edge of a Lower-plate horst block. Outcrops of dolomitized limestone along the zone are confirmation of shallowly buried Lower-plate lithologies. Teck Cominco collected twenty-six rock chip samples of which ranged from no gold detected to 6.17 grams/tonne gold. The five highest values returned 6.17 grams/tonne, 5.02 grams/tonne, 2.28 grams/tonne, 0.82 grams/tonne and 0.26 grams/tonne. Teck Cominco's follow-up 2005 RC drilling program tested a geophysical/geological series of targets in the central portion of the property. Lower-plate carbonate host rocks were encountered at relatively shallow depths under a veneer of Upper-plate siliclastics in 5 of 8 drill holes. Significant path finder elements, as well as anomalous gold, were encountered. After careful examination of the results, it is now believed that the several kilometre-long gold soil/rock anomaly located along the west Roberts Mountain rangefront, may be a part of a gold system

focused to the west. Teck Cominco is planning to commence a 10,000 ft, 10+ hole campaign to test this model in October 2006.

The Celt property comprises 608 unpatented claims (12,569 acres) located along the western edge of the Roberts Mountains, immediately northeast of the Gold Bar Mine in Eureka County, Nevada. In October 2004, the Company entered into a Financing and Acquisition Agreement with Teck Cominco whereby it was granted the option to earn an initial 51% interest in the property by incurring exploration expenditures, and making cash payments in annual increments prior to December 31, 2008.

Cottonwood Property

The Cottonwood property consists of 2,178 acres situated within the Roberts Mountains District, 5 miles northeast of the former producing Gold Bar Mine and contiguous with the former producing Gold Canyon Mine which lies 1,500 feet east of the property boundary. The Cottonwood property covers a major north-northwest trending window-bounding fault where it is linked to a broad west-northwest trending anticline which has numerous gold occurences located in its hinge zone in Lower-plate lithologies. Additionally, extensive gold mineralized jasperoid is developed along the window bounding (Wall) fault. The Cottonwood property contains the Pot Canyon deposit, the French Trail and South French Trail mineralized zones, and the Wall prospect. In 2005, five shallow holes were completed on the project at the southern end of the target area where a hole drilled by Barrick Gold in the late 1990's was reported to have significant gold in favourable host rocks. Follow-up drill holes around the Barrick hole failed to intersect significant gold mineralization in this area. The planned 2006 drill campaign will focus along the Wall fault north of the 2005 drilling, in the Pot Canyon and French Trail deposit areas where significant gold mineralization has been drilled and remains open for expansion, and at the Gold Ledge prospect along the faulted gold-mineralized anticline east of the Wall fault. This program is slated to begin October 2006.

Fye Canyon Property

During the 2005 field season, Teck Cominco drilled four RC holes to test certain structural and lithological targets generated by the geophysical program. Elevated gold geochemistry (>20 ppb, up to 56 ppb) was encountered in hole F04-04. The Fye Canyon property is comprised of 345 unpatented lode claims (6,320 acres) situated 11 miles south-southeast of the recently discovered Cortez Hills gold deposit. The core of the property is held under the terms of a lease agreement with a private individual. In October 2004, the Company entered into a Financing and Acquisition Agreement with Teck Cominco whereby it was granted the option to earn an initial 51% interest in the property by incurring exploration expenditures, and making cash payments in annual increments prior to December 31, 2008.

Gold Bar Horst Property

The Company's 100% owned Gold Bar Horst property comprises 3,652 acres in two blocks contiguous with the residual property package covering the former producing Gold Bar Mine now owned by American Bonanza Gold Corp. The claims are located on the southwest flank of the Roberts Mountains, 30 miles northwest of Eureka, Nevada. White Knight's land is staked over the north and south projections of a Lower-plate carbonate window which hosts Atlas Precious Metals' past producing Gold Bar deposit (4.36 million tons grading 0.086 opt gold). A thick section of jasperoid with up to 150ppb gold was intersected in a previous drill program 2,000 feet northeast of the Millsite Deposit (1.6 million tons at 0.091 opt gold) on the Gold Bar Horst claims. The Company initiated a nine hole RC drill program on the southern portion of the property in June 2006. The objective of the program was to determine the areal extent of Lower-plate lithologies, explorable within reasonable target depths. In addition, structural edges of the horsted domain were targeted in attempts to extend the Gold Bar "proper" mineralized system.

Gold Pick Property

The Company's 100% owned Gold Pick property is located in the Gold Bar Mine District, 30 miles northwest of Eureka. The property comprises 601 acres which cover two drill defined gold deposits; Gold Pick and Gold Ridge North. The Gold Pick claims are centered on the former Gold Pick open-pit mine from which Atlas Precious Metals produced 48,000 ounces of gold between 1991 and 1994. In April 2006, the Company filed an independent indicated resource estimate on the Gold Pick property. The review, conducted by Mine Development Associates ("MDA") of Reno, Nevada, verified an Indicated Resource of 320,900 oz gold (7,874,000 tons grading 0.041 oz/ton gold) in the Gold Pick and Gold Ridge North deposits. A total of 18 reverse-circulation holes (11,700 ft) were drilled at the Gold Pick project in August and

September of 2005. The results of the exploration campaign demonstrated grade continuity in extensions of both the southwest feeder structure (30 ft @ 0.062 opt Au, 25 ft @ 0.083 opt Au) and the northwest feeder structure (25 ft @ 0.143 opt Au with 10 ft @ 0.226 opt Au), indicating the potential to significantly increase the dimensions of the gold deposit. In addition, the successful extension of the feeder zones away from the pit area into un-drilled terrain opens up the potential for discovery of a new gold deposit. Geologic mapping in the Roberts Mountains District in 2005 led to a recognition of local karsting within the lower-plate host rocks in the area. The karsting presents strong exploration targets as a number of Carlin type deposits in the Carlin trend are related to solution collapse (karst) features. Further work will be required to establish the geologic timing of this karsting and its relevance to gold deposition. The drill program at Gold Pick was encouraging and a follow-up program is planned for late 2006.

Patty Property (formerly Indian Ranch)

The Patty property (Indian Ranch) is located 15 miles southeast of the Cortez Window where 9 million ounces of gold have been found at Cortez Hills-Pediment by Placer Dome/Rio Tinto. The property comprises a single block of 545 unpatented claims located directly on the Cortez Trend. Ownership of the property is 30% White Knight, 10% Chapleau Resources Ltd. and 60% Placer Dome U.S. Inc. ("Placer"). The geologic setting of the Patty project has many similarities to a number of large sedimentary hosted gold deposits in north central Nevada. In 2005, Placer undertook a 5,000 ft drill program to meet minimum work requirements as per the underlying joint venture agreement. Extremely significant drill results were encountered in drill hole PIR 05-10, where an interval of 30ft @ 0.046 opt Au within a thick low grade gold envelope (335 ft @ 0.009 opt Au), was intersected within the upper portion of the Roberts Mountains Formation. This intersection represents the southern most occurrence of gold mineralization hosted within the Roberts Mountain Formation on the Cortez Trend. A follow up drill program began in September 2006.

McClusky Pass Property

The McClusky Pass property totals 243 unpatented claims within the southern Cortez Trend and centered eight miles northwest of the former producing Gold Bar Mine. The claims were staked to cover the projected intersection of the north-northwest trending Cortez Fault Corridor and a northeast trending structural zone. Geophysical surveys executed by the Company imply the existence of two horst blocks linked to northeast cross structures. The Company commenced a drill program in September, 2005. One diamond drill hole was completed to a depth of 1191 ft on the northern portion of the project with only anomalous gold encountered. A reverse-circulation hole was attempted, but was lost at 775 ft, about 200 ft short of the target. The holes were drilled approximately 1000 ft apart to test a geophysically interpreted uplifted block. Anomalous gold and pathfinder elements, as well as intrusive dykes and strong dolomitization, were encountered in the southern most reverse-circulation drill hole. Both holes encountered chert and siltstones with minor limestone interbeds which are interpreted to be part of the Upper-plate. The depth to Lower-plate on the project is not known at this time. Additional work will be performed on the project in 2006 to generate new drill targets.

New Pass Property

The Company's 100% owned New Pass property is located 27 miles west of Austin, Nevada. Unpatented lode claims totaling 2,231 acres form the current land package. Gold mineralization on the property is hosted in silty and carbonaceous limestones of the Augusta Mountain Formation. Previous work by former operator, Westmont Gold Inc., included substantial drilling indicating a large footprint of gold mineralization. In September 2004, the Company granted Consolidated Odyssey Exploration Inc. an option to earn an initial 50% interest in the property; such rights were subsequently transferred to Bonaventure Enterprises Inc. Under the terms of the agreement, Bonaventure must incur exploration expenditures, issue shares and make option payments over a 4-year period. During 2005, Bonaventure completed 28 drill holes totaling 9140 ft of drilling. The results from this campaign, which include 75 ft @ 0.057 opt Au with 10 ft @ 0.307 opt Au and 30 ft @ 0.095 opt Au, confirm the exploration potential for the project. Management is very pleased with both the grade and continuity of gold mineralization. The 2006 drill effort will involve further step out as well as infill drilling of the 2005 program, and is currently underway.

Note: In 1989, Westmont Gold estimated an historic indicated resource of 3,371,000 tons grading an average of 0.042 oz/ton using a 0.02 oz/ton cut-off (142,000 ounces of gold). This historical resource estimate was completed prior to implementation of NI 43-101 and has not been re-defined to conform to CIM approved standards as defined by NI 43-101. This resource estimate has been obtained from sources believed to be reliable and is relevant. The Company is not treating this historical estimate as a NI 43-101 defined resource or reserve verified by a Qualified Person. Until such time as the Company is able to verify and classify this historic resource according to CIM standards, it should not be relied upon.

Slaven Canyon Property

The Slaven Canyon property consists of 6,587 acres located in the northern Shoshone Range, Lander County, Nevada, approximately 14 miles southeast of Battle Mountain. During 2005 this project was drilled with two exploration objectives: 1) to establish the existence of, and depth to, lower-plate limestone host rocks, and 2) to establish a better understanding of the structural controls for the upper-plate hosted mineralization. Drill hole SL21, drilled to a final depth of 2583 ft, encountered several thrust fault sequences. Deep in the hole, a 100 ft-thick, highly sheared micritic limestone was encountered, which was interpreted to be a piece of lower-plate, based on lithology. Diamond drill hole SL25 was completed 3 months later and reached a total depth of 3088 ft. This hole was drilled through the known upper-plate resource and confirmed the grade and disseminated nature of gold mineralization, intersecting 50 ft @ 0.092 opt Au including 5 ft @ 0.380 opt Au. The hole also drilled the same thrusted and repeated sequences observed in DDH SL21. However, the hole, which included some limestone interbeds similar to the limestone drilled in Hole 21, remained in upper-plate rocks to the total depth drilled. The shallow drilling at Slaven (less than 1000 ft) established strong exploration potential for a structurally controlled deposit of significant size in upper-plate host rocks, principally in quartzites which have yielded strong gold values both in drill holes and in surface samples (e.g. 25 ft @ 0.122 opt Au in a roadcut). It is the Company's intention to further explore the property when a drill rig becomes available.

Squaw Creek Property

The Company's 100% owned Squaw Creek property is located 42 miles north due north of Battle Mountain, Nevada on the northern end of the Carlin Trend. In September 2004, the Company granted Consolidated Odyssesy Exploration Inc. an option to earn an initial 50% interest in the property; such rights were subsequently transferred to Bonaventure Enterprises Inc. Under the terms of the agreement, Bonaventure must incur exploration expenditures, issue shares and make payments over a 4-year period.

Strongly anomalous gold mineralization occurs within silicified and brecciated zones often more than 100 feet thick in Upper-plate lithologies and overlying Miocene age volcanics. Carlin-style mineralization is also hosted with silty dolomitic sediments which may be part of the Rodeo Creek Formation. Significant drill intercepts from previous drill results include:

Drill Hole	Length (feet)	Gold (oz/ton)
SC 99-7	5	0.120
SC 99-10	135	0.024
SC 99-11	90	0.021

During the 2005 field season, Bonaventure completed controlled source audio magnetotelluric surveys. A follow-up drill program has just commenced.

OPERATIONS AND FINANCIAL CONDITION

Selected Annual Information

The following is a summary of certain selected financial information that is qualified by the more detailed information appearing in the financial statements of the Company. The Company's fiscal period ends on June 30 of each year. The Company's consolidated financial statements are stated in CAD$ and are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), the application of which, in the case of the Company, conforms in all material respects for the years presented with United States generally accepted accounting principles ("US GAAP"), except as disclosed in the Notes to the consolidated financial statements.

The following is a summary of certain selected audited consolidated financial information for the Company's for each of the last three most recently completed fiscal years:

All in $1,000's except Loss per Share and # of Shares	Audited (Fiscal Year ended June 30) 2006	2005	2004
Working capital	$ 13,239	$ 11,216	$ 9,805
Expl. & dev. expenses	144	195	242
Gen. & admin. expenses	3,163	868	1,422
Net loss	3,307	1,063	1,664
Loss per share	0.06	0.02	0.04
Loss per share (fully diluted)	0.06	0.02	0.04
Total assets	21,502	15,697	12,720
Deferred expl. & dev.	6,664	3,965	2,487
Other non-current assets	1,166	336	298
Total long-term liabilities	166		
Share capital:[1][2]	33,631	26,845	22,905
Number of Shares:[1][2]	59,384,972	54,089,386	50,029,386
Retained deficit	15,881	12,574	11,510

(1) The Company has only one kind and class of shares issued and outstanding, being common shares.
(2) No dividends were paid during the years reported above.

Results of Operations

Fiscal Years ended June 30 2006 and June 30 2005

In 2006, a loss of $3,307,465 or $0.06 per share resulted from short-term investment interest of $442,036, a loss on foreign exchange of $11,574, a partial recovery of $2,749 of the unrealized loss on temporary investments reported in 2004, a stock based compensation charge of $2,275,298 and costs of $1,297,668 before write-offs.

A loss of $1,063,474 or $0.02 per share in 2005 was the result of interest on short-term investments of $261,600, a loss on foreign exchange of $60,377, a partial recovery of $31,404 of the unrealized loss on temporary investments reported in 2004, a loss on disposal of equipment of $757, a stock based compensation charge of $148,543 and costs of $952,203 before write-offs.

During the 2006 fiscal year, $143,783 of preliminary exploration costs were written-off compared to $194,598 in 2005. The increase in administrative costs from $952,203 at June 30, 2005 to $1,297,668 at June 30, 2006 was a result of an increase in audit fees, investor relations and shareholder information costs, transfer agent & listing fees, and travel expenses, reflecting the costs associated with the Company's higher profile in active exploration areas in Nevada.

Summary of Quarterly Results

The following is a summary of certain selected unaudited financial information for the most recent eight fiscal quarters comprising the Company's preceding two fiscal years:

All in $1,000's except Loss per Share	Unaudited (Fiscal Quarters of the Fiscal Year ended June 30, 2006) First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Working capital	$ 16,253	$ 14,778	$ 14,183	$ 13,239
Loss	302	179	2,421	405
Loss per share	0.005	0.003	0.041	0.007
Loss per share (fully diluted)	0.005	0.003	0.041	0.007
Total assets	21,790	21,814	21,415	21,502
Total liabilities	309	444	147	599
Retained deficit	12,876	13,055	15,476	15,881

All in $1,000's except Loss per Share	Unaudited (Fiscal Quarters of the Fiscal Year ended June 30, 2005) First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Working capital	$ 10,056	$ 11,867	$ 11,545	$ 11,216
Loss	204	345	284	230
Loss per share	0.004	0.007	0.005	0.004
Loss per share (fully diluted)	0.004	0.007	0.005	0.004
Total assets	13,878	15,974	15,716	15,697
Total liabilities	57	128	85	180
Retained deficit	11,715	12,059	12,344	12,574

Fourth Quarter ended June 30, 2006

The Company's loss for the quarter ended June 30, 2006 totalled $405,414, a loss of $0.007 per share, as compared to a loss of $2,420,570 ($0.04 loss per share) for the quarter ended March 31, 2006 [loss for the quarters: December 31, 2005 - $179,424 ($0.003 loss per share); September 30, 2005 - $302,057 ($0.005 loss per share)]. Write-off of preliminary exploration costs of $38,248 (total write-off for the nine months ended March 31, 2006 was $105,535) coupled with a stock-based compensation charge of $34,234 ($2,241,064 of stock-based compensation costs for the nine months ended March 31, 2006) and general & administrative expenses of $332,932 contributed to the current quarter's net loss.

General and administrative expenses totalled $332,932, excluding stock-based compensation expense of $34,234 (March 31, 2006 quarter - $196,042, excluding stock-based compensation expense of $2,179,053). Other expenses which affect the loss fluctuate from quarter to quarter and consist of unrealized recovery on temporary investments, interest income and gain or loss on foreign exchange, which do not occur on a regular basis.

The Company's cash and temporary investments decreased by $707,274 during the quarter ended June 30, 2006, from $14,212,858 as at March 31, 2006 to $13,505,584 as at June 30, 2006. Cash resources used in operations totalled $55,112 and in investing activities, $657,662 ($257,485 cash used in acquisition of mineral property costs and deferred exploration costs) while $5,500 cash resources were provided by financing activities.

The Company's activities continued to be focused on exploration in the Cortez Trend, Nevada.

Liquidity

The Company's working capital as at June 30, 2006 was $13,238,927 as compared to $11,216,455 as at June 30, 2005. Cash and temporary investments increased by $2,327,682 from $11,177,902 as at June 30, 2005 to $13,505,584 as at June 30, 2006. Cash used by operating activities during the year ended June 30, 2006 was $605,920 (2005 - $954,361).

Cash provided by investing activities during the year ended June 30, 2006 was $5,375,913 in comparison to $3,927,793 in 2005. A total of $343,472 in mineral property interests and $2,499,264 in deferred exploration costs were expended and initially capitalized during the year ended June 30, 2006, all in Nevada. For the year ended June 30, 2005, the comparative amounts were $701,773 and $970,404 respectively. The Company also invested $696,458 in equipment during the year ended June 30, 2006 (2005 - $86,486). During 2006, the Company acquired temporary investments of $8,806,566 (2005 - $5,486,785).

Cash provided by financing activities during the year ended June 30, 2006 was $6,345,433 compared to $3,813,500 for the year ended June 30, 2005. During the year ended June 30, 2006, 315,000 stock options were exercised for cash proceeds of $169,700 and 4,940,586 warrants were exercised at a price of $1.25 for cash proceeds of $6,175,733.

At the date of these consolidated financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its mineral property interests. The ability of the Company to realize the costs it has incurred to date on these mineral property interests is dependent upon the Company being able to lever its property interests and cash, by way of exploration activities and option/joint ventures, into assets of greater value.

Capital Resources

The Company's authorized capital consists of unlimited common shares without par value. At June 30, 2006 the Company had 59,384,972 issued and outstanding common shares (June 30, 2005 – 54,089,386). At September 30, 2006 the Company had 59,384,972 issued and outstanding shares.

The Company adopted a formal written stock option plan ("Stock Option Plan") dated November 4, 2002 which was subsequently amended and approved as amended by the Shareholders of the Company on December 12, 2003. Under this plan, the Company may grant options for up to 7,072,935 common shares to directors, employees and consultants at exercise prices to be determined by the market value on the date of grant. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted with the exception of options granted in relation to investor relations. Options granted to consultants engaged in investor relations activities must vest no earlier than as to one-quarter upon the grant date and as to a further one-quarter after each of the following three four-month periods. The options can be granted for a maximum term of 5 years. The Amended Stock Option Plan was approved by the TSX Venture Exchange (the "Exchange") on February 13, 2004.

Contributed surplus, which relates to the fair value assigned to stock-based compensation ($2,275,298 expensed in 2006 compared to $148,543 in 2005) less the fair value of stock options exercised ($128,684 in 2006 and $50,626 in 2005) and warrants exercised ($239,567 in 2006 and $47,304 in 2005) totalled $3,135,572 at June 30, 2006 (June 30, 2005 - $1,246,525). The deficit was $15,881,401 as at June 30, 2006 (June 30, 2005 - $12,573,936).

As at June 30, 2006 the Company had 5,120,000 stock options outstanding at exercise prices ranging from $0.23 per share to $1.91 per share with expiry dates ranging from January 23, 2008 to January 10, 2011. Subsequent to June 30, 2006, there were no stock options granted, exercised or terminated. If exercised, the remaining 5,120,000 stock options would increase the Company's available cash by $5,101,110.

As at June 30, 2006 the Company had 1,500,000 warrants outstanding at an exercise price of $2.50 per share which, if exercised, would increase the Company's available cash by $3,750,000.

Related Party Transactions

The Company entered into the following transactions with related parties as follows:

During the year ended June 30, 2006, the Company paid or accrued consulting fees in the amount of $127,504 (2005 - $111,223) and management fees in the amount of $264,000 (2005 - $264,000) to companies controlled by directors. During the year ended June 30, 2006, the Company paid or accrued administrative fees in the amount of $117,770 (2005 - $8,815) to officers and a company controlled by a director of the Company.

Amounts payable to related parties have no specific terms of repayment, are unsecured, and have no interest rate. The amounts charged to the Company for the services provided have been determined by negotiation among the parties and are covered by signed agreements. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Proposed Transactions

The Company is not contemplating any other transactions which have not already been disclosed. The Company continues to look at other property acquisitions and to seek joint venture partners on its remaining unoptioned properties on a regular basis.

Risks and Uncertainties

The Company's financial success will be dependent upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations.

Forward Looking Statements

All statements in this report that do not directly and exclusively relate to historical facts, constitute forward-looking statements. These statements represent the Company's intentions, plans, expectations and beliefs, and are subject to risks, uncertainties, and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.

CORPORATE INFORMATION

JOHN M. LEASK, P.Eng
Chairman & President
Vancouver, BC, Canada

GORDON P. LEASK, P.Eng.
Director
Vancouver, BC, Canada

ROBERT G. CUFFNEY
Vice President, Exploration
Reno, Nevada, USA

BRIAN D. EDGAR, B.A., LI.B.
Director
Vancouver, BC, Canada

MEGAN M. CAMERON-JONES
Director & Secretary
Vancouver, BC, Canada

KAREEN McKINNON
Vice President, Corporate Development
Vancouver, BC Canada

HEAD OFFICE
Suite 922, 510 West Hastings Street
Vancouver, BC, Canada
V6B 1L8

Tel: (604) 681-4462
Fax: (604) 681-0180
E-mail: info@whiteknightres.com
Website: www.whiteknightres.com

NEVADA OFFICE
Suite 140, 121 Woodland Avenue
Reno, Nevada, USA
89523

Tel: (775) 787-3444
Fax: (775) 787-3447

LEGAL COUNSEL
Axium Law Corporation
Vancouver, BC, Canada

TRANSFER AGENT
Pacific Corporate Trust Company
Vancouver, BC Canada

REGISTERED OFFICE
Suite 3350, 1055 Dunsmuir St.
Vancouver, BC, Canada
V7X 1L2

AUDITOR
Davidson & Company
Chartered Accountants
Vancouver, BC, Canada

CAPITALIZATION
Authorized:
Unlimited Common shares
Issued as at September 30, 2006: 59,384,872

FINANCIAL INSTITUTION
Bank of Montreal
Vancouver, BC, Canada

STOCK EXCHANGE
Listed: TSX Venture Exchange
Symbol: WKR-V

WHITE KNIGHT RESOURCES LTD.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE SECOND QUARTER ENDED
December 31, 2006
(unaudited)

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF OPERATIONS

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

White Knight Resources Ltd.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
Unaudited – prepared by management
(Expressed in Canadian Dollars)

	Dec 31 2006	June 30 2006
ASSETS		
Current		
Cash	$ 11,988,005	$ 11,397,885
Temporary investments	135,646	2,107,699
Receivables (net of allowance - $Nil; June 30, 2006 - $NIL)	172,534	117,490
Prepaid expenses	6,455	49,370
Total Current Assets	12,302,640	13,672,444
Mineral property interests (Note 3)	2,764,782	2,799,619
Deferred exploration costs (Note 4)	4,421,865	3,864,359
Restricted reclamation bonds (Note 9)	258,498	234,783
Long term loans receivable (Note 5)	1,126,203	805,269
Equipment	140,651	125,584
Total Assets	**$ 21,014,639**	**$ 21,502,058**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 104,327	$ 315,515
Due to related parties (Note 7)	81,642	118,002
Total current liabilities	185,969	433,517
Asset retirement obligation	165,985	165,985
Total Liabilities	351,954	599,502
SHAREHOLDERS' EQUITY		
Capital stock (Note 6) Authorized: unlimited common shares without par value Issued and outstanding 59,434,972 (June 30/06 – 59,384,972)	33,700,575	33,630,385
Contributed surplus	3,214,975	3,153,572
Deficit accumulated during the exploration stage	(16,252,865)	(15,881,401)
Total Shareholders' Equity	20,662,685	20,902,556
Total liabilities and shareholders' equity	**$ 21,014,639**	**$ 21,502,058**

Approved by the Board:Director:
"John M. Leask"
John M. Leask, P.Eng

Director:
"Megan Cameron-Jones"
Megan Cameron-Jones

The accompanying notes are an integral part of these consolidated financial statements.

