



Gold Letter Alert!

by David Vaughan

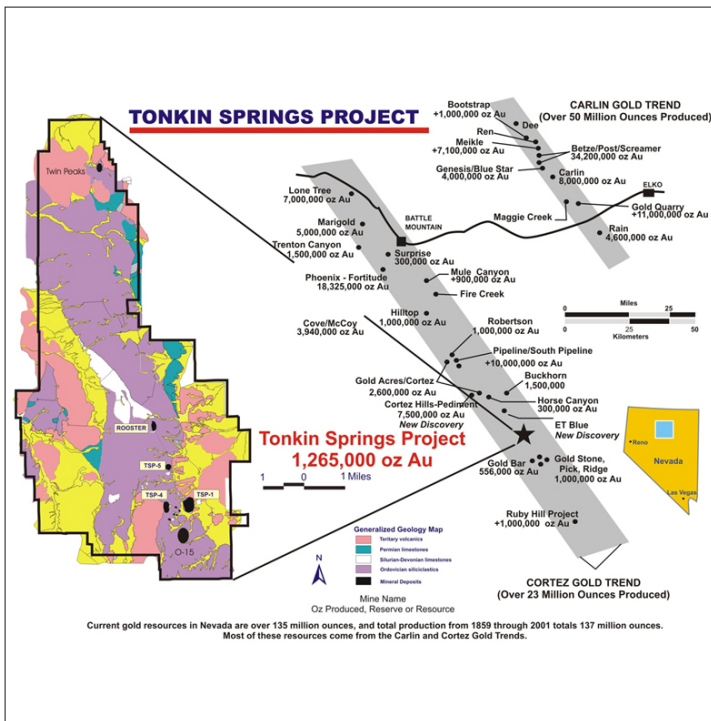
SPECIAL SITUATIONS August 4, 2004

by Gold Letter

Low risk | high yield...

Why are NEVADA and the Cortez Trend so special?

Nevada ... world leader in gold production ... the Carlin & Cortez trends constitute two of the most prolific gold belts in the world!



Many of the junior resource companies that we follow are traded on the Vancouver & Toronto Exchanges.

However, many US investors are often somewhat reluctant to invest in any exchange outside the good ole' US of A. Fortunately for these investors, there are a number of great junior resource stocks traded right here at home. A primary exchange for US juniors is the NASDAQ Bulletin Board.

US Gold Corp. is, as the name suggests, a US-based gold exploration/production company that conveniently trades on the NASDAQ Bulletin Board under the symbol USGL.

US Gold has been in business for 26 years exploring for precious metals in North America. Over those years US Gold has developed a solid portfolio of properties and strategic partners. **US Gold has produced gold from & sold profitably 6 significant mines in its history.** And for the junior companies that is the name of the game.

**The name of this small company making an impact?
US GOLD CORP (OTCBB: USGL) & (BERLIN EXCHANGE: US8)**

US Gold's primary asset today is the Tonkin Springs gold mine in Eureka County, Nevada.

“The Tonkin Springs mine encompasses a 36 square mile property strategically located on Nevada's Cortez Gold Trend, south of the 10 million ounce Pipeline gold deposit of Placer Dome...”

And is this area important?

“AMERICAN GOLD PROJECTS ARE A HOT ITEM BECAUSE THEY REMOVE THE CURRENCY RISK THAT HAS PLAGUED OPERATIONS IN OTHER COUNTRIES.” Tim Wood, Mineweb

 [- click here...](#)

EACH OF THESE DISCOVERIES HAS MOVED CLOSER TO THE TONKIN SPRINGS COMMON BOUNDARY WITH PLACER DOME ON THE NORTHERN BOUNDARY. TONKIN SPRINGS GIVES "US GOLD" MORE THAN A TOE HOLD IN THE PROLIFIC CORTEZ TREND.

A Mineral Bonanza!

“One geographical area which is really heating up is the Cortez trend in Nevada.” John Embry, Chief Investment Strategist at Sprott Asset Management

 [- click here...](#)

And how much gold has already been established on the Tonkin Springs Property?

