

# **TONOGOLD RESOURCES, INC.**

## **FINANCIAL STATEMENTS**

**For the Three Months ended March 31, 2015 and 2014**

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# Tonogold Resources, Inc.

## CONDENSED BALANCE SHEET

(Unaudited)

	AS ON	
	March 31, 2015	December 31, 2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	1,465	18,883
<b>Total Current Assets</b>	<b>\$ 1,465</b>	<b>\$ 18,883</b>
<b>Fixed Assets</b>		
Property, plant and equipment, net	3,068	3,213
<b>Other Assets</b>		
Investment in Miller Resources and Energy SA CV	200,000	200,000
Investment in Persistence Mining	5,000	5,000
<b>Total Assets</b>	<b>\$ 209,533</b>	<b>\$ 227,096</b>
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT)</b>		
<b>Current Liabilities</b>		
Accounts payable	76,780	41,830
Accrued payroll	287,977	187,977
Accrued interest	87,130	63,357
Accrued payroll taxes	72,899	72,899
Convertible loans payable	900,000	880,000
<b>Total Current Liabilities</b>	<b>\$ 1,424,786</b>	<b>\$ 1,246,063</b>
<b>Stockholders' Deficit</b>		
Preferred stock, 40,000,000 authorized:		
None issued at March 31, 2015 and December 31, 2014	-	-
Common stock, \$0.001 par value: 200,000,000 shares authorized, 19,181,665 shares issued and outstanding at March 31, 2015 and December 31, 2014 respectively		
	19,182	19,182
Additional paid-in capital	14,028,442	14,028,442
Subscribed common stock	-	-
Deficit accumulated	(15,262,877)	(15,066,591)
<b>Total Stockholders' Deficit</b>	<b>\$ (1,215,253)</b>	<b>\$ (1,018,967)</b>
<b>Total Liabilities and Stockholder's (Deficit)</b>	<b>\$ 209,533</b>	<b>\$ 227,096</b>

The Company did a reverse split of stock of 1 for 10 on July 29, 2014 that has been retroactively reflected in these financial statements.

The accompanying notes are an integral part of these unaudited financial statements.

# Tonogold Resources, Inc.

## CONDENSED STATEMENT OF OPERATIONS

(Unaudited)

	For the 3 Months ended	
	March 31, 2015	March 31, 2014
Net Revenues	-	-
Cost of Revenue	-	-
<b>Gross Profit</b>	-	-
<b>Operating Expenses</b>		
Mineral Property Costs	10,125	2,059
General and Administrative expenses	162,388	140,261
<b>Total Operating Expenses</b>	172,513	142,320
<b>Other Income (Expense)</b>		
Interest Expense	23,773	-
Provision for Income Tax	-	-
<b>Net Profit / (Loss)</b>	<b>\$ 196,286</b>	<b>\$ 142,320</b>
<b>Net (Loss) Per Share - Basic and Diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>
Weighted average number of Common shares outstanding, basic and diluted	19,181,685	19,014,862

The accompanying notes are an integral part of these unaudited financial statements

# Tonogold Resources, Inc.

## CONDENSED STATEMENT OF CASH FLOWS (Unaudited)

	For the 3 Months Ended	
	March 31, 2015	March 31, 2014
<b>Cash Flows from Operating Activities</b>		
Net gain or (loss)	\$ (196,286)	\$ (142,320)
Adjustment to reconcile net loss to net cash provided by operations:		
Depreciation	145	145
Changes in operating working capital:		
Increase in prepaid expenses	-	(4,600)
Increase (decrease) in accounts payable	34,950	(1,032)
Increase payroll accrual	100,000	36,000
Increase (decrease) accrued liabilities	-	(3,584)
Net change in operating working capital	135,095	26,929
<b>Net Cash Used in Operations</b>	<b>(61,191)</b>	<b>(115,391)</b>
<b>Cash Flows From Investing Activities</b>		
Investment in Mil-ler Resources and Energy SA de CV	-	(45,000)
<b>Net Cash Provided by (Used in) Investments Activities</b>	<b>-</b>	<b>(45,000)</b>
<b>Cash Flows from Financing Activities</b>		
Convertible loans	20,000	-
Interest payable on convertible loans	23,773	-
Subscribed common stock	-	155,000
<b>Net Cash Provided by Financing Activities</b>	<b>43,773</b>	<b>155,000</b>
<b>Net (Decrease) Increase in Cash</b>	<b>(17,418)</b>	<b>(5,391)</b>
<b>Cash--Beginning of Period</b>	<b>18,883</b>	<b>7,647</b>
<b>Cash - Ending of Period</b>	<b>\$ 1,465</b>	<b>\$ 2,256</b>
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities:</b>		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

The accompanying notes are an integral part of these unaudited financial statements.