White Knight Resources Ltd.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited – prepared by management
(Expressed in Canadian Dollars)
For the period ended December 31

	Cumulative Amounts from Inception on Dec 18, 1986 to Dec 31, 2006	2006		2005	
		Quarter to Date	Year to Date	Quarter to Date	Year to Date
EXPENSES					
Amortization	$ 236,961	$ 8,461	$ 16,816	$ 8,557	$ 17,214
Audit	279,302	(6,121)	23,879	41,023	41,023
Bank charges & interest	26,952	303	603	1,402	3,265
Consulting	1,356,608	45,083	72,981	32,035	63,030
Consulting – stock-based compensation	3,357,939	30,425	94,093	35,245	62,011
Investor relations & shareholder info	718,209	29,733	52,235	35,687	65,303
Legal	645,474	933	3,843	14,996	23,958
Management fees	1,569,910	66,000	132,000	66,000	132,000
Office & miscellaneous	795,847	26,083	42,177	14,110	41,109
Rent	366,189	14,121	27,990	13,566	26,960
Telephone	213,425	4,378	9,210	4,426	10,322
Transfer agent & listing fees	315,990	8,723	10,393	11,985	16,615
Travel & entertainment	532,750	15,534	27,413	25,708	64,092
Wages & benefits	883,637	32,386	52,566	39,586	62,130
LOSS BEFORE UNDER-NOTED ITEMS	**(11,299,193)**	**(276,042)**	**(566,199)**	**(344,326)**	**(629,032)**
Interest income	1,547,091	122,162	251,357	153,096	181,973
Gain on foreign exchange	143,059	15,553	17,485	25,619	4,185
Option payments received (net)	633,519				13,617
Gain on disposal of equipment	13,867				
Unrealized recovery (loss) on temporary investments	(40,478)	(30,182)	(31,632)	7,535	7,836
Gain on disposal of temporary investments	166,591				
Write-off of deferred exploration costs	(3,603,064)	(22,509)	(42,475)	(21,348)	(60,060)
Write-off of mineral property interests	(3,814,257)				
LOSS FOR THE PERIOD	$ (16,252,865)	$ (191,018)	$ (371,464)	$ (179,424)	$ (481,481)
Basic and diluted loss per common share		$ (0.003)	$ (0.006)	$ (0.003)	$ (0.008)
Weighted average number of common shares outstanding		59,402,363	59,393,668	59,163,287	58,410,892

The accompanying notes are an integral part of these consolidated financial statements.

White Knight Resources Ltd.
(An Exploration Stage Company)
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
Unaudited –prepared by management
(Expressed in Canadian Dollars)

	Number of Shares	Price	Amount	Contributed Surplus	Deficit	Total
Balance, June 30, 2006	59,384,972	$	$33,630,385	$ 3,153,572	$ (15,881,401)	$ 20,902,556
Shares issued for:						
Exercise of stock options (Note 5)	50,000	0.75	70,190			70,190
Stock-based compensation				94,093		94,093
Less: fair market value of stock options exercised				(32,690)		(32,690)
Loss for the period					(371,464)	(371,464)
Balance, December 31, 2006	59,434,972		$33,700,575	$ 3,214,975	$ (16,252,865)	$ 20,662,685

The accompanying notes are an integral part of these consolidated financial statements.

White Knight Resources Ltd.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited –prepared by management
(Expressed in Canadian Dollars)
For the period ended December 31

	Cumulative Amounts from Inception on Dec 18, 1986 to Dec 31, 2006	2006 Quarter to Date	2006 Year to Date	2005 Quarter to Date	2005 Year to Date
Cash Flows from Operating Activities					
Loss for the period	$ (16,252,865)	$ (191,018)	$ (371,464)	$ (179,424)	$ (481,481)
Items not affecting cash:					
Amortization	236,961	8,461	16,816	8,557	17,214
Write-off of deferred exploration costs	3,603,064	22,509	42,475	21,348	60,060
Write-off of mineral property interests	3,814,257				
Stock-based compensation	3,357,939	30,425	94,093	35,245	62,011
Gain on disposal of equipment	(13,867)				
Unrealized (recovery) loss on temporary investments	40,478	30,182	31,632	(7,535)	(7,836)
Gain on disposal of investments	(166,591)				
Shares issued for management bonus	150,000				
Changes in non-cash working capital					
Decrease (increase) in prepaid exp.	(6,455)	41,656	42,915	21,244	38,825
Decrease (increase) in receivables	(172,534)	(39,201)	(55,044)	321,108	56,150
Increase (decrease) in accounts payable & accrued. liabilities	312,931	(46,356)	(63,453)	53,927	(104,826)
Increase (decrease) in due to related parties	81,642	(18,887)	(36,360)	(46,029)	46,324
Net cash provided by (used in) operating activities	(5,015,040)	(162,229)	(298,390)	228,441	(313,559)
Cash Flows from Financing Activities					
Issuance of capital stock	32,762,273	37,500	37,500	33,351	6,272,284
Net cash provided by financing activities	32,762,273	37,500	37,500	33,351	6,272,284
Cash Flows from Investing Activities					
Recovery (acquisition) of mineral property interest	(6,038,946)	44,159	10,461	(146,547)	(294,891)
Deferred exploration costs	(7,978,887)	(253,732)	(699,924)	(1,136,660)	(1,538,936)
Restricted reclamation bond posted	(264,828)	(20,417)	(30,045)	(25,106)	(37,330)
Disposal (acquisition) of temporary investments (net)	70,467	1,992,976	1,980,421	567,932	(4,092,159)
Proceeds from disposal of equipment	58,141				
Acquisition of long term loans	(1,183,289)	(165,382)	(378,020)	(155,699)	(155,699)
Acquisition of equipment	(421,886)	(246)	(31,883)	(952)	(19,215)
Net cash provided by (used in) investing activities	(15,759,228)	1,597,358	851,010	(897,032)	(6,138,230)
Increase (decrease) in cash during the period	11,988,005	1,472,629	590,120	(635,240)	(179,505)
Cash, beginning of period		10,515,376	11,397,885	738,194	282,459
Cash, end of period	$ 11,988,005	$ 11,988,005	$ 11,988,005	$ 102,954	$ 102,954

Supplemental disclosures with respect to cash flows (Note 10)

The accompanying notes are an integral part of these consolidated financial statements.

White Knight Resources Ltd.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited –prepared by management
(Expressed in Canadian Dollars)
For the period ended December 31, 2006

1. NATURE AND CONTINUANCE OF OPERATIONS

White Knight Resources Ltd. (the "Company") is a Canadian company incorporated in British Columbia. The Company is an Exploration Stage Company, as defined by Statement of Financial Accounting Standards ("SFAS") No. 7, "Accounting and Reporting by Development Stage Enterprises". The Company is primarily engaged in the acquisition and exploration of mineral property interests.

The ability of the Company to realize the costs it has incurred to date on its mineral property interests is dependent upon the Company being able to lever its property interests and cash, by way of exploration activities and option/joint ventures, into assets of greater value or to identify ore bodies, to finance its exploration costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the mineral property interest. To date, the Company has not earned revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. The Company has sufficient resources to meet its obligations for the foreseeable future at its current level of activity.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated balance sheets.

All amounts are in Canadian dollars unless otherwise stated.

	Dec 31, 2006	Jun 30, 2006
Working capital	$ 12,116,671	$ 13,238,927
Deficit	(16,252,865)	(15,881,401)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of management, all adjustments (consisting of normal and recurring accruals) considered necessary for fair presentation have been included. Operating results for the six month period ended December 31, 2006 are not necessarily indicative of the results that may be expected for the year ended June 30, 2007.

The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual consolidated financial statements for the year ended June 30, 2006. For further information, refer to the consolidated financial statements and footnotes thereto included for the year ended June 30, 2006.

White Knight Resources Ltd.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited –prepared by management
(Expressed in Canadian Dollars)
For the period ended December 31, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Asset retirement obligations

Effective July 1, 2004, the Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability for an asset retirement obligation and the cost of the related long-lived asset.

Stock-based compensation

The Company has an employee stock option plan. The Company recognizes an expense arising from stock options granted to both employees and non-employees using the fair value method. The fair value of option grants is generally established at the date of grant using the Black Scholes option pricing model and the compensation amount, equal to the option's fair value, is then recognized over the options vesting periods.

Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

3. MINERAL PROPERTY INTERESTS

	Balance at June 30, 2006	Additions	Recovery	Balance at Dec 31, 2006
Nevada Properties				
Benmark	$ 81,118	$ 15,092	$	$ 96,210
Celt	284,919			284,919
Cottonwood	160,214	17,294		177,508
Fye Canyon	173,825	1,515	(99,153)	76,187
Gold Bar Horst	149,237	27,618		176,855
Gold Pick	24,556	4,075		28,631
Goldstone	32,309	9,357		41,666
Hunter	136,891	7,244		144,135
Ian	31,317	8,451		39,768
Knolls	86,102	27,169		113,271
McClusky Pass	134,460	36,672		171,132
New Pass	419,732	16,152	(113,315)	322,569
Pat Canyon	108,797	26,863		135,660
Patty	108,402			108,402
Slaven Canyon	365,427	87,866		453,293
South Cabin Creek	47,389	12,677		60,066
Squaw Creek	270,261	22,792	(184,104)	108,949
Tonkin Summit	129,663	28,070		157,733
Other	55,000	12,828		67,828
Total Nevada Properties	$ 2,799,619	$ 361,735	$ (396,572)	$ 2,764,782

3. MINERAL PROPERTY INTERESTS (cont'd...)

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, expects title to all of its interests to be in good standing. The mineral property interests in which the Company has committed to earn an interest are located in the United States and the Company is therefore relying on advice by legal counsel who are basing such advice on the laws of the United States.

Nevada Properties

Celt Project

During the quarter, Teck Cominco American Incorporated ("Teck Cominco") terminated its agreement on the Celt property. The Company maintains its 100% interest in the property.

New Pass Project

In fiscal 2005, the Company entered into an option agreement with Bonaventure Enterprises Inc. ("Bonaventure") whereby Bonaventure may earn a 50% interest in the property by incurring exploration expenditures of US$2,000,000, issuing 500,000 shares and making cash payments of US$500,000 over a 4-year period (US$125,000 and 100,000 shares received during the period). Upon vesting, Bonaventure may elect to earn an additional 10% interest by financing the completion of a feasibility study.

Squaw Creek Project

In fiscal 2005, the Company entered into an option agreement with Bonaventure whereby Bonaventure may earn a 50% interest in the property by incurring exploration expenditures of US$2,000,000, issuing 500,000 shares and making cash payments of US$500,000 over a 4-year period (US$125,000 and 100,000 shares received during the period). Upon vesting, Bonaventure may elect to earn an additional 10% interest by financing the completion of a feasibility study.

4. DEFERRED EXPLORATION COSTS

By Type of Cost	Balance at Jun 30, 2006	Additions	Balance at Dec 31, 2006
Assays	$ 883,710	$ 49,124	$ 932,834
Consulting	3,448,571	201,721	3,650,292
Drafting and report preparation	443,562	1,283	444,845
Drilling	4,578,673	321,669	4,900,342
Field operations	999,468	60,408	1,059,876
Reclamation	368,170	3,559	371,729
Recording	80,079		80,079
Supervision	391,707	3,816	395,523
Surveys	810,749	14,617	825,366
Trenching and site preparation	472,709	21,825	494,534
Recovery	(5,222,378)	(78,041)	(5,300,419)
Write-off	(3,390,661)	(42,475)	(3,433,136)
Total	$ 3,864,359	$ 557,506	$ 4,421,865

White Knight Resources Ltd.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited –prepared by management
(Expressed in Canadian Dollars)
For the period ended December 31, 2006

4. DEFERRED EXPLORATION COSTS (cont...)

By Property	Balance at June 30, 2006	Additions	Recoveries	Write-offs	Balance at Dec 31, 2006
Nevada Properties					
Benmark	$ 32,131	$ 6,306	$	$	$ 38,437
Celt	17,505				17,505
Cottonwood	457,248	139,306			596,554
Fye Canyon	20,811	924	(13,892)		7,843
Gold Bar Horst	147,447	337,668			485,115
Gold Pick	464,861	26,238			491,099
Goldstone	3,864	45,551			49,415
Hunter	34,186	42,545			76,731
Ian	625	13,437			14,062
Knolls	21,359				21,359
McClusky Pass	529,164	15,180			544,344
New Pass	64,149		(64,149)		
Pat Canyon	22,846				22,846
Patty	116,710	1,942			118,652
Slaven Canyon	1,806,259	6,111			1,812,370
South Cabin Creek	38,645	339			38,984
Tonkin Summit	86,549				86,549
General exploration		42,475		(42,475)	
Total Nevada Properties	$ 3,864,359	$ 678,022	$ (78,041)	$ (42,475)	$ 4,421,865

5. LONG TERM LOANS RECEIVABLE

Under the terms of separate agreements, the Company is financing the reconstruction of two drill rigs to be repaid by an arms length third party drill contractor over a period of 20 months upon completion of the reconstructions. One of the drill rigs is currently in operation and repayments have commenced.

6. CAPITAL STOCK

Authorized: unlimited common shares without par value.

Share Issuances

There were no shares issued during the period other than 50,000 common shares issued on the exercise of stock options.

Warrants

At December 31, 2006, there were no warrants outstanding.

White Knight Resources Ltd.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited –prepared by management
(Expressed in Canadian Dollars)
For the period ended December 31, 2006

6 CAPITAL STOCK (cont'd...)

Stock options

Under the Company's stock option plan effective November 4, 2002 and amended November 6, 2003 and October 3, 2006, the Company may grant options for up to 7,072,935 common shares to directors, employees and consultants at exercise prices to be determined by the market value on the date of grant. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted with the exception of options granted in relation to investor relations. Options granted to consultants engaged in investor relations activities must vest no earlier than as to one-quarter upon the grant date and as to a further one-quarter after each of the following three four-month periods.

At December 31, 2006, the following incentive stock options were outstanding:

Number of Shares	Exercise Price	Expiry Date
755,500	$ 0.23	January 23, 2008
2,074,500	0.41	September 23, 2008
100,000	0.75	March 1, 2009
50,000	0.85	March 21, 2010
40,000	0.67	April 6, 2010
50,000	1.50	October 19, 2010
1,875,000	1.91	January 10, 2011
4,945,000		

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2006	5,120,000	$ 1.00
Options exercised	(50,000)	0.75
Options cancelled	(125,000)	1.91
Balance, December 31, 2006	4,945,000	0.98
Number of options currently exercisable	4,920,000	$ 0.97

7. RELATED PARTY TRANSACTIONS

During the year to date, the Company paid management fees in the amount of $132,000 (2005 - $132,000) to directors and officers of the Company and companies controlled by directors.

During the year to date, the Company paid consulting fees in the amount of $66,579 (2005 - $61,240) to directors and officers of the Company and companies controlled by directors. Of that amount, $54,262 (2005 - $57,000) is included or written off to deferred exploration costs.

During the year to date, the Company paid administrative consulting fees in the amount of $71,410 (2005 - $56,058) to officers and directors of the Company and a company controlled by a director.

White Knight Resources Ltd.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited –prepared by management
(Expressed in Canadian Dollars)
For the period ended December 31, 2006

7. RELATED PARTY TRANSACTIONS (cont'd...)

Amounts payable to related parties at December 31, 2006 aggregated $81,642 (June 30, 2006 - $118,002). The fair value for amounts due to related parties is not determinable since there are no stated terms of repayment.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and are covered by signed agreements. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. SEGMENTED INFORMATION

The Company's one reportable segment is the exploration and development of mineral properties. Geographical information is as follows:

	Total Assets	Equipment	Mineral Property Interests and Deferred Exploration Costs	Other Assets
December 31, 2006				
Canada	$ 12,303,803	$ 21,545	$	$ 12,282,258
United States	8,710,836	119,106	7,186,647	1,405,083
	$ 21,014,639	$ 140,651	$ 7,186,647	$ 13,687,341
June 30, 2006				
Canada	$ 13,637,654	$ 24,639	$	$ 13,613,015
United States	7,864,404	906,214	6,663,978	294,212
	$ 21,502,058	$ 930,853	$ 6,663,978	$ 13,907,227

	2006		2005	
	Quarter to Date	Year to Date	Quarter to Date	Year to Date
Loss before other items:				
Canada	$ 219,388	$ 466,526	$ 277,298	$ 514,682
United States	56,654	99,673	67,028	114,350
	$ 276,042	$ 566,199	$ 344,326	$ 629,032

9. RESTRICTED RECLAMATION BONDS

The Company has secure funds in place with the United States government, a Canadian bank and a United States bank as security for restricted reclamation bonds on its mineral properties. These restricted reclamation bonds were required by the local jurisdictions at the time exploration activities commenced on the properties and do not represent an asset retirement obligation (Note 2). Interest on the certificates of deposit with Canadian and United States banks is paid on a periodic basis to the Company.

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the period (2005 – 200,000 common shares of Bonaventure valued at $0.20 per share) include the acquisition of 200,000 common shares of Bonaventure valued at $0.16 per share as per the terms of option agreements (Note 3). Included in accounts payable are $11,754 (2005 – $317,961) related to deferred exploration costs, $72,242 (2005 - $4,822) related to acquisition of equipment and $Nil (2005 - $25,053) related to restricted reclamation bonds.

11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These financial statements have been prepared in accordance with Canadian GAAP. Material variations in the accounting principles, practices and methods used in preparing these financial statements from principles, practices and methods accepted in the United States ("United States GAAP") are described and quantified below.

The impact of the differences between Canadian GAAP and United States GAAP on the consolidated balance sheets would be as follows:

	December 31, 2006			June 30, 2006		
	Balance, Canadian GAAP	Adjustments	Balance, United States GAAP	Balance, Canadian GAAP	Adjustments	Balance, United States GAAP
Temporary investments	$ 135,646	$	$ 135,646	$ 2,107,699	$ 48,282	$ 2,155,981
Other current assets	12,166,994		12,166,994	11,564,745		11,564,745
Mineral property interests	2,764,782	(1,948,223)	816,559	2,799,619	(2,032,127)	767,492
Deferred exploration costs	4,421,865	(4,421,865)		3,864,359	(3,864,359)	
Long term loans	1,126,203		1,126,203	805,269		805,269
Equipment	140,651		140,651	125,584		125,584
Restricted reclamation bonds	258,498		258,498	234,783		234,783
	$ 21,014,639	$ (6,370,088)	$ 14,644,551	$ 21,502,058	$ (5,848,204)	$ 15,653,854
Current liabilities	$ 185,969	$	$ 185,969	$ 433,517	$	$ 433,517
Asset retirement obligation	165,985		165,985	165,985		165,985
Shareholders' equity	20,662,685	(6,370,088)	14,292,597	20,902,556	(5,848,204)	15,054,352
	$ 21,014,639	$ (6,370,088)	$ 14,644,551	$ 21,502,058	$ (5,848,204)	$ 15,653,854

White Knight Resources Ltd.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited –prepared by management
(Expressed in Canadian Dollars)
For the period ended December 31, 2006

11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd...)

The impact of the differences between Canadian GAAP and United States GAAP on the consolidated statements of operations would be as follows:

	Cumulative Amounts from Inception on Dec 18, 1986 to Dec 31, 2006	Three Month Period Ended Dec 31, 2006	Three Month Period Ended Dec 31, 2005	Six Month Period Ended Dec 31, 2006	Six Month Period Ended Dec 31, 2005
Loss for the period, Canadian GAAP	$ (16,252,865)	$ (191,018)	$ (179,424)	$ (371,464)	$ (481,481)
Adjustments:					
Mineral property interests	(1,948,223)	81,488	(107,334)	59,527	(227,346)
Deferred exploration costs	(4,421,865)	(162,035)	(1,152,158)	(557,506)	(1,776,837)
Increase in temporary investments	(58,762)	(58,762)	4,148		36,951
Loss for the period, United States GAAP	$ (22,681,715)	$ (330,327)	$ (1,434,768)	$ (869,443)	$ (2,448,713)
Basic and diluted loss per share, United States GAAP		$ (0.01)	$ (0.02)	$ (0.01)	$ (0.04)
Weighted average number of common shares outstanding, United States GAAP		59,402,363	59,393,668	59,163,287	58,410,892

The impact of the differences between Canadian GAAP and United States GAAP on the consolidated statements of cash flows would be as follows:

	Cumulative Amounts from Inception on Dec 18, 1986 to Dec 31, 2006	Three Month Period Ended Dec 31, 2006	Three Month Period Ended Dec 31, 2005	Six Month Period Ended Dec 31, 2006	Six Month Period Ended Dec 31, 2005
Cash flows used in operating activities, Canadian GAAP	$ (5,015,040)	$ (162,229)	$ 228,441	$ (298,390)	$ (313,559)
Acquisition of mineral property interests	(5,392,987)	81,488	(107,334)	59,527	(227,346)
Deferred exploration costs	(7,978,887)	(253,732)	(1,136,660)	(699,924)	(1,538,936)
Disposal (acquisition) of temporary investments	70,467	1,998,182	572,080	1,921,659	(4,055,208)
Cash flows provided by (used in) operating activities, United States GAAP	(18,316,447)	1,663,709	(443,473)	982,872	(6,135,049)
Cash flows provided by financing activities, Canadian GAAP and United States GAAP	32,762,273	37,500	33,351	37,500	6,272,284
Cash flows provided by (used in) investing activities, Canadian GAAP	(15,759,228)	1,597,358	(897,032)	851,010	(6,138,230)
Acquisition of mineral property interests	5,392,987	(81,488)	107,334	(59,527)	227,346
Deferred exploration costs	7,978,887	253,732	1,136,660	699,924	1,538,936
Acquisition of temporary investments	(70,467)	(1,998,182)	(572,080)	(1,921,659)	4,055,208
Cash flows used in investing activities, United States GAAP	(2,457,821)	(228,580)	(225,118)	(430,252)	(316,740)
Increase (decrease) in cash and cash equivalents during the year	11,988,005	1,472,629	(635,240)	590,120	(179,505)
Cash and cash equivalents, beginning of year		10,515,376	738,194	11,397,885	282,459
Cash and cash equivalents, end of year	$ 11,988,005	$ 11,988,005	$ 102,954	$ 11,988,005	$ 102,954

11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd...)