“The Tonkin Springs mine has an estimate of mineralized material of 30.7 million tons with an average grade of 0.045 ounces per ton for approximately 1.4 million ounces...”

 [- click here...](#)

Why are Nevada & the Cortez Trend so special?

Nevada is the world leader in gold production per unit area & the Carlin and Cortez trends constitute two of the most prolific gold belts in the world. **It is estimated that over 30 million ounces of gold has been discovered in the Cortez District since gold was discovered in Nevada.**

New world-class gold discoveries are still being made in Nevada; most recently the 5.5 million-ounce Cortez Hills discovery by Placer Dome.

“Placer Dome's [PDG] Cortez Hills discovery continues to be the catalyst for regional investment.” ...

Placer Dome is US Gold's 4th largest shareholder.



About 3 miles of strike length in the southern part which is called the mine corridor, over 2600 hundred drill holes (average depth 200 feet) define a 1.2 million ounce gold resource under qualifying 43-101 report. **This is important to note because other gold companies in the area without even one established gold ounce have seen their stock almost DOUBLE because of the closeness of their property to the Cortez Trend.**

USGL owns 45% of Tonkin Springs along with a joint venture partner who owns the remainder. US Gold's partner will retrofit existing mine infrastructure to use its

proprietary technology to process ore from Tonkin Springs when it goes into production in 2005.

ANNUAL PRODUCTION IS EXPECTED TO REACH 100,000 OZ/YEAR WITH US GOLD RECEIVING 45,000 OUNCES (45%).

 - [click here...](#)



US Gold negotiated a very good agreement on the Tonkin Springs property, an agreement that blends the best of being a significant partner (45%) and that of a Royalty holder (no funding requirement). This means they will receive a payment distribution from production every time their joint venture partner does but will not be liable for any development costs. U.S. Gold's partner is in the process of spending \$12 million in development funding.

A recently released positive feasibility study, completed by Micon International, concludes:

“...this (Tonkin Springs) is a viable project and Micon recommends its immediate development into gold production”.

EFFECTIVELY, US GOLD DOES NOT HAVE TO COME UP WITH ANY CASH (AND THEREFORE NO MAJOR DILUTION) IN ORDER TO ENTER THE RANKS OF THE GOLD PRODUCERS AND RECEIVE 45,000 OUNCES OF GOLD PER YEAR. THAT IS \$18 MILLION U.S. A YEAR IN REVENUES (\$400 OUNCE GOLD) WITH SOME OF THAT AVAILABLE FOR ADDITIONAL EXPLORATION.

This type of arrangement shows how a good exploration company can evolve & generate revenue without taking on the production expense and/or risk. We expect to see this

kind of arrangement become more & more popular in the future.

This is a win-win situation for US Gold & will allow the company to participate in the future profits from Tonkin Springs & to provide funding for further exploration & development.

US Gold also has an exploration project called El Aguila in Oaxaca, Mexico via a 36% stake in Gold Resource Corporation, an affiliate of US Gold.

Two rounds of drilling have defined a potentially large high grade system. Because of excellent metallurgy (92% recovery), ability to mine as an open pit and high grades, gold could be produced for cash operating costs of \$107 per ounce. GRC (US GOLD) also believes it could get this mine into production for about \$10 million. **A very exciting property that could be put into production in less than 12 months once a decision is made.**



The property contains approximately 2,271 hectares (approximately 5,612 acres). El Aguila is part of a larger historic mining district that once had as many as 64 small mines working high-grade deposits. The project is financed via an agreement with another joint venture partner who could fund up to US\$3.5 million in exploration and development costs.

The initial drilling at El Aguila has yielded grades as high as 1.60 oz/ton of gold & 20 oz/ton silver.

The deposits are shallow & easily extracted & access to the property is readily available from the nearby Pan-American Highway.

Recent extensive sampling of outcrops and underground exposures and limited drilling have yielded high-grade gold/silver values in massive quartz veins.

Study on the El Aguila gold/silver project in Oaxaca, Mexico which estimates cash costs to produce an ounce of gold for \$107 (using silver revenues as credit).