Mineral property interests and deferred exploration costs

In accordance with EITF 04-02, the Company classifies the costs of acquiring its mineral interests as tangible assets resulting in no difference between Canadian and U.S GAAP. Under U.S. GAAP exploration costs on mineral properties, other than acquisition costs, prior to the establishment of proven or probable reserves are expensed as incurred. Under Canadian GAAP these costs may be deferred.

Under US GAAP, the Company performs evaluations of its investment in mineral properties to assess the recoverability and the residual value of its investments in these assets. All mineral properties are reviewed for impairment whenever events or circumstances change which indicates the carrying amount of an asset may not be recoverable, utilizing established guidelines based on undiscounted future net cash flows from the asset or upon the determination that certain exploration properties do not have sufficient potential for economic mineralization.

Asset retirement obligations

The Company adopted new accounting and disclosure standards under Canadian GAAP (Note 2) since the 2005 fiscal year. Accordingly there were no differences between Canadian GAAP and United States GAAP as at December 31, 2006 and 2005.

Under Canadian GAAP, the Company was not required to record asset retirement obligations as at December 31, 2005. The Company determined there were no asset retirement obligations as at December 31, 2005.

Temporary Investments

Under Canadian GAAP, temporary investments are carried at the lower of aggregate cost or current market value, with any unrealized gain or loss included in the statement of operations. Long-term investments are carried on the cost or equity basis and are only written down when there is evidence of a decline in value that is other than temporary.

Under United States GAAP, SFAS 115 requires that certain debt and equity investments must be classified into available-for-sale or trading securities and stated at fair market values. Any unrealized holding gains or losses are reported as a separate component of shareholders' equity until realized for available-for-sale securities, and included in earnings for trading securities. For United States GAAP purposes, the Company's investment in debt securities Canadian GAAP or United States GAAP as these debt securities have been written down to their fair market value, with an unrealized loss of $31,632 included in the consolidated statement of operations. For the period ending December 31, 2006, an excess holding gain of $Nil (June, 2006 - $48,282) would be recognized under United States GAAP.

New accounting pronouncements

In May 2005, the Financial Accounting Standards Board (FASB) issued SFAS No. 154, *"Accounting Changes and Error Corrections – A Replacement of APB Opinion No. 20 and SFAS No. 3"*. SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle and applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The provisions of SFAS No. 154 are effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd...)

The FASB has also issued SFAS No. 155 *"Accounting for Certain Hybrid Financial Instruments"* and SFAS No. 156 *"Accounting for Servicing of Financial Assets"*, but they will not have any relationship to the operations of the Company. Therefore a description and its impact for each on the Company's operations and financial position have not been disclosed.

The adoption of these new pronouncements is not expected to have a material effect on the Company's consolidated financial position or results of operations.

12. SUBSEQUENT EVENTS

In February 2007, the Company received a formal offer to purchase all of the issued shares of the Company from U.S. Gold Corporation and a wholly-owned subsidiary of U.S. Gold Corporation.

White Knight Resources Ltd.

JOHN M. LEASK, P.Eng
Chairman, President & CEO
Vancouver, BC, Canada

BRIAN D. EDGAR
Director
Vancouver, BC, Canada

ROBERT G. CUFFNEY
Vice-President, Exploration
Reno, Nevada, USA

GORDON P. LEASK, P.Eng.
Director
Vancouver, BC, Canada

MEGAN M. CAMERON-JONES
Director, Secretary & CFO
Vancouver, BC, Canada

KAREEN McKINNON
Vice-President, Corporate Development
Vancouver, BC, Canada

HEAD OFFICE
Suite 922, 510 West Hastings Street
Vancouver, BC, Canada
V6B 1L8

Tel: (604) 681-4462
Fax: (604) 681-0180
E-mail: info@whiteknightres.com
Website: www.whiteknightres.com

NEVADA OFFICE
Suite 140, 121 Woodland Avenue
Reno, Nevada, USA
89523

Tel: (775) 787-3444
Fax: (775) 787-3447

LEGAL COUNSEL
Axium Law Corporation
Vancouver, BC, Canada

TRANSFER AGENT
Pacific Corporate Trust Company
Vancouver, BC Canada

REGISTERED OFFICE
Suite 3350
1055 Dunsmuir Street
Vancouver, BC, Canada V7X 1L2

AUDITOR
Davidson & Company
Chartered Accountants
Vancouver, BC, Canada

CAPITALIZATION
Authorized:
Unlimited common shares
Issued as at February 15, 2007: 59,434,972

FINANCIAL INSTITUTION
Bank of Montreal
Vancouver, BC, Canada

STOCK EXCHANGE
Listed: TSX Venture Exchange
Symbol: WKR-V

White Knight Resources Ltd.

Second Quarter Report for the Period Ending December 31, 2006

Management Discussion and Analysis

February 22, 2007

This discussion and analysis of the consolidated operating results and financial condition of the Company for the six months ended December 31, 2006 and 2005 should be read in conjunction with the Consolidated Financial Statements and the related Notes for the six months then ended. All dollar amounts are in Canadian dollars unless otherwise stated.

White Knight is an exploration company active in finding and generating new mineral prospects. After performing cursory geologic work, the Company may seek a third party to further explore the project or develop it on its own behalf. The Company's operations have been based in Nevada since 1993.

White Knight has been exploring for Carlin-type gold deposits in Nevada since 1993. The Company has focused its efforts in north central Nevada because management believes the probability of a world-class gold discovery is greater here than in any other geographic region in the world. Industry experience has repeatedly shown that new large and profitable gold deposits are most likely to be discovered in areas where large gold deposits are known to exist. This exploration philosophy has been re-affirmed by the Cortez Joint Venture with its current world-class discovery, Cortez Hills.

On February 13, 2007, the Company received a formal offer to purchase all of the issued shares of the Company from U.S. Gold Corporation and a wholly-owned subsidiary of U.S. Gold Corporation (collectively, "U.S. Gold") whereby the shareholders of the Company would receive 0.35 shares of US Gold for each outstanding share of White Knight with closing to take place by March 23, 2007. After commissioning a Fairness Opinion from Genuity Capital Markets, the Company's board of directors has since approved a Directors' Circular in which it recommends that shareholders accept the offer and tender their White Knight shares to the U.S. Gold offer. A copy of the U.S. Gold offer and the Directors' Circular is available on the Company's profile on www.sedar.com.

During the quarter, the Company has been continuing to follow its own exploration plan whereby targets are being generated on a number of its 100% owned properties. During the 2006 exploration season, significant drill production difficulties were encountered by the Company. Drill availability is at an all time low and in an effort to alleviate this obstacle, the Company is in the process of building its own drill rig. It is anticipated that this rig will be available for use in March 2007. Exploration activities in northeastern Nevada continue to gain momentum, being fueled by a gold price of over US$600 per ounce. Although drill availability is a bottleneck for the industry at this point, history has shown that where there is demand, that demand is usually serviced. It appears that the exploration industry in Nevada is relying more and more on core drilling in a region that was almost exclusively serviced by reverse circulation drilling in the past.

The Company currently owns eighteen properties (over 69,000 acres), sixteen of which are located within the Cortez Trend. These properties are summarized as follows:

Property	Location	Trend	White Knight Ownership	Optioned to Third Party	Acres	Square Miles
Benmark	Eureka County	Cortez	100%		1,616	2.53
Celt	Eureka County	Cortez	100%		12,569	19.64
Cottonwood	Eureka County	Cortez	100%		2,323	3.63
Fye Canyon	Eureka County	Cortez	100%	51%	6,320	9.88
Goldstone	Eureka County	Cortez	100%		1,191	1.86
Gold Bar Horst	Eureka County	Cortez	100%		3,652	5.71

Property	Location	Trend	White Knight Ownership	Optioned to Third Party	Acres	Square Miles
Gold Pick	Eureka County	Cortez	100%		601	0.94
Hunter	Eureka County	Cortez	100%		1,116	1.74
Ian	Eureka County	Cortez	100%		1,101	1.72
Knolls	Humboldt County	Cortez	100%		3,637	5.68
McClusky Pass	Eureka County	Cortez	100%		5,009	7.83
New Pass	Churchill County	Austin-Lovelock	100%	50%	2,232	3.49
Pat Canyon	Eureka County	Cortez	100%		3,582	5.60
Patty	Eureka County	Cortez	30%		10,008	15.64
Slaven Canyon	Lander County	Cortez	100%		6,599	10.31
South Cabin Creek	Eureka County	Cortez	100%		1,735	2.71
Squaw Creek	Elko County	Carlin	100%	50%	3,040	4.75
Tonkin Summit	Eureka County	Cortez	100%		3,826	5.98
Miscellaneous	Eureka County	Cortez	100%		1,756	2.74
Total					71,913	112.38

MINERAL PROJECT REVIEW

This review of selected properties has been prepared by John M. Leask, P.Eng., Chairman and President of the Company, and a Qualified Person ("QP") as defined by National Instrument 43-101 (Standards of Disclosure for Mineral Projects).

Celt Property

In October 2006, the Company's joint venture partner, Teck Cominco American Incorporated ("Teck Cominco") commenced a 6-10 hole, 8,000 foot reverse circulation ("RC") drill program on the Celt property which is located in north central Nevada. During the 2005 field season, Teck Cominco completed gravity and IP surveys on the property which defined a 7 kilometre-long geophysical feature interpreted as the faulted western edge of a lower-plate horst block. Lower-plate carbonate host rocks were encountered in six of eight RC holes drilled in 2005, with anomalous gold values encountered. Management now believes that the several kilometre-long gold soil/rock anomaly located along the west Roberts Mountains range front may be related to a gold system focused along horst bounding structures extending to the west of the 2005 drilling. The 2006 drilling campaign is designed to test this model. The Company is currently awaiting final results from Teck Cominco.

The Celt property comprises 608 unpatented claims (12,569 acres) located along the western edge of the Roberts Mountains, immediately northeast of the Gold Bar Mine in Eureka County, Nevada. In October 2004, the Company entered into a Financing and Acquisition Agreement with Teck Cominco whereby it was granted the option to earn an initial 51% interest in the property by incurring exploration expenditures, and making cash payments in annual increments prior to December 31, 2008. In December 2006, Teck Cominco terminated the Financing and Acquisition Agreement and returned the property to the Company.

Cottonwood Property

During October 2006, the Company commenced a four to eight hole, 5,000 to 10,000 ft drill campaign on its 100% owned Cottonwood project located in the Cortez Trend. This project covers a major window-bounding fault (Wall Fault) which places upper-plate rocks in direct contact with lower-plate Devonian limestones. The geologic similarities between the Wall Fault and the major ore forming Post Fault of the Carlin Trend are numerous. The 2006 effort will focus north of the 2005 drilling along the Wall Fault and the subparallel Wall Anticline, in the Pot Canyon

and French Trail deposit areas where significant gold mineralization has been drilled and remains open for expansion.

Fye Canyon Property

Subsequent to the period end, Teck Cominco American Incorporated ("Teck Cominco") requested and received permission from the Company to amend their exploration expenditure commitment under the Financing and Acquisition Agreement dated October 20, 2004. In consideration of the Company granting an extension from December 31, 2006 to March 31, 2007, Teck Cominco will guarantee the US$1,250,000 aggregate expenditure commitment now due by March 31, 2007. Teck Cominco has an option to earn an initial 51% interest in the property by incurring exploration expenditures, and making cash payments in annual increments prior to December 31, 2008.

Gold Bar Horst Property

The Company has completed the Phase I drilling program at its wholly owned Gold Bar Horst property located in the Cortez Trend, Nevada. The drill program tested a "blind" gravel-covered pediment target and was designed to establish depth to lower-plate bedrock previously interpreted by a gravity geophysical survey performed by the Company in 2005. In addition, the program was to test geophysically interpreted horst-bounding structures which may be related to the former producing Gold Bar Mine located within 2,000 feet of the northern claim boundary of the Gold Bar Horst South claim block. Of the proposed 9 drill holes, 6 were drilled but only 4 were completed to the target depth. Technical difficulties, including equipment failure and caving overburden, prevented the completion of the remaining two holes. Lower-plate limestones were encountered as shallow as 390 feet. Anomalous arsenic and trace gold were encountered in all three of the holes for which assays have been received. The Company now interprets that favourable host lithologies are explorable at reasonable depths over an area measuring 3,500 ft x 7,000 ft on the southern Gold Bar horst property. Alteration and gold-arsenic anomalies encountered in the 2006 drilling indicate that the gold-mineralizing system continues southward from Gold Bar. Management is currently evaluating the 2006 drill data with emphasis on generating targets for further drilling.

Hunter Property

Subsequent to the Gold Bar Horst drilling, the Company moved the drill to its wholly owned Hunter property, also located in the Cortez Trend. The Company drilled three shallow (160-400 ft deep) reverse-circulation holes to test depth to bedrock in the pediment area west of the Hunter mineralized zone. All three holes encountered shallow bedrock. Two of the holes intersected anomalous gold values over thicknesses of 15 feet and 115 feet.

Patty Property (formerly Indian Ranch)

During September 2006, the Company's joint venture partner, Barrick Gold Corporation, commenced drilling on the Patty project, formerly named Indian Ranch. The planned program comprises 1,850 metres (6,000 feet) of reverse circulation drilling in 3 to 4 holes. Results from recent drilling provide the incentive for this drill program. Drill hole data from drilling executed between November 2005 and January 2006 show that a thick zone of gold mineralization is hosted within the Roberts Mountains Formation. Structural trends crossing this host will be tested with this drill program. Previously released drill hole PIR05-10 reported an intercept of 9.1 metres grading 1.58 g/t gold within a broad zone of low grade gold mineralization in the Roberts Mountains unit. Several holes angled off the same drill pad also intersected significant gold at what is interpreted to be the same host sequence. Highlights of the program occurred in drill hole PIR05-12 which was drilled at an angle of 70^0 and an azimuth of 350^0 from PIR05-10 and returned the following intervals: 676 ppb Au (0.023 oz/ton) from 1370 feet to 1460 feet (90 feet) including 15 feet grading 1,820 ppb Au (0.057 oz/ton) from 1380 feet to 1395 feet Drill holes PIR05-11, PIR05-13, PIR05-14 and PIR05-15 were all drilled off the drill pad set-up for PIR05-10 and were lost above the target section. Drill hole PIR05-16 also intersected anomalous gold in what is projected as a down faulted block to the south of PIR05-10. The assay interval from 2,620 feet to 2,720 feet returned 219 ppb gold over 100 feet with a high of 500 ppb gold over 5 feet.

New Pass Property

The Company's joint venture partner, Bonaventure Enterprises Inc. ("Bonaventure"), has reported assay results for the first 5 drill holes of its planned 30-hole Phase 2 drilling program. A total of 2,300 feet of reverse circulation drilling has been conducted. Phase 2 drilling is testing additional potential to the north, east and west of the current resource and the large gap between the northern and southern parts of the resource. It is notable that 4 of the 5 holes drilled have 85 to 115 feet aggregate thicknesses of +0.01 oz/ton gold. Complete drilling results using 10 feet of 0.010 oz/ton gold as a cut off are shown in the table below.

New Pass – Phase 2 Drilling Program									
SECTION (Feet)	HOLE #	Azimuth (Degrees)	Dip (Degrees)	Total Depth (Feet)	From (Feet)	To (Feet)	Interval (Feet)	Gold Values (oz/ton)	Silver Values (oz/ton)
3300N	NP-0605	70	-45	600	275	360	85	0.038	0.10
3400N	NP-0604	70	-45	200	45	55	10	0.026	0.04
	NP-0607	70	-45	650	355	379	15	0.013	0.02
					530	605	75	0.029	0.99
3500N	NP-0601	70	-45	400	60	115	55	0.012	0.06
					255	275	20	0.016	<0.01
					295	315	20	0.024	0.05
					320	340	20	0.013	0.07
	NP-0602	70	-90	450	110	120	10	0.013	0.05
					180	190	10	0.016	0.12
					295	330	35	0.016	0.04
					365	385	20	0.017	0.09
					395	415	20	0.012	0.30

Note: Intervals are true thickness, except -90° holes which are 85% true thickness, gold and silver values are in troy ounces per short ton (oz/ton)

Drill holes NP-0601 and 0602 were drilled at the northern end of the drill grid, 200 to 300 feet west of NP-0502, which contained +0.01 oz/ton gold values in the volcanic tuff above the main limestone-hosted mineralized zone. Both holes had gold intercepts in the volcanics as well as the limestone below. More holes are planned further north, where thicker tuff units occur. Drill hole NP-0604 was drilled 200 feet east of the resource and NP-0605 was drilled 200 feet west of the nearest hole on the west side of the resource. Finally, drill hole NP-0607 was drilled 500 feet west of the resource to test the down-dip extension of the resource. As shown above, drill hole NP-0607 intersected two zones including 75 feet averaging 0.029 oz/ton gold. Additional drilling is planned to the north and south. Converted to metric values, drill hole NP-0607 intersected 0.99 grams gold, 33.9 grams silver per metric ton (tonne) over 22.9 meters. Drill hole NP-0605 intersected 1.30 grams gold per tonne over 25.9 meters.

Drilling has been suspended due to winter conditions and is expected to resume as weather permits. The limited drilling to date has been highly successful in demonstrating the exploration potential for the project. A sizable drill campaign is warranted for a project of this quality. Bonaventure has an option to earn an initial 50% interest in the property from the Company by incurring exploration expenditures, issuing shares and making option payments over a 4-year period. During the period, the Company filed a 43-101 report on the New Pass Property which can viewed at www.sedar.com.

Slaven Canyon Property

The Slaven Canyon property consists of 6,587 acres located in the northern Shoshone Range, Lander County, Nevada, approximately 14 miles southeast of Battle Mountain. During 2005 this project was drilled with two exploration objectives: 1) to establish the existence of, and depth to, lower-plate limestone host rocks, and 2) to establish a better understanding of the structural controls for the upper-plate hosted mineralization. Drill hole SL21, drilled to a final depth of 2583 ft, encountered several thrust fault sequences. Deep in the hole, a 100 ft-thick, highly sheared micritic limestone was encountered, which was interpreted to be a piece of lower-plate, based on lithology. Diamond drill hole SL25 was completed 3 months later and reached a total depth of 3088 ft. This hole was drilled through the known upper-plate resource and confirmed the grade and disseminated nature of gold mineralization, intersecting 50 ft @ 0.092 opt Au including 5 ft @ 0.380 opt Au. The hole also drilled the same thrusted and repeated sequences observed in DDH SL21. However, the hole, which included some limestone interbeds similar to the limestone drilled in Hole 21, remained in upper-plate rocks to the total depth drilled. The shallow drilling at Slaven (less than 1000 ft) established strong exploration potential for a structurally controlled deposit of significant size in upper-plate host rocks, principally in quartzites which have yielded strong gold values both in drill holes and in surface samples (e.g. 25 ft @ 0.122 opt Au in a roadcut).

Squaw Creek Property

The Company's joint venture partner, Bonaventure, has completed its first phase of drilling at the Company's Squaw Creek property located in Nevada. A total of three deep angle reverse circulation (RC) and core holes were completed totaling 4,802 feet. The drilling successfully found the bounding fault of a large horst block defined by geophysics, and also drilled a thick section of brittle rocks, favorable hosts for Hollister style high-grade veins. Drill hole SC0602, drilled due east at a 45 degree angle to a total depth of 1,380 feet, intersected 540 feet of gravel on the down-dropped side of a major fault before entering Tertiary age tuffaceous rocks and then a fault at 780 feet. The bounding fault, inferred to dip westerly, is filled with an andesite dike (20 feet thick) and a few very thin (up to 2 inches) low-temperature quartz veinlets. The footwall of the fault is Ordovician quartzite and lesser chert, argillite and shale. Seven other structures occur deeper in the hole and are thought to be related to the same faulting event. All of the structures contain anomalous gold as shown in the table below. The highest 5 foot assay of 1.5 g/t gold occurs in the deepest structure (1,315-1,320 feet) and indicates gold values may be improving with depth. Drill hole SC0601, drilled 1,500 feet east of 0602 in a due west direction at a 45 degree angle, had a total depth of 2,102 feet. After penetrating 60 feet of gravel, the hole intersected Tertiary age tuff and then Ordovician age rocks at 460 feet. Although it penetrated a thick section of brittle rocks which are good hosts for veining, the hole contains only minor structure. Several weakly anomalous gold values are associated with this weak fracturing and the highest gold number in the hole is again the deepest intercept, from 1,640 to 1,645 feet, assaying 0.22 g/t gold. Drilled far to the east of the horst structure drilled in 0602, this hole was drilled semi-parallel to the dip of the main fault zone. Located 3,300 feet south and 70 feet east of SC0602, drill hole SC0603, drilled due west at a 45 degree angle to a total depth of 1,320 feet, intersected 20 feet of gravel before entering Tertiary age tuffaceous rocks. Between 790 and 960 feet Ordovician meta-basalt, thought to be an un-rooted landslide block within the tuffs, was intersected. Tuffaceous rocks occur from 960 feet to total depth. A single fault zone from 985 to 1000 feet contains anomalous gold with the highest value being 995 to 1000 feet which assayed 2.19 g/t gold. Projecting the horst bounding fault intersected in 0602, this hole was drilled west of the structure and into the hanging wall of the fault. Assay results for all three drill holes are presented below with only intercepts of 10 or more feet and + 0.10 g/t included.

SQUAW CREEK SUMMARY DRILLING RESULTS PHASE 1 PROGRAM							
HOLE #	Azimuth Degrees	Dip Degrees	TotalDepth Feet	From Feet	To Feet	Interval Feet	Gold Values G/T
SC0601	270	-45	2102	590.0	600.0	10.0	0.13
				965.0	975.0	10.0	0.14
				1055.0	1075.0	20.0	0.15
				1100.0	1110.0	10.0	0.12
				1180.0	1190.0	10.0	0.17
SC0602	90	-45	1380	780.0	805.0	25.0	0.43
				835.0	865.0	30.0	0.33
				875.0	900.0	25.0	0.17
				930.0	945.0	15.0	0.13
				1090.0	1100.0	10.0	0.16
				1110.0	1165.0	55.0	0.44
				1210.0	1220.0	10.0	0.16
				1285.0	1295.0	10.0	0.32
				1315.0	1325.0	10.0	0.80
SC0603	270	-45	1320	985.0	1000.0	15.0	1.13

Phase 2 drilling at Squaw Creek, planned for the summer of 2007, will continue to test the major north-south trending, west dipping fault system. A test deeper below SC0602 as well as additional holes to the north and south along trend are planned. All holes will be drilled from west to east in order to drill perpendicular to structure. Bonaventure has an option to earn an initial 50% interest in the property by incurring exploration expenditures, issuing shares and making option payments over a 4-year period.

OPERATIONS AND FINANCIAL CONDITION

Summary of Quarterly Results

The following is a summary of certain selected unaudited financial information for the most recent eight fiscal quarters.

All in $1,000's except Loss per Share	Unaudited (Fiscal Quarters of the Fiscal Year ended June 30, 2007) First Quarter	Second Quarter
Working capital	$ 12,582	$ 12,116
Loss	$ 180	$ 191
Loss per share	$ (0.003)	$ (0.003)
Loss per share (fully diluted)	$ (0.003)	$ (0.003)
Total assets	$ 21,225	$ 21,015
Total liabilities	$ 439	$ 352
Deficit	$ 16,062	$ 16,252

All in $1,000's except Loss per Share	Unaudited (Fiscal Quarters of the Fiscal Year ended June 30, 2006) First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Working capital	$ 16,253	$ 14,778	$ 14,183	$ 13,239
Loss	302	179	2,421	405
Loss per share	0.005	0.003	0.041	0.007
Loss per share (fully diluted)	0.005	0.003	0.041	0.007
Total assets	21,790	21,814	21,415	21,502
Total liabilities	309	444	147	599
Retained deficit	12,876	13,055	15,476	15,881

All in $1,000's except Loss per Share	Unaudited (Fiscal Quarter of the Fiscal Year ended June 30, 2005) Third Quarter	Fourth Quarter
Working capital	$ 11,545	$ 11,216
Loss	$ 284	$ 230
Loss per share	$ 0.005	$ 0.004
Loss per share (fully diluted)	$ 0.005	$ 0.004
Total assets	$ 15,716	$ 15,697
Total liabilities	$ 85	$ 180
Deficit	$ 12,344	$ 12,574

Results of Operations

For the three months ended December 31

The Company's loss for the quarter ended December 31, 2006 totaled $191,018, a loss of $0.003 per share, as compared to a loss of $179,424 ($0.003 loss per share) for the quarter ended December 31, 2005. Write-off of preliminary exploration costs of $22,509 (total write-off for the three months ended December 31, 2005 was $21,348) coupled with a stock-based compensation charge of $30,425 ($35,245 of stock-based compensation costs for the three months ended December 31, 2005) and general & administrative expenses contributed to the current quarter's net loss.

General and administrative expenses for the quarter ended December 31, 2006 totaled $245,617, excluding the stock-based compensation expense (December 31, 2005 - $309,081). Other expenses which affect the loss fluctuate from quarter to quarter and consist of unrealized loss or recovery on temporary investments, interest income and gain or loss on foreign exchange, which do not occur on a regular basis.

The Company's cash and temporary investments decreased by $550,529 during the quarter ended December 31, 2006, from $12,674,180 as at September 30, 2006 to $12,123,651 as at December 31, 2006. Cash resources used in operations totaled $162,229. Investing activities, excluding the transfer of temporary investments into cash of $1,992,976, used cash of $395,618 including $209,573 in acquisition of mineral property costs and deferred exploration costs.

The Company's activities continued to be focused on exploration in the Cortez Trend, Nevada.

Liquidity

The Company's working capital as at December 31, 2006 was $12,116,671 as compared to $14,777,689 as at December 31, 2005. Cash and temporary investments decreased by $2,974,741 from $15,098,392 as at December 31, 2005 to $12,123,651 as at December 31, 2006. Cash used by operating activities during the six month period ended December 31, 2006 was $298,390 (2005 - $313,559).

Cash provided by investing activities during the six month period ended December 31, 2006 was $851,010 in comparison to $6,138,230 cash used in 2005. The Company recorded a net recovery of $10,461 in mineral property interests and expended and initially capitalized $699,924 in deferred exploration costs during the year to date ended December 31, 2006, all in Nevada. For the similar period ended December 31, 2005, the comparative amounts were expenditures of $294,891 and $1,538,936 respectively. The Company also invested cash of $409,903 in equipment during the year to date ended December 31, 2006 (2005 - $174,914). During the six month period ended December 31, 2006, the Company disposed of temporary investments in the amount of $1,980,421 (2005 - $4,092,159 of temporary investments were acquired).

Cash provided by financing activities during the year to date ended December 31, 2006 was $37,500 compared to $6,272,284 for the similar period ended December 31, 2005.

At the date of these consolidated financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its mineral property interests. The ability of the Company to realize the costs it has incurred to date on these mineral property interests is dependent upon the Company being able to lever its property interests and cash, by way of exploration activities and option/joint ventures, into assets of greater value.

Capital Resources

The Company's authorized capital consists of an unlimited number of common shares without par value. At December 31, 2006, the Company had 59,434,972 issued and outstanding common shares (December 31, 2005 – 59,194,972), and at January 31, 2007 the Company had 59,434,972 issued and outstanding shares.

The Company adopted a formal written stock option plan ("Stock Option Plan") dated November 4, 2002 which was subsequently amended on November 6, 2003 and October 3, 2006. Under this plan, the Company may grant options for up to 7,072,935 common shares to directors, employees and consultants at exercise prices to be determined by the market value on the date of grant. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted with the exception of options granted in relation to investor relations. Options granted to consultants engaged in investor relations activities must vest no earlier than as to one-quarter upon the grant date and as to a further one-quarter after each of the following three four-month periods. The options can be granted for a maximum term of 5 years. The most recent Amended Stock Option Plan was approved by the TSX Venture Exchange (the "Exchange") on January 25, 2007.

During the period ended December 31, 2006, 50,000 stock options at $0.75 were exercised for cash proceeds of $37,500 and 125,000 stock options at $1.91 expired. As at December 31, 2006 the Company had 4,945,000 stock options outstanding at exercise prices ranging from $0.23 per share to $1.91 per share with expiry dates ranging from January 23, 2008 to January 10, 2011. Subsequent to December 31, 2006, no stock options were granted, exercised or cancelled. If exercised, the remaining 4,945,000 stock options would increase the Company's available cash by $4,824,860.

During the period, 1,500,000 warrants at $2.50 expired. At December 31, 2006 the Company had no warrants outstanding.

Related Party Transactions

The Company entered into the following transactions with related parties as follows:

During the period ended December 31, 2006, the Company paid or accrued management fees in the amount of $132,000 (2005 - $132,000) to companies controlled by directors.

During the period ended December 31, 2006, the Company paid or accrued administrative consulting fees in the amount of $71,410 (2005 - $56,058) to directors and officers of the Company and a company controlled by a director.

During the period ended December 31, 2006, the Company paid consulting fees in the amount of $66,579 (2005 - $61,240) to directors and officers of the Company and companies controlled by directors. Of that amount, $54,262 (2005 - $57,006) is included or written off to deferred exploration costs.

Amounts payable to related parties at December 31, 2006 aggregated $81,642 (June 30, 2006 - $118,002). The fair value for amounts due to related parties is not determinable since there are no stated terms of repayment.

Amounts payable to related parties have no specific terms of repayment, are unsecured, and have no interest rate. The amounts charged to the Company for the services provided have been determined by negotiation among the parties and are covered by signed agreements. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Proposed Transactions

In January 2007, U.S. Gold Corporation filed an amended S-4 Registration Statement with respect to an anticipated take-over of the Company.

The Company constantly seeks business opportunities to advance its business and to increase shareholder value. It is the policy of the Company to disclose material transactions in accordance with the requirements of the regulatory authorities and when in the best interests of the Company to do so.

Risks and Uncertainties

The Company's financial success will be dependent upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations.

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer, John M. Leask, and Chief Financial Officer, Megan Cameron-Jones, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by the required filings.

Based upon the evaluation described above, the Chief Executive Officer and the Chief Financial Officer concluded that as of the end of the period covered by the required filings, the Company's disclosure controls and procedures were effective in timely alerting them to the material information relating to the Company (or its consolidated subsidiaries) required to be included in reports that the Company files.

Forward Looking Statements

All statements in this report that do not directly and exclusively relate to historical facts, constitute forward-looking statements. These statements represent the Company's intentions, plans, expectations and beliefs, and are subject to risks, uncertainties, and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.

White Knight Resources Ltd.

JOHN M. LEASK, P.Eng
Chairman, President & CEO
Vancouver, BC, Canada

BRIAN D. EDGAR
Director
Vancouver, BC, Canada

ROBERT G. CUFFNEY
Vice-President, Exploration
Reno, Nevada, USA

GORDON P. LEASK, P.Eng.
Director
Vancouver, BC, Canada

MEGAN M. CAMERON-JONES
Director, Secretary & CFO
Vancouver, BC, Canada

KAREEN McKINNON
Vice-President, Corporate Development
Vancouver, BC, Canada

HEAD OFFICE
Suite 922, 510 West Hastings Street
Vancouver, BC, Canada
V6B 1L8

Tel: (604) 681-4462
Fax: (604) 681-0180
E-mail: info@whiteknightres.com
Website: www.whiteknightres.com

NEVADA OFFICE
Suite 140, 121 Woodland Avenue
Reno, Nevada, USA
89523

Tel: (775) 787-3444
Fax: (775) 787-3447

LEGAL COUNSEL
Axium Law Corporation
Vancouver, BC, Canada

TRANSFER AGENT
Pacific Corporate Trust Company
Vancouver, BC Canada

REGISTERED OFFICE
Suite 3350
1055 Dunsmuir Street
Vancouver, BC, Canada V7X 1L2

AUDITOR
Davidson & Company
Chartered Accountants
Vancouver, BC, Canada

CAPITALIZATION
Authorized:
Unlimited common shares
Issued as at February 15, 2007: 59,434,972

FINANCIAL INSTITUTION
Bank of Montreal
Vancouver, BC, Canada

STOCK EXCHANGE
Listed: TSX Venture Exchange
Symbol: WKR-V

This is **Exhibit "G"** referred to in the affidavit of William F. Pass sworn before me at Vancouver this 19th day of May, 2007.

A Commissioner for taking Affidavits for British Columbia

SUSAN A. GRIFFIN, Q.C.
Barrister & Solicitor
FRASER MILNER CASGRAIN LLP
1500 - 1040 West Georgia Street
Vancouver, B.C. V6E 4H8
Telephone (604) 687-4460

This document is important and requires your immediate attention. If you are in doubt as to how to respond to the offer described in this Directors' Circular, you should consult with your investment dealer, stockbroker, bank manager, lawyer or other professional advisor.

TONÉ RESOURCES LIMITED

DIRECTORS' CIRCULAR

RECOMMENDING

ACCEPTANCE

OF THE OFFER BY
U.S. GOLD CORPORATION
AND
US GOLD CANADIAN ACQUISITION CORPORATION

TO PURCHASE ALL OF THE
OUTSTANDING COMMON SHARES OF

TONÉ RESOURCES LIMITED

**THE BOARD OF DIRECTORS
UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS
ACCEPT THE OFFER AND TENDER THEIR
COMMON SHARES TO THE OFFER**

NORTHERN SECURITIES INC. HAS ADVISED THAT THE CONSIDERATION UNDER THE OFFER IS FAIR, FROM A FINANCIAL POINT OF VIEW, TO THE SHAREHOLDERS

FEBRUARY 20, 2007

NOTICE TO SHAREHOLDERS IN THE UNITED STATES

The Offer is made for securities of a Canadian issuer, and while the Offer is subject to Canadian disclosure requirements, investors should be aware that these requirements are different from those of the United States. The enforcement by investors of civil liabilities under the United States federal securities laws may he adversely affected by the fact that Toné Resources Limited is located in Canada and that some of its officers and directors are residents of a country other than the United States.

FORWARD-LOOKING STATEMENTS

This Directors' Circular includes "forward-looking statements". All statements, other than statements of historical fact, included in this Directors' Circular, which address activities, events or developments that Toné Resources Limited ("Toné") expects or anticipates will or may occur in the future and all statements regarding plans, objectives, expected performance and other such matters are forward-looking statements. When used in this Directors' Circular, the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and other similar expressions are intended to identify forward-looking statements. These statements contain known and unknown risks and uncertainties. Except for ongoing obligations to disclose material information under applicable securities laws, Toné undertakes no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

Important factors that may affect these expectations include, but are not limited to: general economic conditions, whether competing bids or other transactions emerge, whether the conditions of any proposed transaction are met, and other factors disclosed from time to time in Toné's filings with securities regulatory authorities in British Columbia, Alberta, Ontario and Yukon. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

CURRENCY

All dollar amounts in this Directors' Circular are in Canadian dollars, unless otherwise indicated.

AVAILABILITY OF DISCLOSURE DOCUMENTS

Toné is a reporting issuer or equivalent in British Columbia, Alberta, Ontario and Yukon, and files its continuous disclosure documents and other documents with such provincial and territorial securities regulatory authorities. Continuous disclosure documents are available at www.sedar.com.

U.S. Gold's common stock is registered under the U.S. *Securities Exchange Act* of 1934, as amended. U.S. Gold files continuous disclosure documents with the United States Securities and Exchange Commission (the "SEC"). In addition, U.S. Gold and Canadian Exchange Co. have filed an associated prospectus with the SEC and may file additional associated documents with the SEC that are relevant to the Offer. These documents may be viewed at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549, or electronically and without charge on the SEC's EDGAR database, which may be accessed at the website of the SEC at www.sec.gov. You are urged to read the prospectus and other relevant documents if and when filed as they contain important information relating to your decision whether to accept the Offer. U.S. Gold and Canadian Exchange Co. are also reporting issuers in all the provinces of Canada where such a concept exists, and file their continuous disclosure documents with such provincial and territorial regulatory authorities. Continuous disclosure documents are available at www.sedar.com.

TABLE OF CONTENTS

	Page
SUMMARY	4
DIRECTORS' CIRCULAR	6
TONÉ	6
U.S. GOLD	6
CANADIAN EXCHANGE CO.	6
BACKGROUND TO THE OFFER	6
RECOMMENDATIONS OF THE SPECIAL COMMITTEE AND THE BOARD OF DIRECTORS	8
REASONS FOR RECOMMENDATION	9
FINANCIAL ADVISOR AND VALUATION AND FAIRNESS OPINION	10
PRIOR VALUATIONS	10
SHARE CAPITAL OF TONÉ	11
BENEFICIAL OWNERSHIP OF SECURITIES BY DIRECTORS AND SENIOR OFFICERS OF TONÉ	11
PRINCIPAL HOLDER OF SECURITIES OF TONÉ	11
INTENTIONS WITH RESPECT TO THE OFFER	12
OWNERSHIP OF SECURITIES OF THE OFFERORS	12
TRADING IN SECURITIES OF TONÉ	12
ISSUANCES OF SECURITIES OF TONÉ	13
ARRANGEMENTS OR AGREEMENTS WITH THE OFFERORS	14
AGREEMENTS BETWEEN TONÉ AND ITS DIRECTORS AND SENIOR OFFICERS	14
INTEREST OF DIRECTORS AND SENIOR OFFICERS IN MATERIAL CONTRACTS OF THE OFFERORS	15
MATERIAL CHANGES IN THE AFFAIRS OF TONÉ	15
OTHER TRANSACTIONS	15
OTHER INFORMATION	15
STATUTORY RIGHTS	15
APPROVAL OF DIRECTORS' CIRCULAR	15
CONSENT OF NORTHERN SECURITIES INC.	15
CERTIFICATE	17
SCHEDULE A - VALUATION AND FAIRNESS OPINION	18

SUMMARY

The information set out below is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this Directors' Circular. This Directors' Circular should be read carefully and in its entirety by shareholders as it provides important information about the Offer. All capitalized terms used in the Summary have the meanings ascribed to such terms elsewhere in this Directors' Circular.

The Offer:

U.S. Gold Corporation ("U.S. Gold") and US Gold Canadian Acquisition Corporation ("Canadian Exchange Co.") (collectively, the "Offerors") are offering to purchase, upon the terms and conditions described in the Offer to Purchase of the Offerors dated February 12, 2007 (the "Offer"), all of the issued and outstanding Common Shares without par value of Toné ("Common Shares"), on the basis of 0.26 Exchangeable Shares of Canadian Exchange Co. for each Common Share. The Exchangeable Shares will be exchangeable for shares of common stock of U.S. Gold on a one-for-one basis, and will have the rights, privileges, restrictions and conditions described in the Offer.

The Offer is open for acceptance until 5:00 p.m. (Vancouver time) on March 23, 2007, unless extended or withdrawn by the Offerors.

Acceptance of the Offer:

The board of directors of Toné (the "Board") unanimously recommends that holders of Common Shares ("Shareholders") accept the Offer and tender their Common Shares to the Offer.

Reasons for the Recommendation:

The Board has adopted the recommendation of the Takeover Bid Response Committee of the Board (the "Special Committee") that the Board recommend to Shareholders that they accept the Offer. The Special Committee recommended to the Board that it recommend acceptance of the Offer for several reasons described in this Directors' Circular, including the following:

1. **The Offer is Financially Fair**: Northern Securities Inc. ("Northern") has delivered a written fairness opinion to the Special Committee (the "Fairness Opinion") concluding that the consideration offered under the Offer is fair, from a financial point of view, to the Shareholders.

2. **Share Exchange Ratio**. Based on the ranges of fair market value for Toné and U.S. Gold of $0.39 to $0.46 and $2.82 to $3.10 respectively calculated by Northern in the written valuation of Toné Northern has prepared (the "Valuation"), the share exchange ratio derived by Northern ranges from 0.13 to 0.16 Exchangeable Shares per Common Share. The share exchange ratio proposed under the Offer, 0.26 Exchangeable Shares of Canadian Exchange Co. per Common Share, represents a 58% to 107% premium to the share exchange ratio derived by Northern from its calculation of Toné and U.S. Gold's fair market value.

3. **Premium to Closing Price**. The consideration offered under the Offer is 0.26 Exchangeable Shares of Canadian Exchange Co. per Common Share. Based on the closing price as at March 5, 2006, the date the proposed Offer was announced by U.S. Gold (the "Announcement Date"), this consideration effectively values Toné at $1.68 per Common Share; this represents a 24.1% premium to Toné's closing price on the Announcement Date.

4. **Premium to Historical Trading Prices.** Northern concludes in the Valuation that the consideration offered in the Offer of 0.26 Exchangeable Shares of Canadian Exchange Co. per Common Share effectively values Toné at $1.68 per share based on closing prices at the Announcement Date. This value represents a premium to the 20, 50 and 100 day average price of the Common Shares of 92%, 101% and 184%, respectively.

5. **Premium Offered is Consistent with Other Transactions**. Northern reviewed recent precedent transactions in the junior gold exploration industry and the mining industry during the last four years. Northern states its belief in the Fairness Opinion that the effective takeover premium involved in the Offer based on the market price of Toné as at the Announcement Date and the 20 day average price of Toné at the Announcement Date is consistent with the average premium from recent gold exploration and mining transactions.

6. **Shareholders' Interest in U.S. Gold on a Post Offer Basis**. Northern reviewed the most recently publicly disclosed net book values, as of the Announcement Date, of Toné and White Knight Resources Ltd. ("White Knight"), Nevada Pacific Gold Resources Ltd. ("Nevada Pacific"), and Coral Gold Resources Ltd. ("Coral Gold"), other companies for which U.S. Gold had announced it intended to bid (U.S. Gold has since announced it will not bid for Coral Gold at this time). Based on Northern's review, the pro forma ownership interest of Shareholders in U.S. Gold, assuming the proposed acquisition of Toné by U.S. Gold is completed, would be approximately 9%; assuming all of the transactions close on the proposed terms, the ownership interest to the Shareholders in U.S. Gold would be approximately 5%. In either case, the ownership interest to the Shareholders in the combined entity would be greater than Toné's contribution to net book value on a pro forma basis that is approximately 4% assuming the proposed acquisition of Toné by U.S. Gold is completed, and approximately 2.1% assuming all of the transactions closed.

7. **Other Potential Purchasers**. No other potential purchaser has expressed interest in acquiring Toné since the Announcement Date. Northern has expressed its belief in the Valuation and Fairness Opinion that, given Robert McEwen's (who is the President, CEO and largest shareholder of U.S. Gold) ownership interest in Toné and the significant exploration package U.S. Gold is creating in Nevada, it is unlikely that there is another purchaser that will derive as much value from Toné's assets as U.S. Gold.

8. **Improved Liquidity**. Northern has expressed its belief in the Valuation and Fairness Option that the Shareholders will benefit from the increased liquidity in U.S. Gold's market capitalization and financial resources. U.S. Gold has a materially stronger balance sheet than Toné. By virtue of its dual listing on the Toronto Stock Exchange and AMEX, U.S. Gold will be well positioned to access the financial markets if capital is required. Northern believes that the probability of raising capital to fund the exploration and development of Toné's properties are greatly enhanced by the realization of the Offer.

DIRECTORS' CIRCULAR

This Directors Circular (the "Directors Circular") is issued by the board of directors (the "Board") of Toné Resources Limited ("Toné") in connection with the offer (the "Offer") made by U.S. Gold Corporation ("U.S. Gold") and US Gold Canadian Acquisition Corporation ("Canadian Exchange Co.") (collectively, the "Offerors") to holders of Common Shares without par value ("Common Shares") of Toné ("Shareholders") to purchase all of the outstanding Common Shares dated February 12, 2007, upon the terms and subject to the conditions of the Offer, as set out in the circular of the Offerors dated February 12, 2007 (the "Offering Circular").

The Offer is open for acceptance until 5:00 p.m. (Vancouver time) on March 23, 2006 unless extended or withdrawn by the Offerors. The terms and conditions of the Offer, the method of acceptance of the Offer and other information relating to the Offer and the Offerors after giving effect to the acquisition of Toné, White Knight Resources Ltd. ("White Knight"), and Nevada Pacific Gold Ltd. ("Nevada Pacific"), other companies for which U.S. Gold is bidding, are set out in the Offering Circular and Letter of Acceptance and Transmittal which accompany the Offer.

All information provided in this Directors' Circular relating to the Offerors is derived from information contained in the Offering Circular and other information contained in public filings made by the Offerors with the Securities and Exchange Commission in the United States, on SEDAR in Canada or otherwise made available by the Offerors. The Board does not assume any responsibility for the accuracy or completeness of such information.

TONÉ

Toné 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, U.S.A. Toné's activities are focused on gold and Toné holds substantially all interests in eight properties in Elko, Eureka, Lander and Pershing counties in Nevada. All of Toné's properties are located near infrastructure facilities of currently producing gold mines.

Toné was incorporated under the Yukon *Business Corporation Act* on October 31, 2001 and continued under the British Columbia *Business Corporations Act* on March 1, 2005. Toné's head office is located at 3374 West 19th Avenue, Vancouver, British Columbia, V6S 1C2. Its registered office is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

U.S. GOLD

U.S. Gold was organized under the laws of the State of Colorado on July 24, 1979 under the name Silver State Mining Corporation. On June 21, 1998, U.S. Gold changed its name from Silver State Mining Corporation to U.S. Gold Corporation. U.S. Gold is engaged in the exploration for gold and other precious metals.

U.S. Gold's principal executive offices are located at 2201 Kipling Street, Suite 100, Lakewood, Colorado, USA 80215.

CANADIAN EXCHANGE CO.

Canadian Exchange Co. is a corporation incorporated under the *Business Corporations Act* (Alberta) and a wholly-owned subsidiary of U.S. Gold. Canadian Exchange Co. was formed solely for the purpose of making the Offer. Canadian Exchange Co.'s registered office is located at 2900 Manulife Place, 10180 - 101 Street, Edmonton, Alberta, Canada, T5J 3V5.

BACKGROUND TO THE OFFER

On December 19, 2005, Robert R. McEwen, the President and CEO of U.S. Gold, purchased 1,770,000 Units issued by Toné, with each Unit consisting of one Common Share and one share purchase warrant, exercisable to purchase a further Common Share at $0.25 per share until December 19, 2007. Mr. McEwen agreed, subject to regulatory and shareholder approval, to purchase an additional 730,000 Units on the same terms. The purchase of the 730,000 Units created the possibility of a control position in Toné pursuant to the policies of the TSX Venture Exchange, and therefore shareholder approval for the purchase was required.