Gold Resource Corporation An Affiliate of U.S. Gold Corporation				
EL AGUILA TABLE OF RESULTS				
Hole No.	Interval Starting At (Meters)	Interval Length (Meters)	Gold g/t	Silver g/t
301	40	16	6.56	23
302	30	6	16.65	112
303	22	6	18.79	133
306	4	4	14.58	74
and	24	6	8.99	76
307	18	4	3.91	84
and	26	2	3.69	70
309	56	2	3.79	37
311	16	2	4.53	25
314	6	2	6.89	69
326	2	4	3.84	83
327	8	8	3.54	136
327A	12	8	3.97	78
330	6	6	8.46	111
331	50	4	54.71	701
332	16	8	6.07	18
333	2	2	3.67	63
and	8	6	15.69	101
334	6	6	9.40	25
338	20	10	3.71	65
343	60	14	6.89	40
349	34	6	7.50	78
354	34	4	7.50	68
363	4	6	11.63	100
365	0	4	5.73	10
366	0	4	3.74	100

The Scoping Study concludes that a hypothetical project at a 750 tonne/day milling rate would have a capital payback period of either 9 months or 8 months, depending on using new equipment or used equipment respectively, at a \$375 per ounce gold price and a \$6.00 per ounce silver price. The independent study was performed by the Denver based engineering firm, Lyntek, Inc.

“Though additional drilling will be required to make a positive production decision, we are very pleased with these results that bode well for the property,” said William W. Reid, president of U.S. Gold & Gold Resource Corporation.

The exploration drilling to date has mainly tested the potential of only one fault block. Adjacent fault blocks apparently contain the same sequence of rocks with similar surface occurrences of high-value gold/silver-bearing siliceous masses that need to be drill tested.

The grades sampled to date and the preliminary metallurgical test work (recovery of 94-99% gold and 89-91% silver in 100-400 mesh leach tests) suggest that the mineralized zones appear to be well suited to milling and recovery of gold and silver.

Extensive potential exists in this robust, high-value gold/silver system to expand tonnage, either similar to the established core area or in other target areas that have surface gold occurrences as well.

“...both parties (US Gold & Joint Venture Partner) are motivated to investigate the possibility of the Oaxaca gold property developing into a small tonnage, high-grade open pit mining and milling operation at the earliest possible date,” William W. Reid, President of both Gold Resource & U.S. Gold.

 - [click here...](#)

“With somewhere between 1 and 2 years of production already drilled (depending on cutoff grade used), with the potential costs and capital payback estimated, and based on the geologic model that is developing, we believe that additional drilling could give GRC (US Gold) in the near-term, resources necessary to start with a 4 year mining operation”, said Mr. Reid.

Other positive news on the El Aguila, Mexico property.

US Gold is run by an exceptionally strong management team that has been with the company for a long period of time. **It's CEO William Reid has held his position since the Company's inception.** Mr. Reid has a background in physics and geology & is a hands-on executive with a strong understanding of the mining business. We like a stable and dedicated management team that has a PROVEN record of success.

Denver, CO. – July 13, 2004 - U.S. GOLD CORPORATION (OTC-BB: USGL; Berlin Exchange US 8) reported today that its 36% owned affiliate, Gold Resource Corporation (“GRC”), received positive results from an independent Scoping

This stock appears to be a sleeper. It has been forming strong support after falling early in 2004 along with the rest of the gold industry. We feel that the stock is inexpensive with limited downside risk at this time. Visibility for this stock is still low which has meant limited trading volume.

We expect volume to increase as the gold price eventually recovers and as analysts start coverage on US Gold.

Shares Outstanding: 19,528,954



Major Shareholders:

Resource Investment Trust plc (18%)
BNP Paribas (12%)
U.S. Global Investor (6%)
Placer Dome U.S. Inc (5%)
Excalibur Limited Partnership (5%)

Contact:

Bill Reid
President, US Gold Corporation
usgold01@mindspring.com
(303) 238-1438
Website: <http://www.usgoldmining.com>