Under the subscription agreement, for a period of two years following closing, if Mr. McEwen owns at least 10% of Toné's issued and outstanding Common Shares (calculated by assuming the exercise of any warrants held by Mr. McEwen), then Mr. McEwen will have a right of first refusal to participate up to and including a percentage amount, equal to Mr. McEwen's percentage ownership interest in Toné's then outstanding Common Shares, of the value of each financing undertaken by Toné, either by way of private placement or public offering of equity, debt, subscription units or convertible securities, rights offering or project financing, or financing, on the same terms and conditions (including price and timing) as other investors in each such financing. Mr. McEwen's right to participate in a financing applies to each financing and is not affected by Mr. McEwen's exercise or failure to exercise such right in respect of any particular financing.

In addition, the subscription agreement provides that, for a period of five years following closing, if at any time subsequent to the December, 2005 closing, Mr. McEwen owns not less than 10% of the issued and outstanding Common Shares of Toné (calculated by assuming the exercise of any warrants held by Mr. McEwen), then Mr. McEwen shall have the right, from time to time and at any time, to nominate one individual to the board of directors of Toné, and Toné shall use all reasonable efforts to cause its board of directors to pass such resolutions and to take such other actions as may be required in order that Mr. McEwen's nominee become a member of the board of directors of Toné. In addition, Toné shall use all reasonable efforts to cause its board of directors to pass such resolutions and to take such other actions as may be required in order to maintain the number of members of the board of directors of Toné at not more than six. Pursuant to the subscription agreement, Toné agreed Mr. McEwen would be appointed to the board of directors of Toné.

At the annual general meeting of Toné held on Friday, February 10, 2006, shareholder approval for the acquisition of the 730,000 Units were granted. In addition, Mr. McEwen was elected as a director of Toné.

On March 3, 2006, Mr. McEwen completed his purchase of 730,000 Units.

On March 5, 2006, U.S. Gold announced in a press release that it intended to acquire in stock transactions, all of the outstanding common shares of Toné, White Knight, Coral Gold and Nevada Pacific, each of which is exploring in the Cortez Trend in Nevada. This proposal was made in letters sent on March 5, 2006, by Mr. McEwen to the chief executive officers of each of such companies. U.S. Gold announced that its proposal represented a premium of 25% to the closing stock prices of each company's shares on March 3, 2006 and that the Board of Directors of U.S. Gold had formed a special committee to evaluate the terms of each of the transactions in recognition of, among other things, the equity interest of Mr. McEwen in each of the four companies.

On March 7, 2006, Mr. McEwen announced that, in his capacity as a holder of Common Shares, he intended to support the proposal of U.S. Gold to acquire each of Toné, White Knight, Coral Gold and Nevada Pacific.

On March 16, 2006, Toné received a letter from counsel for U.S. Gold indicating that U.S. Gold intended to proceed by way of takeover bid.

On March 22, 2006, the directors of Toné met and appointed the Takeover Bid Response Committee of the Board (the "Special Committee"), consisting of Guilford H. Brett, Daniel F. Huber and Sam Storey, to evaluate the Offer and make recommendations to the Board.

On April 5, 2006, Northern was engaged as financial advisor to the Special Committee.

On May 1, 2006 U.S. Gold announced by way of press release that it would file with securities regulators in Canada and the United States its formal offer to acquire all of the outstanding shares of White Knight, and that it would commence the mailing of its offering circular and related documents to White Knight shareholders immediately. It also announced it intended to make formal offers to the Shareholders and the shareholders of Nevada Pacific and Coral Gold based on the same share exchange ratios announced on March 5, 2006 as soon as practicable following the completion by each of them of formal valuations.

On the evening of May 9, 2006, Northern delivered a draft of a valuation and fairness opinion to the Special Committee.

The Special Committee met with Northern on the morning of May 10, 2006, and discussed with Northern several matters related to the valuation and fairness opinion. Additional comments were communicated by the solicitors for the Special Committee.

A revised valuation and fairness opinion was delivered by Northern on the morning of May 11, 2006. Later that day, the Board met and received and accepted the valuation and fairness opinion, and the valuation and fairness opinion was delivered to U.S. Gold. The Special Committee communicated to the Board its interim recommendation that the Board recommend to the Shareholders that they accept the bid U.S. Gold had announced it intended to make, subject to review of the terms of the formal Offer when received.

On May 19, 2006, the Board received Mr. McEwen's resignation as a member of the Board. Mr. McEwen advised Toné he resigned in order to facilitate the Offer.

On June 5, 2006 U.S. Gold announced that it had terminated its offer to acquire all of the common shares of White Knight, in view of certain United States regulatory requirements.

On September 28, 2006 U.S. Gold's United States special counsel sent a written request to Toné's counsel to provide it and its advisors with certain due diligence materials, including financial statements for the most recent completed fiscal period, and requested that Toné instruct its independent auditors to provide a consent to the inclusion of Toné's financial statements in U.S. Gold's Offering Circular. Toné cooperated fully with U.S. Gold's request in this regard.

In October of 2005, Canadian counsel for U.S. Gold indicated to counsel for the Special Committee that, in light of U.S. Gold's difficulties with the registration process in the United States, an update of the valuation previously provided to U.S. Gold would be required in order to comply with the requirements of Ontario Securities Commission Rule 61-501 - *Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions* ("Rule 61-501"). Northern was instructed to update the valuation, and delivered a draft on November 28, 2006. Upon review, comments were provided to Northern and Northern delivered an Amended Opinion of Value (the "Valuation and Fairness Opinion") to the Special Committee and U.S. Gold on December 8, 2006.

On January 18, 2007, U.S. Gold announced its intention to commence the formal tender offers for each of Toné Nevada Pacific and White Knight following the satisfaction of certain regulatory requirements. At the same time, U.S. Gold announced that it had decided not to pursue U.S. Gold's proposed offer for Coral Gold, in view of certain regulatory requirements that would need to be satisfied by Coral Gold prior to commencement of a formal tender offer. On February 12, 2006, U.S. Gold announced it was commencing the Offer and the offers for White Knight and Nevada Pacific.

U.S. Gold and Canadian Exchange Co. filed a Form S-4 registration statement with the United States Securities and Exchange Commission (the "SEC") on October 30, 2006 in connection with the Offer. The registration statement was declared effective by the SEC on February 8, 2007.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE AND THE BOARD OF DIRECTORS

The Special Committee has unanimously concluded, based on the considerations below, that the Offer is fair and has unanimously recommended that the Board recommend that the Shareholders accept the Offer and tender their Common Shares to the Offer. The Board has unanimously concluded, based on the recommendation of the Special Committee and the considerations below, that the Offer is fair and unanimously recommends that the Shareholders accept the Offer and tender their Common Shares to the Offer.

The recommendation of the Board is not, and is not intended to be, investment advice to any particular Shareholder. Each Shareholder's circumstances are different. Shareholders should consult their own investment dealer, stockbroker, bank manager, lawyer or other professional advisors as to how to respond to the Offer having regard to their own particular circumstances. Shareholders are advised that acceptance of the Offer may have tax consequences, and they should consult their own professional tax advisors.

REASONS FOR RECOMMENDATION

The Board has adopted the recommendation of the Special Committee. In arriving at its recommendation to the Board, the Special Committee carefully considered all aspects of the Offer and received the benefit of advice from its legal and financial advisors. In reaching their conclusions, the Special Committee considered a number of factors, including the following:

1. *The Offer is Financially Fair.* Northern has delivered a written opinion to the Special Committee (the "Fairness Opinion") concluding that the consideration offered under the Offer is fair from a financial point of view to the Shareholders.

2. *Share Exchange Ratio.* Based on the ranges of fair market value for Toné and U.S. Gold of $0.39 to $0.46 and $2.82 to $3.10 respectively calculated by Northern in the written valuation of Toné and U.S. Gold Northern has prepared (the "Valuation"), the share exchange ratio derived by Northern ranges from 0.13 to 0.16. The share exchange ratio proposed under the Offer, 0.26 Exchangeable Shares of Canadian Exchange Co. per Common Share, represents a 58% to 107% premium to the share exchange ratio derived by Northern from its calculation of Toné and U.S. Gold's respective fair market values.

3. *Premium to Closing Price.* The consideration offered under the Offer is 0.26 Exchangeable Shares of Canadian Exchange Co. per Common Share. Based on the closing price as at March 5, 2006 (the "Announcement Date"), this consideration values Toné at $1.68 per Common Share; this represents a 24.1% premium to Toné's closing price on the Announcement Date.

4. *Premium to Historical Trading Prices.* Northern concludes in the Valuation that the consideration offered in the Offer of 0.26 Exchangeable Shares of Canadian Exchange Co. per Common Share effectively values Toné at $1.68 per share based on closing prices at the Announcement Date. This value represents a premium to the 20, 50 and 100 day average price of the Common Shares of 92%, 101% and 184%, respectively.

5. *Premium Offered is Consistent with Other Transactions.* In the Valuation, Northern reviewed recent precedent transactions in the junior gold exploration industry and the mining industry during the last four years. Northern states its belief in the Fairness Opinion that the effective takeover premium involved in the Offer based on the market price of Toné as at the Announcement Date and the 20 day average price of Toné at the Announcement Date is consistent with the average premium and recent gold exploration and mining transactions.

6. *Shareholders' Interest in U.S. Gold on a Post Offer Basis.* In connection with the preparation of the Valuation, Northern reviewed the most recently publicly disclosed net book values of Toné, White Knight, Nevada Pacific and Coral Gold. Based on Northern's review, the pro forma ownership by Shareholders in U.S. Gold, assuming the proposed acquisition of Toné by U.S. Gold is completed, would be approximately 9%; assuming the proposed acquisitions of Toné, White Knight, Nevada Pacific and Coral Gold are completed on the proposed terms, the ownership interest of the Shareholders in U.S. Gold would be approximately 5%. In either case, the ownership interest to Shareholders in the combined entity would be greater than Toné's contribution to net book value on a pro forma basis that is approximately 4% assuming the proposed acquisition of Toné by U.S. Gold is completed, and approximately 2.1% assuming all of the transactions closed.

7. *Other Potential Purchasers.* No other potential purchaser has expressed interest in acquiring Toné. Northern has expressed its belief in the Fairness Opinion that, given Robert McEwen's (who is the President, CEO and largest shareholder of U.S. Gold) ownership interest in Toné and the significant

exploration package U.S. Gold creating in Nevada, it is unlikely that there is another purchaser that will derive as much value from Toné's assets as U.S. Gold.

8. *Improved Liquidity.* Northern states its belief in the Fairness Opinion that the Shareholders will benefit from the increased liquidity in U.S. Gold's market capitalization and financial resources. U.S. Gold has a materially stronger balance sheet than Toné. By virtue of its dual listing on the Toronto Stock Exchange and AMEX, U.S. Gold will be well positioned to access the financial markets if capital is required. Northern believes that the probability of raising capital to fund the exploration and development of Toné's properties are greatly enhanced by realization of the Offer.

The foregoing discussion of the factors reviewed by the Special Committee is not intended to be exhaustive. In view of the wide variety of factors considered in connection with their evaluation of the Offer, the Special Committee did not find it practicable to, and therefore did not, quantify or otherwise assign relative weight to specific factors or methodologies in reaching its conclusions.

FINANCIAL ADVISOR AND VALUATION AND FAIRNESS OPINION

Pursuant to an engagement letter dated April 5, 2006 (the "Engagement Agreement"), Toné engaged Northern to act as the financial adviser to the Special Committee and to provide the Special Committee with a fairness opinion concerning the Offer, and if necessary, a valuation. Northern has represented to Toné in the Engagement Agreement that it is "independent" within the meaning of Rule 61-501 , and that it possessed appropriate qualifications to prepare the Valuation and Fairness Opinion. Based in part upon such representations, the Special Committee concluded that Northern was independent and so qualified. Northern has set forth its qualifications in the Valuation and Fairness Opinion.

On May 11, 2006, Northern delivered a valuation and fairness opinion to the Special Committee which contains its opinion that, subject to the analysis and assumptions set out therein, as of the Announcement Date:

- the fair market value of the Common Shares was in the range of $0.74 to $0.80 per Common Share;
- the fair market value of the common shares of U.S. Gold was in the range of U.S.$3.98 to U.S.$4.17 per share; and
- the consideration under the Offer is fair, from a financial point of view, to the Shareholders.

Due to the delay caused by U.S. Gold's difficulties with the United States registration process (see "Background to the Offer"), Toné requested Northern to update the valuation and fairness opinion. On December 8, 2006, Northern delivered the Valuation and Fairness Opinion to the Special Committee and U.S. Gold, which contains Northern's opinion that, subject to the analysis and assumptions set out therein, as of November 30, 2006 :

- the fair market value of the Common Shares is in the range of $0.39 to $$0.46 per share; and
- the fair market value of each Exchangeable Share is in the range of $2.82 to $3.10; and
- the consideration under the Offer is fair, from a financial point of view, to the Shareholders.

A copy of the Valuation and Fairness Opinion is attached to this Directors' Circular as Schedule "A". The Offerors have included a copy of the Valuation and Fairness Opinion in the Offering Circular in compliance with their disclosure obligations under applicable securities laws. Shareholders should carefully review and consider the Valuation and Fairness Opinion in its entirety.

PRIOR VALUATIONS

To the knowledge of Toné and its directors and senior officers, after reasonable inquiry, other than as set forth above, there have been no formal valuations prepared in respect of Toné, the Common Shares or any material assets of Toné during the last two years.

SHARE CAPITAL OF TONÉ

The authorized share capital of Toné consists of an unlimited number of Common Shares. As of February 16, 2007, 20,489,170 Common Shares were outstanding. As of February 16, 2007, there were stock options ("Options") to purchase 1,503,482 Common Shares and share purchase warrants ("Warrants") to purchase 2,710,000 Common Shares. Other than the Options and Warrants noted above, there are no other options, warrants or other rights outstanding to acquire any shares in the capital of Toné.

BENEFICIAL OWNERSHIP OF SECURITIES BY DIRECTORS AND SENIOR OFFICERS OF TONÉ

The following table sets out the names and positions with Toné of each director and senior officer of Toné and the number of outstanding securities of Toné beneficially owned, directly or indirectly, or over which control or direction is exercised by each such person and, where known after reasonable enquiry, by their respective associates, as of February 16, 2007. To the knowledge of the directors and senior officers of Toné after reasonable enquiry, no persons acting jointly or in concert with Toné with respect to the Offer beneficially owns or exercises control over any securities of Toné.

Name and Position	Number of Common Shares [1] [2]	Options to Acquire Common Shares [3]	Percentage of Options Outstanding	Warrants Exercisable to Acquire Common Shares	Percentage of Warrants Outstanding
Scott D. Baxter..... President, Chief Executive Officer and Director	557,750	523,000	34.8%	nil	nil
Daniel F. Huber ..... Vice President, Finance, Chief Financial Officer and Director	nil	25,000	1.6%	nil	nil
David C. Mathewson ..... Director	697,500	450,000	29.9%	nil	nil
Guilford H. Brett..... Director	nil	286,500	19%	nil	nil
Sam Storey..... Director	757,566	nil	nil	nil	nil

Notes:

(1) The information as to securities beneficially owned or over which control or direction is exercised by each director and senior officer and by their respective associates, not being within the knowledge of Toné, has been furnished by the respective directors and senior officers individually.

(2) Without giving effect to the exercise of any outstanding Warrants or Options.

(3) Each Option entitles the holder to purchase one Common Share.

PRINCIPAL HOLDER OF SECURITIES OF TONÉ

To the knowledge of the directors and senior officers of Toné after reasonable enquiry, as at February 16, 2007, no person or company beneficially owned, directly or indirectly, or exercised control or direction over more than 10% of any class of equity securities of Toné other than Robert R. McEwen, who owns 2,500,000 Common Shares representing approximately 12.2% of the issued and outstanding Common Shares, and Warrants exercisable to acquire an additional 2,500,000 Common Shares at a price of $0.25 per Common Share. Mr. McEwen served as a director of Toné from February 10, 2006 to May 19, 2006.

INTENTIONS WITH RESPECT TO THE OFFER

Each of Scott D. Baxter, Sam Storey and David C. Mathewson, who are all directors or senior officers (or both) of Toné, has indicated that he intends to accept the Offer and tender all of the Common Shares which he holds to the Offer. To the knowledge of such directors, after reasonable enquiry, each of their associates who owns Common Shares has indicated an intention to accept the Offer and tender all of his or her Common Shares to the Offer. Mr. McEwen has indicated his intention to accept the Offer: see "Background to the Offer".

OWNERSHIP OF SECURITIES OF THE OFFERORS

None of Toné, any person or company acting jointly or in concert with Toné, Scott D. Baxter, Guilford H. Brett, Daniel F. Huber or David C. Mathewson or, as to the knowledge of such directors after reasonable enquiry, any of their associates, owns, directly or indirectly, any securities of the Offerors. Sam Storey owns 4,000 shares of common stock of U.S. Gold. Robert R. McEwen, who owns approximately 12.2% of the outstanding Common Shares, has indicated in the Offering Circular that he is the owner of 11,767,000 shares of common stock of U.S. Gold, and share purchase warrants exercisable to purchase an additional 333,500 shares of common stock of U.S. Gold, representing approximately 24% of U.S. Gold's outstanding shares, assuming exercise of such warrants.

TRADING IN SECURITIES OF TONÉ

Except as set out below, during the six months preceding the date hereof, none of Toné, the directors or senior officers of Toné or, to the knowledge of the directors and senior officers of Toné, after reasonable enquiry, any of their associates, any person or company holding more than 10% of the Common Shares, or any person acting jointly or in concert with Toné, has traded any securities of Toné.

Name	Nature of Trade	Date of Trade	Number of Common Shares	Price per Common Share
Scott D. Baxter.....	Sale in public market	August 1, 2006	5,000	$1.75
	Sale in public market	August 15, 2006	4,000	$1.65
	Sale in public market	September 7, 2006	10,000	$1.57
	Purchase in public market	September 15, 2006	1,000	$1.20
	Purchase in public market	September 25, 2006	500	$1.01
	Purchase in public market	September 28, 2006	200	$1.29
	Purchase in public market	September 29, 2006	300	$1.29
	Sale in public market	October 24, 2006	900	$1.19
	Sale in public market	October 25, 2006	4,100	$1.18
	Sale in public market	November 2, 2006	500	$1.30
	Purchase in public market	November 17, 2006	500	$1.25
	Purchase in public market	January 19, 2006	500	$1.20
Guilford H. Brett.....	Sale in public market	October 19, 2006	5,000	$1.25
	Sale in public market	October 19, 2006	500	$1.25
	Sale in public market	October 19, 2006	5,000	$1.25
	Sale in public market	October 31, 2006	9,500	$1.24
	Sale in public market	November 1, 2006	3,700	$1.30
	Sale in public market	November 1, 2006	50	$1.24

Name	Nature of Trade	Date of Trade	Number of Common Shares	Price per Common Share
	Purchase in public market	October 24, 2006	18,750	$0.35
Daniel F. Huber	Sale in public market	October 24, 2006	5,000	$1.13
	Sale in public market	October 25, 2006	5,000	$1.09
	Sale in public market	October 27, 2006	10,000	$1.11
	Sale in public market	October 31, 2006	5,000	$1.28
David F. Mathewson	Sale in public market	August 3, 2006	5,000	US$1.54
	Sale in public market	September 6, 2006	10,000	US$1.41
	Sale in public market	September 7, 2006	22,500	US$1.40
	Sale in public market	October 19, 2006	10,000	US$1.01
	Sale in public market	November 3, 2006	10,000	US$1.10
	Sale in public market	November 6, 2006	10,000	US$1.13
	Sale in public market	November 30, 2006	10,000	US$1.08
	Sale in public market	December 14, 2006	10,000	US$1.31
	Sale in public market	January 26, 2007	10,000	US$1.01
	Sale in public market	February 9, 2007	20,000	US$1.20

ISSUANCES OF SECURITIES OF TONÉ

Except as set forth below, during the two year period preceding the date of this Directors' Circular, no Common Shares have been issued to the directors and senior officers of Toné or, to the knowledge of the directors and senior officers of Toné, after reasonable enquiry, their respective associates.

Name	Date	Description of Issue	Price
Scott D. Baxter	October 7, 2005	Exercise of 88,000 Options	$0.30
	January 27, 2006	Exercise of 10,000 Options	$0.20
	May 10, 2006	Exercise of 50,000 Options	$0.20
Guilford H. Brett	December 7, 2005	Issuance of 20,000 units [1]	$0.20
	January 5, 2006	Exercise of 12,500 Options	$0.35
	January 27, 2006	Exercise of 10,000 Options	$0.50
	April 27, 2006	Exercise of 20,000 Warrants	$0.20
	March 3, 2006	Exercise of 10,000 Options	$0.50
	July 12, 2006	Exercise of 12,500 Options	$0.35
	October 23, 2006	Exercise of 18,750 Options	$0.35
Daniel F. Huber	December 7, 2005	Issuance of 25,000 units [1]	$0.20
	December 29, 2006	Exercise of 25,000 Warrants	$0.25
	January 27, 2006	Exercise of 30,000 Options	$0.50
	March 16, 2006	Exercise of 40,000 Options	$0.50
	April 3, 2006	Exercise of 40,000 Options	$0.50
	April 26, 2006	Exercise of 40,000 Options	$0.50

Name	Date	Description of Issue	Price
	May 24, 2006	Exercise of 6,000 Warrants	$0.75
	July 12, 2006	Exercise of 25,000 Options	$0.50
	September 6, 2006	Exercise of 10,000 Options	$0.50
	September 7, 2006	Exercise of 22,500 Options	$0.50
	November 30, 2006	Exercise of 10,000 Options	$0.50
Sam Storey	June 14, 2005	100,000 units [1]	$0.40
	December 7, 2005	Issuance of 25,000 units [2]	$0.20
	January 12, 2006	Exercise of 55,283 Warrants	$0.50
	April 28, 2006	Exercise of 25,000 Warrants	$0.25
	April 28, 2006	Exercise of 50,000 Warrants	$0.60
	April 28, 2006	Exercise of 65,000 Warrants	$0.75
David C. Mathewson	May 24, 2006	Exercise of 100,000 Options	$0.30

(1) Each unit consists of one Common Share and one half of one Warrant exercisable to purchase a Common Share for 2 years from the date of issue at a price of $0.60 during the first 12 months and $0.80 during the last 12 months.

(2) Each unit consists of one Common Share and one Warrant exercisable to purchase one additional Common Share at a price of $0.25 per share for 2 years from date of issue

The following Options were granted to directors and senior officers of Toné and their respective associates during the two year period preceding the date of this Directors' Circular:

Name	Date of Grant	Number of Options Granted	Exercise Price	Term of Option
Scott D. Baxter	July 26, 2005	96,000	$0.40	5 years
	November 18, 2005	100,000	$0.20	5 years
Guilford H. Brett	December 2, 2005	50,000	$0.35	5 years

ARRANGEMENTS OR AGREEMENTS WITH THE OFFERORS

No arrangements or agreements (including any arrangements or agreements as to any payment or other benefit to be made or given by way of compensation for loss of office or as to the directors or senior officers of Toné remaining in or retiring from office if the Offer is successful) have been made or are proposed to be made between the Offerors and any directors or senior officers of Toné.

None of the directors or senior officers of Toné is a director or senior officer of any of the Offerors or their subsidiaries. Robert R. McEwen was a director of Toné from February 10, 2006 to May 19, 2006. Mr. McEwen is a director and senior officer of U.S. Gold and Canadian Exchange Co.

AGREEMENTS BETWEEN TONÉ AND ITS DIRECTORS AND SENIOR OFFICERS

No arrangement or agreement has been made or is currently proposed to be made between Toné and any of its directors or senior officers as to any payment or other benefit to be made or given by way of compensation for loss of office or as to their remaining in or retiring from office if the Offer is successful, except as follows.

Toné has entered into a management agreement with Scott M. Baxter dated October 31, 2001, amended November 1, 2002, for an indeterminate term that provides for the engagement of Mr. Baxter as the President and

Chief Executive Officer of Toné at a salary initially of $60,000 per year that was, on November 1, 2002, increased to $78,000 per year, to be reviewed annually and a 5% discretionary amount in lieu of any benefit plan. The management agreement contains non-disclosure provisions. Mr. Baxter may terminate the management agreement on one month's notice. Toné may terminate the management agreement for cause without notice or further payment. In the event the Tone terminates the management agreement without cause, Tone must pay Mr. Baxter a sum equal to one year's salary.

INTEREST OF DIRECTORS AND SENIOR OFFICERS IN MATERIAL CONTRACTS OF THE OFFERORS

None of the directors and senior officers of Toné or, to the knowledge of the directors and senior officers of Toné after reasonable enquiry, any of their associates, or any person or company who holds more than 10% of the Common Shares, has any interest in any material contract to which any of the Offerors is a party.

MATERIAL CHANGES IN THE AFFAIRS OF TONÉ

Except as publicly disclosed or as otherwise described or referred to in the Offering Circular or in this Directors' Circular, the directors and senior officers of Toné are not aware of any information that indicates any material change in the affairs of Toné since November 30, 2006, being the date of the last published unaudited interim consolidated financial statements of Toné.

OTHER TRANSACTIONS

At the time of approval of this Directors' Circular there is no transaction, Board resolution, agreement in principle or signed contract of Toné, which has occurred in response to the Offer. No negotiations are underway in response to the Offer which relate to or would result in (i) an extraordinary transaction such as a merger or reorganization involving Toné or a subsidiary; (ii) the purchase, sale or transfer of a material amount of assets by Toné or a subsidiary; (iii) an issuer bid or other acquisition of securities by or of Toné; or (iv) any material change in the present capitalization or dividend policy of Toné.

OTHER INFORMATION

Except as otherwise described or referred to in the Offering Circular or in this Directors' Circular, or as otherwise publicly disclosed, no other information is known to the directors or senior officers of Toné that would reasonably be expected to affect the decision of the Shareholders to accept or reject the Offer.

STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides security holders of Toné with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, if there is a misrepresentation in a circular or notice that is required to he delivered to such security holders. However, such rights must he exercised within prescribed time limits. Security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer,

APPROVAL OF DIRECTORS' CIRCULAR

The content of this Directors' Circular has been approved and the delivery thereof has been authorized by the Board.

CONSENT OF NORTHERN SECURITIES INC.

We refer to the Amended Opinion of Value (the "Valuation and Fairness Option") dated December 5, 2006 which we prepared for Toné Resources Limited in connection with the offer to purchase dated February 12, 2007 made by U.S. Gold Corporation and U.S. Gold Canadian Acquisition Corporation to the holders of common shares of Toné Resources Limited. We consent to the references to the Valuation and Fairness Opinion under the captions "Summary", "Background to the Offer", "Recommendations of the Special Committee and the Board of Directors", "Reasons for Recommendation", "Financial Advisor and Valuation and Fairness Opinion" and "Prior Valuations";

the filing of the formal Valuation and Fairness Opinion with each of the applicable Canadian securities regulatory authorities and to the inclusion of the Valuation and Fairness Opinion in the Directors' Circular.

NORTHERN SECURITIES INC.

(Signed) Victor P. Alboini

Chairman and CEO

Toronto, Ontario
February 16, 2007

CERTIFICATE

Dated: February 20, 2007

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made. The foregoing does not contain any misrepresentation likely to affect the value or market price of the Common Shares subject to the Offer.

On behalf of the board of directors:

(Signed) Scott D. Baxter
Director

(Signed) Guilford H. Brett
Director

SCHEDULE A
VALUATION AND FAIRNESS OPINION

NORTHERN
SECURITIES INC.

150 York Street
Suite 1800
Toronto, Ontario
M5H 3S5
Direct: 416-644-8110
Direct Fax: 416-644-0271
Toll Free: 1-888-675-7602

December 5, 2006

Tone Resources Limited

2244 West 32nd Avenue

Vancouver, British Columbia

V6L 2B2

Attention: The Special Committee of the Board of Directors

Dear Sirs:

Northern Securities Inc. ("Northern") understands that U.S. Gold Corporation ("U.S. Gold") and its wholly-owned subsidiary U.S. Gold Canadian Acquisition Corporation ("Canadian Exchange Co."), have announced their intention to make an unsolicited offer to acquire all of the issued and outstanding common shares of Tone Resources Limited ("Tone" or the "Company"). In consideration for Tone's common shares, U.S. Gold announced that it intends to offer, subject to the completion of all steps required to effect the transaction and receipt of applicable approvals, 0.26 exchangeable common shares of Canadian Exchange Co. which will be exchangeable for shares of common stock of U.S. Gold on a one-for-one basis (the "Proposed Transaction"), and have filed a registration statement on Form S-4 related to such shares, and Amendment No. 1 to such registration statement, with the United States Securities and Exchange Commission.

Northern also understands that Mr. Robert R. McEwen ("McEwen") was a director of the Company as at March 5, 2006, the announcement date of the Proposed Transaction (the "Announcement Date"), and is presently the Chairman and Chief Executive Officer of U.S. Gold. We further understand that McEwen owned approximately 22.2% percent of the issued and outstanding common shares of the Company, as of October 20, 2006.

Northern further understands that a committee (the "Special Committee") of the board of directors (the "Board") of the Company, who are independent of management, has been constituted to consider the Proposed Transaction, and make recommendations to the Board concerning the Proposed Transaction.

Northern also understands that the provisions of Ontario Commission Rule 61-501 and Policy Q-27 of Quebec's Agence nationale d'encadrement du secteur financier (the "Related Party Rules") apply to the Proposed Transaction and that a formal valuation of both the common shares of Tone and U.S. Gold (the "Valuation") is required. In this regard, the Special Committee has requested Northern's opinion of the *en bloc* fair market value of the common shares of Tone and Canadian Exchange Co. as at November 30, 2006 (the "Valuation Date"). The Special Committee has also requested that Northern provide an opinion as to the fairness of the Proposed Transaction from a financial point of view to the shareholders of Tone (other than McEwen) (the "Fairness Opinion").

This Valuation and Fairness Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of the Investment Dealers Association of Canada (the "IDA") but the IDA has not been involved in the preparation or review of this Fairness Opinion.

ENGAGEMENT OF NORTHERN SECURITIES INC.

Northern and the Special Committee first had discussions regarding Northern acting as its financial advisor on March 21, 2006. Northern was engaged in this capacity by an engagement agreement dated April 5, 2006 (the "Engagement Agreement"). As part of its engagement, Northern agreed to provide advice and assistance to the Special Committee in evaluating the Proposed Transaction, and agreed to prepare and deliver to the Special Committee a valuation and fairness opinion. This valuation and fairness opinion was delivered to the Special Committee on May 11, 2006 (the "May Valuation").

Pursuant to the terms of the Engagement Agreement, Northern was to be paid $175,000 for the May Valuation. In addition, Northern was to be reimbursed for its reasonable out-of-pocket costs incurred in connection with the performance of its services including legal fees of its counsel. Tone also agreed to indemnify Northern in respect of certain liabilities that may be incurred by Northern in connection with its engagement. The fees payable to Northern did not depend in whole or in part on the conclusion reached in the May Valuation or the successful outcome of the Proposed Transaction.

On October 2 Northern was approached to prepare the Valuation and Fairness Opinion. Northern is to be paid $22,500 for the Valuation and Fairness Opinion. The fee payable to Northern does not depend in whole or in part on the conclusion reached in the Valuation and Fairness Opinion or the successful outcome of the Proposed Transaction.

Northern consents to the inclusion of the Valuation and Fairness Opinion in their entirety and summaries thereof (provided such summaries are in a form acceptable to Northern) in the bid circular to be prepared by U.S. Gold and the Directors' Circular to be prepared by the directors of the Company and to the filing thereof, as necessary, by U.S. Gold or any of its subsidiaries and the Company with the securities commissions or similar regulatory authorities in each province in Canada.

INDEPENDENCE OF NORTHERN SECURITIES INC.

Northern is not an insider, associate or affiliate (as such terms are defined in the *Securities* Act (Ontario)) of Tone or U.S. Gold. Northern does not have any material economic interest in, nor is it involved in any transaction, involving Tone or U.S. Gold.

Northern acts as an investment dealer in financial markets and, as such, has from time to time executed, and may in the future execute, transactions on behalf of its clients (which may include Tone, U.S. Gold, or their respective affiliated entities or related persons) in such financial markets for which it has received or will receive compensation in the ordinary course of its business. As an investment dealer, Northern conducts research on securities and may, in the ordinary course of its business, be expected to provide research reports and financial and investment advice to its clients on investment matters.

Northern does not now have any financial interest in any future business involving Tone, U.S. Gold or their respective insiders, associates or affiliates, except as disclosed above, and there are no material agreements, commitments or understandings between Tone or U.S. Gold, and Northern, with respect to any future business dealings.

Northern is of the view that it is "independent" of all interested parties in the Proposed Transaction as defined by the Related Party Rules.

CREDENTIALS OF NORTHERN

Northern is a Toronto-based investment banking firm, focusing primarily on small market capitalization companies in the natural resources, technology and special situations sectors. Northern is a wholly owned subsidiary of Northern Financial Corporation, a company publicly traded on the Toronto Stock Exchange, with its head office located in Toronto, Canada, and additional offices in Ottawa, Calgary, Edmonton, Vancouver and London, England. Northern's business includes corporate finance, mergers and acquisitions, restructurings, retail sales, institutional sales and trading and investment research.

Northern and its principals have been involved in merger and acquisition transactions with values exceeding $15 billion and have many years of investment banking experience including providing financial advisory services such as valuations and fairness opinions. The backgrounds and qualifications of the specific professionals involved on this assignment are detailed in Appendix A.

SCOPE OF REVIEW

In preparing the Valuation and Fairness Opinion, Northern has, among other things, reviewed and where considered appropriate, relied upon certain financial, market, operational and geological information. The following sets forth the principal documents reviewed, and actions carried out by Northern in connection with the engagement:

(a) Audited financial statements of the Company for the years ending August 31, 2005 and 2004;

(b) Annual report of the Company for year ending August 31, 2005;

(c) Unaudited interim financial statements of the Company for the quarter ending February 28, 2006, and May 31, 2006;

(d) Draft consolidated balance sheet of the Company as at August 31, 2006;

(e) U.S. Corporation Income Tax Return for Tone Resources (U.S.) Inc., the Company's U.S. subsidiary, for the year ending August 31, 2005;

(f) T2 Canadian Corporation Income Tax return for the Company for the year ended August 31, 2005;

(g) Review of the minutes from meetings of the Company's Board of Directors from October 31, 2001 to March 22, 2006;

(h) Technical Report on the Roberts Mountain Project, prepared by Mitchell Geological Services Inc., dated October 21, 2002;

(i) Summary Report on the Red Ridge Property, prepared by Shaddrick & Associates, dated July 15, 2003;

(j) Report on the Fish Creek Property, prepared by Shaddrick & Associates dated October 15, 2003;

(k) Financing and Property Acquisition Agreement between Teck Cominco American Incorporated and the Company dated March 9, 2004;

(l) Public information relating to the business, operations, financial performance and stock trading history of the Company, and other selected public companies considered by Northern to be relevant;

(m) Public information relating to comparable transactions deemed to be relevant;

(n) Press releases issued by Tone;

(o) Public filings submitted by the Company to securities commissions or similar regulatory authorities in Canada;

(p) Discussions with senior officers of Tone;

(q) Audited financial statements of U.S. Gold for the fiscal years ending December 31, 2005 and 2004;

(r) U.S. Gold's 10-KSB for fiscal year ending December 31, 2005;

(s) U.S. Gold's 10-QSB for March 31, 2006, June 30, 2006, and September 30, 2006;

(t) U.S. Corporation Income Tax Return for U.S. Gold for the year ending December 31, 2004, and December 31, 2005;

(u) Discussions with senior management of U.S. Gold;

(v) Review of Mineral Status Report regarding the Tonkin Springs Projected prepared by Erwin & Thompson LLP, dated February 21, 2006;

(w) Press releases issued by U.S. Gold;

(x) U.S. Gold Form S-4 Registration Statement dated October 30, 2006:

(y) U.S Gold Form S-4 Amendment No. 1, dated November 1, 2006;

(z) U.S Gold Form S-4 Amendment No. 2 draft, dated December 4, 2006 ;

(aa) U.S. Gold Canadian IPO prospectus, dated August 2, 2006;

(bb) U.S. Gold Technical Report on the Tonkin Springs Property, prepared by Micon International Ltd., dated January 26, 2006;

(cc) Public information relating to the business, operations, financial performance and stock trading history of U.S. Gold; and

(dd) Such other corporate, industry, and financial market information, investigations and analyses as Northern considered necessary or appropriate in the circumstances.

Northern has, to the best of its knowledge, been provided access by the Company and U.S. Gold to all information requested by Northern. Northern has not met with the auditors of Tone or U.S. Gold and has assumed that the audited financial statements of the Company and U.S. Gold are an accurate and fair presentation of their businesses.

No limitations were imposed on the scope of Northern's review by the Special Committee or U.S. Gold.

PRIOR VALUATIONS

Tone and U.S. Gold have represented to Northern that, except as noted below, no prior valuations (as defined in the Related Party Rules) of Tone or U.S. Gold have been prepared in the past 24 months.

In the May Valuation, Northern concluded that the fair market value of Tone common shares as at March 3, 2006, was between $0.74 and $0.80, which compares to the range of $0.39 to $0.46 as at the Valuation Date. The difference between these valuation ranges is mainly attributable to the following: a decrease in the share price of junior mining companies Northern believes to be comparable; and, the exclusion of the Market Value Approach in the Valuation.

In the May Valuation, Northern concluded that the fair market value of U.S. Gold common shares as at March 3, 2006, was between $4.34 and $4.51, which compares to the range of $2.82 to $3.10 as at the Valuation Date derived herein. The difference between these valuation ranges is mainly attributable to the following: a decrease in the share price of junior mining companies; and, the reduction in the weighting of the Market Value Approach in the Valuation compared to the May Valuation. The weighting of the Market Value Approach was reduced due to the length of time that has passed since the Announcement Date and to ensure consistent valuation weightings are used to determine the Fair Market Value of Tone and U.S. Gold.

ASSUMPTIONS AND LIMITATIONS

With the approval of the Special Committee, in preparing the Valuation and the Fairness Opinion, Northern has relied upon, and has assumed the completeness, accuracy and fair presentation of all the financial and other information, data, advice, opinions and representations obtained from public sources or provided by the Company and U.S. Gold or otherwise pursuant to Northern's engagement. The Valuation and the Fairness Opinion are both conditional upon such completeness, accuracy and fair presentation of information. Northern has not attempted, and assumes no responsibility, to verify the accuracy, completeness or fair presentation of information. Senior officers of Tone and U.S. Gold have represented to Northern, in a certificate dated as of the date hereof, among other things, that the information, data, opinions, representations and documentation relating to Tone and U.S. Gold provided to Northern in connection with Northern's engagement are, or, in the case of historical information, data, opinions, representations and documentation, were at the date of preparation, true and accurate in all material respects and do not, nor did not, as the case may be, contain any misrepresentation.

In preparing the Valuation and the Fairness Opinion, Northern conducted such analyses, investigations, research and testing of assumptions as were considered by it to be appropriate under the circumstances of its engagement. Northern was granted access to management of Tone and U.S. Gold and was not, to its knowledge, denied any type of requested information which might be material to the Valuation or the Fairness Opinion.

In preparing the Valuation and the Fairness Opinion, Northern has made several assumptions including that all conditions required to implement the Proposed Transaction will be satisfied on or prior to the date of completion of the Proposed Transaction.

Northern believes that its analyses must be considered as a whole, and that selecting portions of its analyses and of the factors considered by it without considering all factors and analyses together could create a misleading view of the process underlying the Valuation and the Fairness Opinion. The preparation of a Valuation and a Fairness Opinion involves various determinations of professional judgment as to the most appropriate and relevant assumptions and methods of financial analysis to be used and the application of these methods to particular circumstances and, therefore, our analyses are not readily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on a particular factor or analysis.

This Valuation and the Fairness Opinion is given as of the date hereof and Northern disclaims any undertaking or obligation to advise any person of any change in any fact or matter impacting the Valuation or the Fairness Opinion which may come or be brought to its attention after the date hereof. Northern reserves the right to change, modify or withdraw the Valuation or the Fairness Opinion in the event that there is a change in any fact or matter impacting the Valuation and Fairness Opinion after the date hereof. However, Northern is under no obligation to update the Valuation and the Fairness Opinion.

The Valuation and the Fairness Opinion has been prepared for the use of the Special Committee and may not be used by any other party or relied upon by any other party without the express written consent of Northern. The Fairness Opinion is not intended to be a recommendation to Tone shareholders as to whether or not to tender their shares to the Proposed Transaction.

Unless otherwise indicated, all dollar amounts are in Canadian dollars.

OVERVIEW OF TONE RESOURCES LIMITED

Tone Resources Limited

Tone Resources Limited, located in Vancouver, Canada was incorporated pursuant to the *Business Corporations Act* (Yukon Territory) on October 31, 2001, and was continued under the *Business Corporations Act* (British Columbia) on March 11, 2005. Tone is engaged in the business of mineral exploration in Nevada, U.S.A. through its subsidiary, Tone Resources (U.S.) Inc., which was incorporated on June 27, 2002 pursuant to the laws of the State of Nevada, U.S.A.

On July 1, 2002 Tone purchased eight exploration projects located in Eureka County, Nevada, U.S.A (the "Roberts Mountain Project") from KM Exploration Ltd. On May 16, 2003 Tone was listed on the TSX Venture Exchange by way of an initial public offering.

Capital Structure

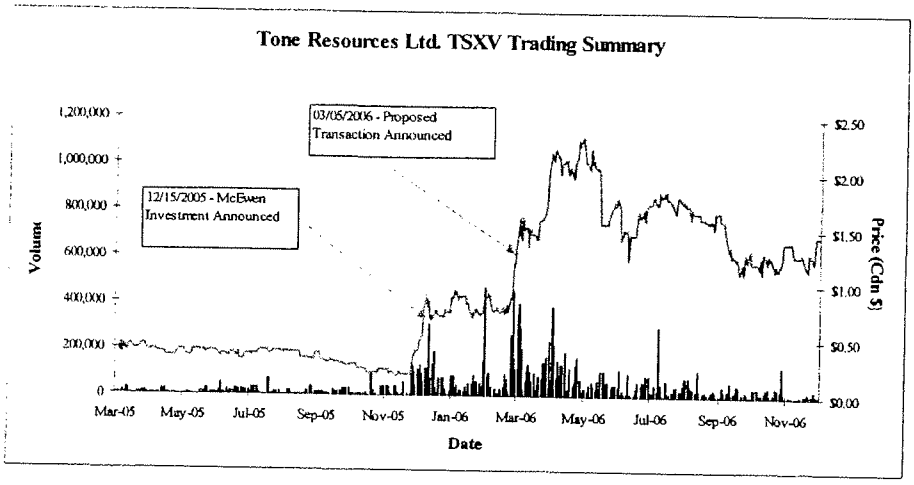
As at June 30, 2006, Tone had 19,590,745 common shares outstanding. In addition, Tone had options outstanding to acquire 1,695,732 common shares and warrants outstanding to acquire 3,616,175 common shares. Tone, had 24,902,652 common shares outstanding on a fully diluted basis. McEwen is Tone's largest shareholder, owning 5,000,000 common shares.

Trading Summary

Tone's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol "TNS". The following table sets forth the high and low closing prices and the volume traded on the TSXV for the periods indicated:

Tone Resources Ltd. TSXV Trading Summary			
	Closing Price (Cdn $)		
Period	High	Low	Total Volume
March 3 - 31, 2005	$0.48	$0.37	159,500
April	$0.41	$0.35	131,700
May	$0.41	$0.35	164,900
June	$0.40	$0.32	357,500
July	$0.41	$0.36	358,500
August	$0.40	$0.32	228,600
September	$0.38	$0.27	337,000
October	$0.28	$0.20	306,500
November	$0.37	$0.18	684,000
December	$0.90	$0.35	2,007,009
January 2006	$0.95	$0.70	869,017
February	$0.92	$0.74	1,630,365
March 1 - 3, 2006	$1.35	$1.19	734,450
March 6 - 31, 2006	$2.00	$1.34	2,685,254
April	$2.30	$1.96	2,415,298
May	$2.33	$1.55	1,020,473
June	$1.79	$1.22	875,900
July	$1.85	$1.65	896,893
August	$1.75	$1.51	796,851
September	$1.66	$1.10	424,967
October	$1.32	$1.12	563,495
November	$1.40	$1.15	206,486
December 1 - 4, 2006	$1.45	$1.45	24,776
March 3, 2005 to December 4, 2006	**$2.33**	**$0.18**	**17,879,434**

The Proposed Transaction was announced on Sunday March 5, 2006. The closing price of Tone common shares on the trading day immediately prior to the Announcement Date was $1.35. The following chart presents the trading performance of Tone's common shares on the TSXV from March 3, 2005 to December 4, 2006:



Exploration Properties

As of the Valuation Date, Tone owned substantially all interests in 410 claims plus two leased sections covering in total approximately 9,160 acres in four counties in Nevada.

Red Ridge Project, Carlin Trend, Elko County, Nevada

The Red Ridge properties, acquired by Tone in June 2003, represent a significant unexplored prospect in the Rain mining district on the Carlin Trend. The prospective alteration structural zone comprising the northwest-trending Red Ridge fault structure can be traced on the surface for a minimum of 7000 feet, and possibly projected under cover for several thousand more feet. Alteration effects along this structural zone are up to several hundred feet wide and are expressed by the presence of silicification, decarbonization, sulfidation or oxidation, and anomalous rock geochemistry. Abundant vein and stringer barite commonly associated with the Rain district gold deposits are also present.

The exploration target opportunity is high-grade mineralization developed adjacent to the Red Ridge structural zone at the Devils Gate — Webb contact. Analogies for this type of underground mineable deposit are present nearby at the Northwest Rain underground deposit comprised of 265K oz at 0.23 ozAu/st, NW Tess and Saddle of 1,475K oz at 0.37 oz Au/st, including a high grade portion of the Saddle deposit of 782K oz at 0.572 oz Au/st.

A gridded, 663 sample soil survey was completed in August, 2003. The survey covers 7500 feet of strike length along the target structural zone and consists of 50 foot sample spacings along lines that cross the structural zone; these lines are spaced at 200 foot intervals along the structure. Coherent and continuous geochemical anomalies indicative of Carlin-style mineralization are present. Results, using the ALS Chemex Au-23 and ME-41 ICP geochemical package, include gold up to 179ppb, arsenic to 625ppm, antimony to 226ppm, mercury to 14ppm, barium to 3730ppm, and zinc to 1650ppm. Float rock samples obtained to follow-up a particular anomalous soil zone yielded up to 1.025ppm gold, 333ppm arsenic, 17ppm antimony, 20.3ppm mercury, and 7450ppm zinc.

In late August and September 2004, Tone drilled four exploration holes including a fifth, complete re-drill of the first hole. RR04-1 and redrill RR04-1A are vertical holes located at the same site 500 feet north of Tone Resources' property boundary with Newmont Mining Company to the south. RR04-2 is a vertical hole located approximately 650 feet north of RR04-1 & 1A. RR04-3 is a westward directed, minus 60 degree angle hole, drilled from the same site as RR04-2; the mineralized intercept at the Webb Devils Gate contact within RR04-3, which had a down-hole survey, is approximately 300 feet to the west of the corresponding intercept in RR04-2.

Gold intervals in these holes provided the first indication of significant gold mineralization on Tone's Red Ridge property. Gold mineralization has a flat-tabular configuration and is located within a 100+foot thick zone of oxided jasperoid alteration located within Webb Formation lying immediately above Devils Gate Limestone; this mineralization is believed to be essentially tabular, dipping gently northward. ALS Chemex provided the assays using their Au-AA23 method for gold and ME-ICP41 for trace elements.

RR04-1A was a re-drill of RR04-1 because of very poor sample return. A different reverse circulation technique was employed in RR04-1A that provided excellent sample return.

The mineralization intersected in holes RR04-1A, RR04-2, and RR04-3 is believed to represent the distal expression of high-grade Rain/Tess/Saddle-style mineralization that is most likely associated with the target Red Ridge fault zone. The target opportunity remains completely open in essentially all directions, and additional exploration is warranted.

Kobeh & Roberts Creek Projects, Battle Mountain – Eureka Trend, Eureka County, Nevada

Tone Resources conducted drilling on the Kobeh and Roberts Creek projects in the Roberts Mountains area in 2002. Twelve holes were drilled to test 6 widespread and diverse target opportunities. Some of the targets had received no, or very little, previous drilling. All bedrock and near bedrock samples were assayed by ALS Chemex on 5 foot intervals. 34 element ME-ICP determinations were done on 20 foot composite samples. For laboratory assay checks, 50 randomly obtained comparison drill samples were assayed for gold; 49 of 50 samples exhibited excellent correspondence. A nine hole drill program in 2003 followed-up on favorable results obtained in 2002. Continued favorable results consisting of permissive host rocks, epithermal-style alteration, weak gold mineralization and associated anomalous pathfinder elements were obtained.

Fish Creek Project, Rabbit Creek Trend, Lander County, Nevada

The Fish Creek property, consisting of 75 lode claims, is located approximately between Newmont's Phoenix project and Kinross' Cove-McCoy project. The Fish Creek property was acquired from KM Exploration in June 2003. The prospect is comprised of a large zone of mixed epithermal (low temperature) and mesothermal (medium temperature) alteration, including several base and precious metal-bearing skarns, centered near and around multi-phase intrusives The property was explored as a porphyry Cu-Mo system in the 60's and 70's by Kennecott and Summa Corp. (Howard Hughes), and then was held by Tenneco and Echo Bay for almost 20 years. It appears evident that very little exploration of the property was specifically directed toward discovery of new gold deposits. Previously drilled copper intercepts on the property include 59 feet of 0.48% Cu, 33 feet of 0.21% Cu, and 100 feet of 0.10% Cu located at shallow depths.

Rock units exposed on the property are believed to be mostly if not entirely Permian Havallah Formation and Cretaceous (one date) and possible Tertiary intrusives. Recent work has returned rock samples containing up to 260ppb gold, 57 ppm silver and 2.5% copper. The target opportunity is Lone Tree (5 million ounces) to Fortitude-style (10 million ounces) — type gold deposits developed within or just above Antler Limestone and Battle Mountain Conglomerate. Tone drilled 3 wide-spaced exploratory holes in May, 2004. Two holes intersected weakly mineralized zones of gold with up to 276 and 234 ppb gold, respectively, and 40 feet of 0.12% copper and 100 feet of 0.10% copper. The property remains open to discovery and additional drilling is warranted.

South Keystone Project, Battle Mountain – Eureka Trend, Eureka County, Nevada

The South Keystone Project is comprised of 28 claims staked to encompass a gravity high and altered Paleozoic sedimentary rocks which flank a Tertiary intrusive. Subsequent to the claims being staked in January, 2004 junior exploration companies and Placer Dome US Inc. staked claims to surround Tone Resources' South Keystone claims. Placer has leased the junior mining company claims and now controls all of the surrounding properties. The geologic setting of this area is similar to that in the Gold Acres and Cortez areas. An extensive scoop-soil survey conducted by Tone has provided positive indications of gold-bearing hydrothermal system near the center of the claim group. Drill targets are evident and will be permitted for drilling in 2005.

Gold Bar North Project, Battle Mountain – Eureka Trend, Eureka County, Nevada

The Gold Bar North Project is located northwest of the Gold Bar deposit on strike with the primary northwest trending Gold Bar feeder structure. Similar to the mined out Gold Bar deposit to the south, shallow Paleozoic rocks are present beneath a locally thin veneer of gravel cover. The Gold Bar North prospect, comprised of the Gold Bar North claims, is a bedrock high as indicated by a gravity high. This property was specifically staked for its comparison with the now mined-out Gold Bar Mine deposit. Subsequent to the staking of the Gold Bar North claims, Trend Resources, LLC surrounded the Gold Bar North claims and leased their land position to Placer Dome U.S., Inc. In November, Tone commenced an intended 4-hole drilling program. The first hole was lost in altered siliceous volcanic rocks at 520 feet. Unseasonable weather struck in early November and a decision was made to halt drilling. A detailed gravity survey was conducted jointly with Placer Dome in late November and by pre-arrangement, the data from respective properties has been shared by both Tone and Placer Dome. The detailed gravity became the basis for follow-up drilling late in 2004 and early in 2005. Two follow-up holes drilled intersected what is believed to be altered lower plate rock units at relatively shallow depth.

Big Antelope Springs Project, southern Rabbit Creek Trend, Lander County, Nevada

The Big Antelope Springs property consists of several claims which cover three, low-lying knobs of exposed altered Permian Havallah Fm. Havallah is the primary host of the Lone Tree, Nike-Converse, North Peak, and Buffalo Valley gold deposits. Alteration is comprised of decarbonatization of calcareous rocks, pervasive silicification and quartz veins, all suggestive of a hydrothermal system in the area. Anomalous pathfinder metals also indicate the presence of a hydrothermal system. A program of identifying and qualifying targets for the purpose of designing a drill program is in progress.

Kent Springs Project, Rabbit Creek Trend, Pershing County, Nevada

The Kent Springs Project is located on the Rabbit Creek gold trend in Pershing County. The prospect consists of a knob of altered Havallah limestones and calcareous siltstones surrounded by a sea of colluvial cover. Alteration

consists of decarbonatization, silicification, and sulfidation. Many of the samples, listed below, contain anomalous arsenic. Although no anomalous gold was obtained in the samples, it is believed the presence of quality prospective host rock and associated alteration suggest the possibility of a nearby gold deposit opportunity.

Selected Financial Information

Illustrated in the table below is a summary of pertinent financial information of Tone for the fiscal year ended August 31, 2005 and for the second and third quarters of fiscal 2006.

Tone Resources Limited *(Cdn$000's except per share amounts)*	Year End 31-Aug-2005	Quarter End 28-Feb-06	Quarter End 31-May-06
Balance Sheet Data			
Working Capital	14	220	1,332
Total Assets	1,173	1,471	2,619
Long term debt	-	-	-
Shareholders' equity	1,044	1,425	2,577
Book value per share	0.08	0.07	0.13

OVERVIEW OF U.S. GOLD CORPORATION

U.S. Gold Corporation

U.S. Gold Corporation (U.S. Gold), located in Lakewood Colorado, U.S.A, was incorporated under the laws of the State of Colorado on July 24, 1979 under the name Silver State Mining Corporation. It changed its name to U.S. Gold Corporation on June 21, 1988. Since its inception, U.S. Gold has focused on the exploration of gold and other precious metals in the southwestern United States and Mexico.

Currently, U.S. Gold's lone exploratory property is the Tonkin Springs in Eureka County, Nevada on the Battle Mountain-Eureka Trend in which it holds a 100% interest. After entering into a joint venture on the property in 1985 with Mineral Ventures, U.S. Gold leased the property in January of 1986 and has maintained control ever since. U.S. Gold is currently focusing on property-wide exploration of mineral resources on the Tonkin Springs property.

On March 5, 2006, U.S. Gold announced its intention to acquire four companies with properties in the Battle Mountain-Eureka Trend in Nevada (the "Proposed Acquisitions"). These companies, White Knight Resources Ltd., Nevada Pacific Gold Ltd., Coral Gold Resources Ltd. and Tone, have mineral properties that are neighboring or near the Tonkin Springs property.

Capital Structure

As at November 1, 2006, U.S. Gold had 49,996,755 common shares outstanding, 8,851,000 warrants outstanding with an exercise price of US$10.00, 1,002,000 warrants outstanding with an exercise price of US$4.50, and 1,406,500 outstanding common share options at a weighted average exercise price of US$3.62. As at the Valuation Date, McEwen holds 11,767,000 U.S. Gold common shares and 333,500 warrants, representing 24% of the outstanding shares (assuming the warrants are exercised).

Trading Summary

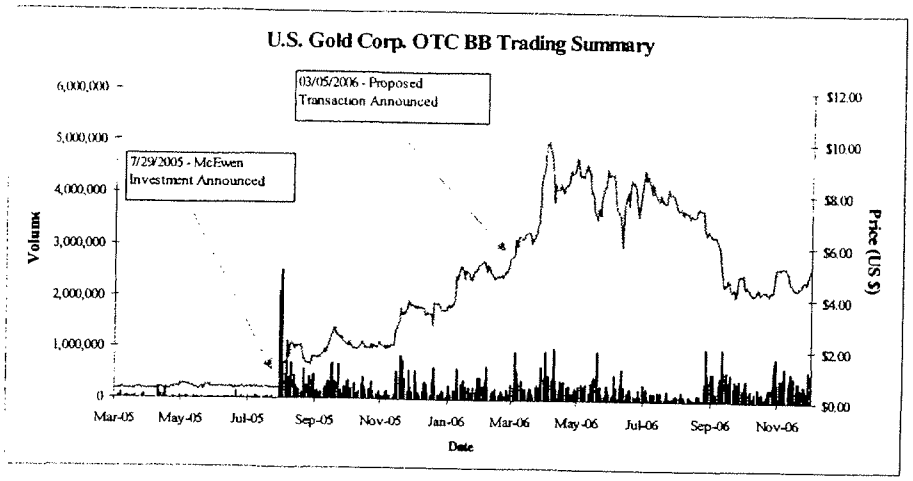
U.S. Gold's common shares are quoted on the United States Over the Counter Bulletin Board ("OTC BB") under the symbol "USGL", and on August 30, 2006 began trading on the TSX under the symbol "UXG". The following tables set forth the high and low closing prices and the total volume traded for both the U.S. Gold common shares traded on the OTC BB and on the TSX for the periods indicated:

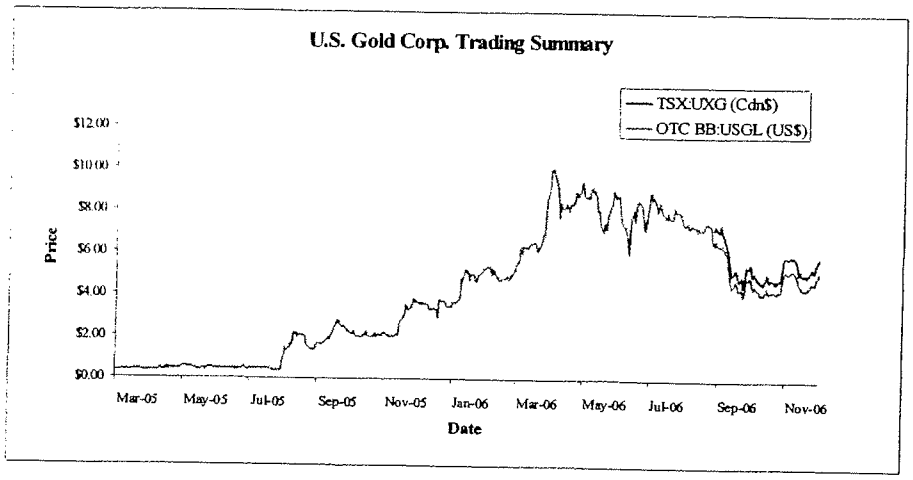
U.S. Gold Corp. TSX Trading Summary			
	Closing Price (Cdn $)		
Period	High	Low	Total Volume
August 30 -31, 2006	$7.33	$7.20	16,000
September	$7.40	$4.50	513,145
October	$5.55	$4.62	271,536
November	$5.96	$4.99	675,790
December 1 - 4, 2006	$5.85	$5.83	89,365
August 30, 2006 to December 4, 2006	**$7.40**	**$4.50**	**1,565,836**

The Proposed Transaction was announced on March 5, 2006. The closing price of U.S. Gold's common shares (on the OTC BB) on the trading day immediately prior to the Announcement Date was US$5.65. The following chart presents the trading performance of U.S. Gold's common shares on the U.S OTC BB from March 3, 2005 to December 4, 2006:

U.S. Gold Corp. OTC BB Trading Summary			
	Closing Price (US $)		
Period	High	Low	Total Volume
March 3 - 31, 2005	$0.40	$0.35	448,515
April	$0.48	$0.35	841,910
May	$0.56	$0.37	369,499
June	$0.50	$0.38	401,911
July	$0.46	$0.39	364,012
August	$2.15	$0.81	13,175,998
September	$2.80	$1.63	6,337,513
October	$2.27	$1.97	4,057,446
November	$3.82	$2.01	6,420,450
December	$3.74	$2.89	5,062,077
January 2006	$5.25	$3.45	5,100,367
February	$5.37	$4.68	4,395,050
March 1 - 3, 2006	$5.65	$5.22	632,538
March 6 - 31, 2006	$9.08	$6.00	6,728,529
April	$10.05	$7.71	7,612,482
May	$9.40	$7.05	6,528,292
June	$8.78	$6.03	4,715,945
July	$8.93	$7.70	2,374,620
August	$7.70	$6.46	3,900,927
September	$6.44	$4.05	8,794,400
October	$4.95	$4.10	5,214,270
November	$5.26	$4.35	8,920,039
December 1 - 4, 2006	$5.14	$5.13	869,043
March 3, 2005 to December 4, 2006	**$10.05**	**$0.35**	**103,265,833**

The following chart presents the trading performance of U.S. Gold's common shares on the U.S. OTC BB from March 3, 2005 to December 4, 2006 and the common shares listed on the TSX from their initial trading date of August 30, 2006 to December 4, 2006.





Exploration Property

Tonkin Springs Property, Battle Mountain-Eureka Trend, Eureka County, Nevada

The Tonkin Springs property is a gold mining asset in which U.S. Gold holds a 100% interest and most recently produced 2,735 ounces of gold in 1990. The Tonkin Springs property is located in the heart of the prolific Cortez Trend, where Placer Dome's (now Barrick Gold) Joint Venture area is reported to have over 11 million ounces of reserves.

The property encompasses 36 square miles and is one continuous block of land. It extends approximately 12 linear miles along the central Battle Mountain-Eureka Trend, located in north-central Nevada. Currently, the property is comprised of a total of 1,182 unpatented mining and 33 mill site claims. Of the 1,215 claims comprising the Tonkin Springs property, 269 claims, at the area of the property called Tonkin North, are leased from an unaffiliated third party (the "Tonkin North Lease"). The Tonkin North Lease expires in 2009 but may be extended from year to year,

up to a maximum term of 99 years, by production on the Tonkin North property. U.S. Gold's management believes that the risk of the Tonkin North Lease not being extended is very low.

U.S. Gold has engaged in a series of joint ventures at the Tonkin Springs property with partners such as Mineral Ventures in 1985, Homestake Mining Company in 1991, Gold Capital Corporation in 1993, Sudbury Contact Mines Limited in 1999, and BacTech Mining Corporation in 2003. All of these joint ventures were terminated, however, and U.S. Gold has retained its 100% interest in the property. As a result of these ventures, a significant amount of exploration work has been conducted over the years at the Tonkin Springs property most of which focused on relatively shallow mineral deposits on a limited portion of the property. While these deposits remain of interest, U.S. Gold's immediate plan is to explore elsewhere on the property and, overall, to explore deeper, for potentially larger deposits suggested by other mineralization on the Cortez Trend and Carlin Trend in Nevada.

Based on U.S. Gold's Technical Report dated January 27, 2006, prepared by Micon International Ltd., Tonkin Springs contains 1,265,600 ounces of measured and indicated resources, and 152,500 ounces of inferred resources.

U.S. Gold began an extensive exploration and evaluation program of the Tonkin Springs property in June 2006. Approximately 30,000 feet of drilling had been completed by September 30, 2006, and drilling is expected to continue through the fall and winter depending on weather and drill availability. There are currently four rigs active on the property with more expected to be secured over the fall and winter months. An expanded property-wide exploration permit has been submitted for review to the relevant managing agencies, and is expected to be granted with agency input in the spring of 2007.

Selected Financial Information

Illustrated in the table below is a summary of pertinent financial information of U.S. Gold for the fiscal year ended December 31, 2005, and for the first and third quarters of fiscal 2006.

U.S. Gold Corporation *(US$000's except per share amounts)*			
	Year End 31-Dec-2005	Quarter End 31-Mar-06	Quarter End 30-Sep-06
Balance Sheet Data			
Working Capital	789	34,553	60,745
Total Assets	5,541	80,176	67,451
Long term debt	3,007	146,206	7,086
Shareholders' equity	2,533	(66,030)	60,365
Book value per share	0.08	(1.98)	1.21

DEFINITION OF FAIR MARKET VALUE

For purposes of the Valuation, fair market value is defined as the highest price expressed in terms of money or money's worth, available in an open and unrestricted market between informed and prudent parties, each acting at arm's length, where neither party is under any compulsion to act. Northern has made no downward adjustment to the fair market value of the common shares of Tone or U.S. Gold to reflect the liquidity of the shares or the fact that the common shares held by individual holders do not form part of a controlling interest.

VALUATION APPROACH AND METHODOLOGIES

The Valuation has been prepared based on the techniques and assumptions that Northern considers appropriate in the circumstances for the purposes of arriving at an opinion as to the range of Fair Market Value of the common shares of Tone and Canadian Exchange Co. on an *en bloc* basis. Since Canadian Exchange Co. is a single purpose company, created solely to complete the acquisition of Tone and other companies, and its common shares are exchangeable into common shares of U.S. Gold on a one-for-one basis upon completion of the Proposed Transaction, Northern has based its valuation of Canadian Exchange Co. on its opinion on the Fair Market Value of U.S. Gold's common shares as at the Valuation Date.

Based on Northern's professional judgement and experience in valuing public companies in the mining sector, Northern considered the primary methodologies that are widely accepted for valuing early stage mineral exploration companies; the market value approach, the net asset value ("NAV") approach, the cost or appraisal approach, comparable trading approach, the recent financings approach, and the comparable precedent transactions approach.

Market Value Approach

The Market Value Approach utilizes the spot price and the average of closing prices over a reasonable period be used to determine the market value of a company. Due to the prospective nature of U.S. Gold and Tone's properties, Northern considers the Market Value Approach to be an appropriate valuation technique for mineral exploration companies. To determine the average market value Northern employs an average of the spot closing price, the 20-day average closing price and the 100-day average closing price of the shares of a company as at the Valuation Date.

Net Asset Value Approach

The net asset value ("NAV") approach determines the fair market value of a company through the evaluation of its underlying assets using the valuation technique that is the most appropriate to the particular asset. The company's liabilities and cash operating expenses are then deducted from the aggregate value of the assets to determine the *en bloc* value of the company and its value per common share.

The cost or appraisal approach and the comparable trading approach are used to determine the value of exploration properties.

Cost or Appraisal Approach

The cost or appraisal approach estimates the value of an exploration property by using the cost of the most recent three to four years of acquisition and exploration work plus the budget for the ensuing year's program on the property. The geology and exploration results are reviewed for each property and a determination is made as to whether the exploration expenditures to date have either enhanced or diminished the value of the property. A determination must also be made as to whether the ensuing year's budget will further enhance the property's value.

Comparable Trading Approach

When a company's exploration properties have a mineralized zone or zones that has been defined by sufficient drilling such that a reserve or resource can be estimated, the multiples of selected gold exploration companies can be utilized to determine a value for a company or a company's property. Northern considered the adjusted market capitalization ("AMC") to resource multiple, AMC being the market value of common equity plus the book value of long-term debt, preferred shares and minority interest less the book value of working capital.

Recent Financings Approach

The recent financings approach considers recent equity investments in a company made by parties who are at arms-length. Northern believes that a recent investment by sophisticated investors is an indication of value.

Comparable Precedent Transactions Approach

The comparable precedent transactions approach considers transaction prices in the context of the purchase or sale of a comparable company or asset to estimate the value of the company. Northern utilized the underlying AMC to resource multiple derived from the prices paid for gold exploration companies and assets that are subject to arms-length transactions. This multiple provides a general measure of relative value, which in turn is used to estimate the value of the company

Valuation Weighting Analysis

The various approaches to valuation generate a distribution of results that ultimately must be reduced to a reasonable estimate of value. It is Northern's opinion that each valuation method has greater or lesser accuracy depending upon the particular company being valued and the underlying certainty of the information upon which it is based. Each of

the specific valuation methods has a greater or lesser application to a company due to the development stage of the company. It is important to note, however, that each method provides additional information regarding value and must be given due consideration. To accommodate these differences, Northern employed a weighting process whereby the values generated by each alternative method were given a weight from 0 to 100 with the total of these weights being set to equal 100. The weighted average value was then calculated based on these weights.

VALUATION APPROACH AND METHODOLOGIES APPLIED TO TONE

Market Value Approach

Northern considered the Market Value Approach to determine the Fair Market Value of Tone. Immediately after the Announcement Date the common shares of Tone increased in price, reflecting the Proposed Transaction. Since that time Tone has traded in unison with U.S. Gold at a slight discount to the Proposed Transaction. Northern does not consider the Market Value Approach to be a valid technique to determine the Fair Market Value of Tone because Tone's market price as at the Valuation Date reflects the terms of the Proposed Transaction in relation to U.S. Gold's share price, and not the underlying fundamentals of the Company. Northern did utilize the Market Value Approach to determine the Fair Market Value of Tone in the May Valuation (which had a March 3, 2006 valuation date, to days prior two the Announcement Date) and determined that the average share price per Tone common share, based on the Market Value Approach, was $0.94. Northern does not consider it appropriate to use the value derived from the Market Value Approach as at March 3, 2006 to determine the Fair Market Value of Tone as at the Valuation Date due to the significant period of time that has elapsed between the two dates.

Net Asset Value Approach

Schedule 1 presents the Net Asset Value ("NAV") Approach to value Tone. As at the Valuation Date Tone's assets consisted of working capital, reclamation bonds and exploration properties. Since 2002 Tone has invested approximately $1.3 million in its properties. To date, although the properties remain prospective, Tone does not have a NI 43-101 compliant resource estimate. However, Tone's Roberts Creek property has a potential deposit of 51,434 ounces of gold based on previous exploration work by Atlas Gold Mining Inc. and others. This estimate does not comply with NI 43-101. The potential quantity and grade of the deposit on the CC Claims are conceptual in nature. There has been insufficient exploration to define a minimal resource on the CC Claims, and it is uncertain if further exploration will result in the discovery of a mineral resource on the CC Claims.

To determine the value of Tone's properties Northern utilized the Cost or Appraisal Approach and the Comparable Trading Approach.

Cost or Appraisal Approach

To establish the low end of the value estimate range for Tone's exploration property portfolio, Northern gave full credit to all for its past acquisition and exploration expenditures to the Valuation Date. This establishes a low value for Tone's exploration properties of $1.1 million (excluding Roberts Creek) as presented in Schedule 2. Northern believes Tone should receive full credit for its acquisition and exploration expenditures, as of the Valuation Date, given that the majority of Tone's exploration work has been done in the past three years.

To establish the high end of the value estimate range for Tone's exploration property portfolio, Northern added a portion of the 2006 exploration budget to the low value established above for the respective properties. For properties in which there is a clearly defined drill target Northern provided a full credit for the 2006 budget, for properties in which there was not a clearly defined target Northern provided a 50% credit for the 2006 budgeted expenditures. This approach establishes a high value for Tone's exploration properties of $2 million (excluding Roberts Creek).

Comparable Trading Approach

Northern applied the Comparable Trading Approach to Tone's Roberts Creek property, which has a potential deposit of 51,434 ounces based on previous exploration work by Atlas Gold Mining Inc. and others. This estimate does not comply with NI 43-101. The potential quantity and grade of the deposit on the CC Claims are conceptual in nature, there has been insufficient exploration to define a mineral resource on the CC Claims, and it is uncertain if further exploration will result in the discovery of a mineral resource on the CC Claims. Therefore, Northern discounted the AMC per ounce in the ground, which ranged from C$17.48 to C$31.80, by 60% to determine a value range for Roberts Creek. The valuation of Roberts Creek using the Comparable Trading Approach is presented in Schedule 3.

Net Asset Value Estimate

Based on and subject to the foregoing, the value per share of Tone using the NAV Approach is estimated to be $0.19 to $0.24 per share.

Recent Financings Approach

The Recent Financings Approach considers recent investments in Tone made by parties who are at arms-length to the company. On December 15, 2005 Tone announced a private placement of 3,300,000 units at $0.20 per unit; each unit comprised of one common share and one share purchase warrant exercisable at $0.25 per share until December 19, 2007 (the "Tone Financing"). McEwen, who at the time was at arm's length to Tone, subscribed for 1,770,000 units at a first closing and subscribed for an additional 730,000 units at a second closing upon receipt of disinterested shareholder approval on February 10, 2006, representing approximately 76% of the private placement. Northern believes that since the Tone financing there has been no material events at Tone, other than the Proposed Transaction, an investment by a sophisticated investor such as McEwen is an indication of the value of Tone. The value for Tone using the Recent Financings Approach is as follows:

	Low	High
Price per unit of investment	$0.20	$0.20
Less: warrant value[1]	(0.03)	(0.02)
Value per share	0.17	0.18

(1) Warrant value based on the Black-Scholes option valuation model, utilizing a historical share price volatility of 25% to 35% and a 5.25% interest rate.

Based on and subject to the foregoing, the value per share of Tone using the Recent Financings Approach is estimated to be $0.17 to $0.18 per share.

Comparable Precedent Transactions Approach

Northern considered the Comparable Precedent Transactions Approach to determine the value of Tone. As discussed above, as at the Valuation Date, Tone share price reflects the terms of the Proposed Transaction and not the underlying fundamentals of the company. Therefore, to arrive at a Fair Market Value for Tone's Common Shares, Northern has discounted the closing price, and the 20-day average closing price of Tone common shares as of the Valuation Date by the average premiums of comparable precedent transactions (Schedule 5), and the average premium on North American mining transactions since July 2005 (Schedule 6).

	Low	High
Tone 20-day average price as at Valuation Date		$1.33
Tone closing price as at the Valuation Date	$1.22	
Average take over bid premium[1]	29.6%	24.1%
Value per share	$0.86	$1.01

(1) Take over premiums are presented in Schedule 5 and 6

Based on and subject to the foregoing, the value per share of Tone using the Comparable Precedent Transactions Approach is estimated to be $0.86 to $1.01 per share.

Valuation Weighting Analysis

The valuation weighting analysis for Tone is as follows:

	Low	High	Weighting
Net Asset Value Approach	$0.19	$0.24	60%
Recent Financings Approach	$0.17	$0.18	10%
Comparable Precedent Transactions Approach	$0.86	$1.01	30%
Weighted Average	$0.39	$0.46	100%

Valuation Conclusion

Based on and subject to the foregoing valuation methods applied to Tone, Northern is of the opinion that the Fair Market Value of Tone, as at the Valuation Date, is in the range of $0.39 to $0.46 per share.

VALUATION APPROACH AND METHODOLOGIES APPLIED TO U.S. GOLD

Market Value Approach

The following table presents the spot price for U.S. Gold's common shares as at Valuation Date, and the average market price for U.S. Gold's common shares for the 20-day and 100-day periods prior to the Valuation Date:

Based on and subject to the foregoing, the value per share of U.S. Gold using the Market Value Approach is

(all amounts in US$)	U.S. Gold (OTC BB:USGL)
Market value per share as at the Valuation Date	$4.85
20-day average share price as at the Valuation Date	$4.76
100-day average share price as at the Valuation Date	$5.70
Average share price as at the Valuation Date	$5.10
Average share price as at the Valuation Date (Cdn$)	$5.82

estimated to be US$5.10 or $5.82 per share.

Net Asset Value Approach

U.S. Gold's assets consist of working capital, reclamation bonds and exploration properties. U.S. Gold's Tonkin Springs project has a NI 43-101 compliant resource estimate of approximately 1.42 million ounces of gold; therefore Northern utilized the Comparable Trading Approach to estimate the value of the property.

Based on and subject to the foregoing, as presented in Schedule 7, the value per share of U.S. Gold using the NAV approach is estimated to be US$1.73 to US$2.05, or $1.97 to $2.24 per share.

Recent Financings Approach

The Recent Financing Approach considers recent investments in U.S. Gold made by parties who are at arms-length to the company. On February 22, 2006 U.S. Gold announced a private placement of 16,700,000 subscription receipts at US$4.50 per subscription receipt; each subscription receipt was convertible into one common share and one-half share purchase warrant, exercisable at US$10.00 per share until February 22, 2011. Northern believes that since the U.S. Gold financing, there have been no material events at U.S. Gold other than the Proposed Transaction, an investment by sophisticated investors is an indication of the value of U.S. Gold. The value for U.S. Gold using the Recent Financing Approach is as follows:

(all amounts in US$)	Low	High
Price per subscription receipt	$4.50	$4.50
Less: warrant value[1]	(0.59)	(0.26)
Value per share	$3.91	$4.24
Value per share (Cdn$)	$4.46	$4.84

(1) Warrant value based on the Black-Scholes option valuation model, utilizing a historical share price volatility of 25% to 35% and a 5.25% interest rate.

Based on and subject to the foregoing, the value per share of U.S. Gold using the Recent Financings Approach is estimated to be US$3.91 to US$4.24, or $4.46 to $4.84 per share.

Comparable Precedent Transactions Approach

Northern believes the Comparable Precedent Transactions Approach, as presented in Schedule 9, is an appropriate valuation approach for U.S. Gold due to its 1.4 million ounce, NI 43-101 compliant, gold resource at Tonkin Springs. Northern identified and reviewed comparable precedent transactions involving gold exploration companies (as presented in Schedule 10). Based on the precedent transactions reviewed, Northern believes the appropriate

value for measured, indicated and inferred resources to be in the range of US$45.42 to US$47.64 per ounce of gold for U.S. Gold.

These multiples were applied to the most recently announced resources of U.S. Gold. Based on and subject to the foregoing, the value per share of U.S. Gold using the Comparable Precedent Transactions Approach is estimated to be US$2.69 to US$2.75, or $3.07 to $3.14 per share.

Valuation Weighting Analysis

The valuation weighting analysis for U.S. Gold is as follows:

(all amounts in US$)	Low	High	Weighting
Market Value Approach	$5.10	$5.10	10%
Net Asset Value Approach	$1.73	$2.05	60%
Recent Financings Approach	$3.91	$4.24	10%
Comparable Precedent Transactions Approach	$2.69	$2.75	20%
Weighted Average	$2.48	$2.71	100%
Weighted Average (Cdn$)	$2.82	$3.10	100%

Valuation Conclusion U.S. Gold

Based on and subject to the foregoing valuation methods applied to U.S. Gold, Northern is of the opinion that the Fair Market Value of U.S. Gold, and therefore by extension Canadian Exchange Co., as at the Valuation Date, is in the range of US$2.48 to US$2.71, or $2.82 to $3.10 per share.

FAIRNESS OPINION

In order to assess whether the Proposed Transaction is fair from a financial point of view to the shareholders of the Company, Northern has primarily relied upon the following:

- A comparison of the Proposed Transaction's share exchange ratio to the share exchange ratio derived from the relative Fair Market Values of Tone and U.S. Gold;
- A comparison of the consideration per Tone common share based on the relative value of Tone to U.S. Gold as at Announcement Date;

- A comparison of the consideration per common share to the historical trading prices of Tone prior to the Announcement Date; and
- Other qualitative factors.

Comparison of the Proposed Transaction's Share Exchange Ratio to the Share Exchange Ratio Derived from the Relative Fair Market Values of Tone and U.S. Gold

In connection with its engagement by the Special Committee, Northern has provided an opinion on the Fair Market Value of both Tone and U.S. Gold as at the Valuation Date. Based on our range of Fair Market Value for Tone and U.S. Gold of $0.39 to $0.46 and US$2.48 to US$2.71, or $2.82 to $3.10 respectively, the derived share exchange ratio ranges from 0.13 to 0.16. The share exchange ratio of the Proposed Transaction, 0.26 exchangeable U.S. Gold common shares per Tone common share represents a 58% to 107% premium to the share exchange ratio derived from Tone and U.S. Gold's respective Fair Market Values.

Comparison of the Consideration per Tone Common Share Based on the Relative Value of Tone to U.S. Gold as at the Announcement Date

The consideration offered in the Proposed Transaction is 0.26 U.S. Gold common shares per Tone common share. Based on the closing price as at the Announcement Date, the consideration values Tone at C$1.68 per share; this represents a 24.1% premium to Tone's closing price on the Announcement Date.

Comparison of the Consideration per Common Share to the Historical Trading Prices of Tone prior to the announcement of the Proposed Transaction

Northern reviewed the average daily price for the 20, 50 and 100-day period as of the Announcement Date. Our analysis concluded that the consideration offered in the Proposed Transaction of 0.26 U.S. Gold common share per Tone common share effectively values Tone at $1.68 per share based on closing prices at the Announcement Date. This value represents a premium to the 20, 50 and 100-day average price of Tone of 92%, 101% and 184% respectively.

Other Qualitative Factors

In considering the fairness of the Proposed Transaction, from a financial point of view, to the holders of Tone's common shares, other than McEwen, Northern also reviewed the following qualitative factors.

Precedent Proposed Transactions in the Junior Gold Exploration Industry – Takeover Bid Premiums

Northern has reviewed recent precedent transactions in the junior gold exploration industry and precedent transactions in the mining industry during the last four years. Northern believes that the effective take-over premium involved in the Proposed Transaction based on the market price of Tone as at the Announcement Date, and the 20-day average price of Tone as at Announcement Date, is consistent with the average premium from recent gold exploration and mining transactions.

Tone's Interest in U.S. Gold on a Post Proposed Transaction Basis and on the Assumption that U.S. Gold Successfully Acquires Tone, White Knight Resources Ltd., Nevada Pacific Gold Ltd. and Coral Gold Resources Ltd.

Northern reviewed the most recently publicly disclosed net book values, as of the Valuation Date, of all of the companies that U.S. Gold announced it intended to acquire; Tone, White Knight Resources Ltd., Nevada Pacific Gold Ltd. and Coral Gold Resources Ltd. Based on Northern's review, the pro forma ownership interest of Tone's shareholders in U.S. Gold, assuming the proposed acquisition of Tone by U.S. Gold is completed, would be approximately 9%; assuming all of the transactions close on the proposed terms, the ownership interest of Tone's shareholders would be approximately 5%. In either case, the ownership interest to Tone's present shareholders in the combined entity would be greater than Tone's contribution to net book value on a pro forma basis that is approximately 4% assuming the proposed acquisition of Tone by U.S. Gold is completed, and approximately 2.1% assuming all of the transactions closed.

Other Potential Purchases

Northern understands that no other potential purchaser has expressed interest in acquiring Tone since the Announcement Date. Also, Northern believes that given McEwen's ownership interest in Tone and the significant exploration package U.S. Gold is creating in Nevada, it is unlikely that there is another purchaser that will derive as much value from Tone's assets as U.S. Gold.

The Improved Liquidity the Proposed Transaction Provides Tone's Shareholders

Northern believes that Tone's shareholders will benefit from the increased liquidity in U.S. Gold's market capitalization and financial resources. U.S. Gold has a materially stronger balance sheet than Tone. By virtue of its dual listing on the TSX and OTC BB, U.S. Gold will be well positioned to access the financial markets if capital is required.

Northern believes that the probability of raising capital to fund the exploration and development of Tone's properties are greatly enhanced by the realization of the Proposed Transaction.

Fairness Opinion

Based upon and subject to the foregoing, Northern is of the opinion that, as of the date hereof, the consideration under the Proposed Transaction is fair, from a financial point of view, to the shareholders of Tone.

Yours very truly,

Northern Securities Inc.

NORTHERN SECURITIES INC.

APPENDIX A

NORTHERN PROFESSIONAL RESPONSIBLE FOR THE VALUATION

The Northern individual primarily responsible for the preparation of the Valuation was Douglas Harris; Mr. Harris is a Chartered Business Valuator with 12 years of experience in the investment business, including experience with valuations.

SCHEDULE 1

VALUATION OF TONE RESOURCES LIMTED

NET ASSET VALUE APPROACH

As of May 31, 2006

Cdn $000's except per share amounts

	Low	High
Cash	$ 1,306	$ 1,306
Estimated cash proceeds from in-the-money options and warrants	1,929	1,929
Accounts receivable	15	15
Retainers, and pre paid expenses	11	11
Reclamation bond	32	32
Exploration property value (Schedule 2)	1,463	2,695
Less:		
Accounts payable and accruals	41	41
Net asset value	4,714	5,946
Shares outstanding [1]	19,591	19,591
Estimated number of shares issued from the exercise of in-the-money options and warrants	5,312	5,312
Diluted shares outstanding	24,903	24,903
Net asset value per share	$0.19	$0.24

(1) Shares, options and warrants outstanding information is as of June 30, 2006

SCHEDULE 2

VALUATION OF TONE RESOURCES LIMITED

COST OR APPRAISAL APPROACH

Cdn $000's	Accumulated Expenditures (as of May 31, 2006)	Value Estimate Low	2006 Budget	2006 Expenditure Factor	2006 Adjusted Expenditures	Value Estimate High
Red Ridge	368.9	368.9	350.0	100%	350.0	718.9
Fish Creek	194.4	194.4	190.0	100%	190.0	384.4
Roberts Mountain:						
Kobeh	368.3	368.3	130.0	50%	65.0	433.3
Roberts Creek [1]	n/a	359.6	n/a	n/a	n/a	654.2
Gold Bar North	104.1	104.1	110.0	100%	110.0	214.1
Big Antelope Springs	14.9	14.9	75.0	50%	37.5	52.4
Kent Springs	9.2	9.2	70.0	50%	35.0	44.2
South Keystone	43.8	43.8	150.0	100%	150.0	193.8
	1,103.6	1,463.2	1,075.0		937.5	2,695.3

(1) The valuation estimate of Roberts Creek is presented in Schedule 3.

SCHEDULE 3

VALUATION OF TONE RESOURCES LIMITED

COMPARABLE TRADING APPROACH

Roberts Creek Property

Cdn $	Low	High
Roberts Creek Property Historic Gold Resource (oz)	51,434	51,434
AMC per oz. In Situ (AMC/oz) [1]	$6.99	$12.72
Roberts Creek Implied Value	$359,601	$654,199

(1) AMC/oz of gold as presented in Schedule 4, discounted by 60%.

SCHEDULE 4

COMPARABLE TRADING MULTIPLES

Cdn $000's except per share or Oz. amounts as of November 30, 2006	Symbol	Shares Outstanding	Share Price	AMC	Total Gold Resources (Oz.)	AMC/ Resources (Oz.)
Grandview Gold *	GVX	19,087	$0.74	$11,772	895	$13.16
American Bonanza*	BZA	100,629	$0.35	$27,703	1,965	$14.10
Great Basin Gold*	GBG	112,665	$2.22	$211,480	10,139	$20.86
Staccato Gold Resources*	CAT	55,109	$0.80	$42,432	537	$79.08
* Exploration in Nevada					Average	$31.80
					Average (excluding High/Low)	$17.48

Note: The AMC/Resources (Oz.) from the May 2006 Valuation had an Average of $43.87, and an Average (excluding High/Low) of $24.69. The share prices of these comparable public companies have decline substantially since March 3, 2006, and as a result, the comparable multiple has decline significantly as well.

SCHEDULE 5

COMPARABLE PRECDENDENT TRANSACTIONS

Junior Gold Exploration Companies

Cdn $000's except per share amounts Acquirer	Target	Announcement Date	O/S	Share Exchange	Offer Price	Offer Price (20 Day Ave Price)	Pre-Announcement Target Price (Last Close)	Pre-Announcement Target Price (20 Day Ave Price)	Bid Premium %	Bid Premium % (20 Day Ave Price)
High River Gold Mines Ltd.	Jibley Gold Exploration Ltd.	20-Jun-05	34,922	0.75	$1.03	$1.00	$0.79	$0.66	30.1%	52.0%
Iamgold Corp.	Gallery Resources Ltd.	6-Dec-05	495,345	0.05	$0.40	$0.39	$0.33	$0.30	20.7%	32.6%
Eldorado Gold Corp.	AFCAN Mining Corp.	31-May-05	138,563	0.15	$0.46	$0.43	$0.43	$0.35	7.1%	24.2%
Yamana Gold Inc.	Viceroy Exploration Ltd.	6-Sep-06	54,123	0.97	$11.74	$11.06	$11.67	$10.39	0.6%	6.4%
Yamana Gold Inc.	Desert Sun Mining Corp.	22-Feb-06	105,360	0.60	$5.83	$5.70	$4.96	$4.66	17.5%	22.4%
Gammon Lake Resources Inc.	Mexgold Resources Inc.	26-Jun-06	60,204	0.47	$6.73	$5.93	$6.50	$6.03	3.5%	-1.6%
Rio Narcea Gold Mines Ltd.	Defiance Mining Corp.	30-Jun-04	99,540	0.19	$0.53	$0.49	$0.39	$0.37	36.8%	32.5%
								Average	16.6%	24.1%
						Average (excluding High/Low)			25.4%	32.6%
U.S Gold Corp.	Tone Resources Ltd.	5-Mar-06	19,591	0.26	1.68	1.50	1.35	$0.87	24.1%	71.4%

Cad/Usd 1.1405
Aud/Cad 0.8997

SCHEDULE 6

AVERAGE M&A MINING PREMIUMS

Period	Average Premium [1]
Nov-06	2.49%
Oct-06	35.52%
Sep-06	33.12%
Aug-06	22.32%
Jul-06	22.63%
Jun-06	96.08%
May-06	44.59%
Apr-06	3.73%
Mar-06	30.45%
Feb-06	6.67%
Jan-06	39.06%
Dec-05	20.17%
Nov-05	22.22%
Oct-05	24.65%
Sep-05	37.11%
Aug-05	60.89%
Jul-05	1.81%
AVERAGE	29.62%

Source: Bloomberg

(1): Average premium is for North American mining M&A transactions with listed premiums

SCHEDULE 7

VALUATION U.S. GOLD CORPORATION

NET ASSET VALUE APPROACH

As of September 30, 2006
US $000's except per share amounts

	Low	High
Cash and cash equivalent	$60,641	$60,641
Cash proceeds from in the money options and warrants	9,601	9,601
Interest receivable	51	51
Other current assets- prepaid expenses	52	52
Property and equipment, net	593	593
Value of Tonkin Springs (Schedule 8)	20,566	37,415
Restrictive time deposits for reclamation bonding	3,103	3,103
Other assets:		
Inactive milling equipment	778	778
Long-lived asset-asset retirement	2,231	2,231
Other assets	2	2
Less:		
Accounts payable	3,850	3,850
Installment purchase contracts	24	24
Installment purchase contracts, long-term	9	9
Retirement obligation	3,130	3,130
Other permit obligations	73	73
Net asset value	$90,532	$107,380
Shares Outstanding	49,997	49,997
Estimated number of shares issued from the exercise of in-the-money options and warrants	2,409	2,409
Diluted shares outstanding	52,405	52,405
Net asset value per share	$1.73	$2.05
Net asset value per share (Cdn$)	$1.97	$2.34

SCHEDULE 8

VALUATION U.S. GOLD CORPORATION

Tonkin Springs Property Valuation Estimate

US $000"s except per share amounts	Low	High
Tonkin Springs Gold Resource (oz) - measured & indicated (000's)	1,266	
AMC per oz. In Situ (AMC/oz) [1]	$15.33	$27.88
Tonkin Springs Implied Value, measured & indicated resource	$19,398	$35,289
Tonkin Springs Gold Resource (oz) - inferred (000's)	153	
AMC per oz. In Situ (AMC/oz) [2]	$7.66	$13.94
Tonkin Springs Implied Value, inferred resource	$1,169	$2,126
Value of Tonkin Springs Gold Resource	$20,566	$37,415

(1) AMC/oz of gold as presented in Schedule 4, translated to US$ at 1.1405 US$/C$.

(2) AMC/oz of gold as presented in Schedule 4, discounted by 50%, translated to US$ at 1.1405 US$/C$.

SCHEDULE 9

VALUATION U.S. GOLD CORPORATION

COMPARABLE PRECENDENT TRANSACTIONS APPROACH

US $000"s except per share amounts	Low	High
U.S. Gold gold resources (oz)	1,419	1,419
Bid Value/oz [1]	$45.42	$47.64
	64,451	67,603
Net Asset Value of U.S. Gold (excluding Tonkin Springs Property) [2]	69,966	69,966
Estimated value	134,416	137,569
Shares outstanding	49,997	49,997
Value per share	$2.69	$2.75
Value per share (Cdn$)	$3.07	$3.14

(1) Transaction multiples as presented in Schedule 10, translated to US$ at 1.1405 US$/C$.

(2) As calculated from Schedule 7

SCHEDULE 10

VALUATION U.S. GOLD CORPORATION

COMPARABLE PRECENDENT TRANSACTIONS

Junior Gold Exploration Companies

Acquirer	Target	Bid Value/Resources (Oz.)
Rio Narcea Gold Mines Ltd.	Defiance Mining Corp.	$25.57
Gammon Lake Resources Inc.	Mexgold Resources Inc.	$47.95
Iamgold Corp.	Gallery Resources Ltd.	$55.66
Eldorado Gold Corp.	AFCAN Mining Corp.	$88.16
	Average	$54.33
	Average (excluding High/Low)	$51.80

NO.
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTIONS 288 TO 299
OF THE *BUSINESS CORPORATIONS ACT*,
S.B.C. 2002, C. 57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED
ARRANGEMENT AMONG
TONE RESOURCES LIMITED
AND
ITS SECURITY HOLDERS

TONE RESOURCES LIMITED

PETITIONER

AFFIDAVIT #1 OF WILLIAM F. PASS

DAVIS LLP
2800 Park Place
666 Burrard Street
Vancouver, BC V6C 2Z7