# Tonogold Resources, Inc.

## CONDENSED Statement of Stockholders' (Deficit)

(Unaudited)

	COMMON SHARES		ADDITIONAL			STOCKHOLDERS'
	Shares	Par Value \$0.001	PAID-IN CAPITAL	SUBSCRIBED STOCK	INCOME (DEFICIT)	ACCUMULATED (DEFICIT)
Balance December 31, 2013	19,014,862	\$ 19,015	\$ 14,013,828	\$ 14,781	\$ (14,164,731)	\$ (117,107)
Shares issued for cash	166,667	\$ 167	\$ 14,614	\$ (14,781)		\$ -
Fractional shares issued (10-1 split)	136					
Net loss					\$ (901,860)	\$ (901,860)
Balance December 31, 2014	19,181,665	\$ 19,182	\$ 14,028,442	\$ -	\$ (15,066,591)	\$ (1,018,967)
Net loss					\$ (196,286)	\$ (196,286)
Balance March 31, 2015	19,181,665	\$ 19,182	\$ 14,028,442	\$ -	\$ (15,262,877)	\$ (1,215,253)

The Company did a reverse split of stock of 1 for 10 on July 29, 2014 that has been retroactively reflected in these financial statements.

The accompanying notes are an integral part of these unaudited financial statements.

# Tonogold Resources, Inc.

## Footnotes to Financial Statements

For the Three Months Ended March 31, 2015 and 2014  
(Unaudited)

### Note 1. The Company

Tonogold Resources, Inc., a Delaware corporation, is a result of the Acquisition of Point Loma Partners, Inc. “PLP” by Gamesboro Com, Inc. “GB” (formerly Alliance Trophy Club, Inc.) as of May 1, 2002. The Company changed its name to Tonogold Resources, Inc. in 2004.

The Company maintains mining leases on properties and is now focused on its Iron Ore interests in Mexico through Mil-ler Resources and Energy SA de CV (Mil-ler).

### Note. 2 Significant Accounting Policies

#### Basis of Presentation

The accompanying financial statements of Tonogold Resources, Inc.(or the “Company”) for the three months ended March 31, 2015 and 2014 are unaudited and, in the opinion of management, contain all adjustments that are of a normal and recurring nature necessary to present fairly the financial position and results of operations for such periods. These financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”).

#### Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less as cash equivalents.

#### Financial Instruments

The carrying value of the Company’s financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and due to related parties, as reported in the accompanying balance sheets, approximates fair value due to the short term nature of these financial instruments.

#### Property and Equipment

Property and equipment are stated at cost and depreciated on the straight line method over the estimated life of the asset, which is three to ten years.

### **Mining Property costs**

The Company incurs costs on activities that relate to the securing and maintaining of mining leases. All costs related to mining properties are expensed.

### **Long-Lived Assets**

In accordance with ASC 350, the Company regularly reviews the carrying value of intangible and other long-lived assets for the existence of facts or circumstances, both internally and externally, that may suggest impairment. If impairment testing indicates a lack of recoverability, an impairment loss is recognized by the Company if the carrying amount of a long-lived asset exceeds its fair value.

### **Income Taxes**

The Company accounts for income taxes under FASB Codification Topic 740-10-25 (“ASC 740-10-25”) Income Taxes. Under ASC 740-10-25, deferred 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. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740-10-25, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company pays certain state minimum taxes that it does not classify as income taxes.

### **Revenue Recognition**

The Company recognizes revenue from the sale of leases at the time the lease is sold and income from consulting agreements as earned. Royalty income is recognized as received. For lease of mining properties acquired prior to the above policy the Company still expenses costs associated with continuing those leases.

### **Advertising Costs**

The Company’s policy regarding advertising is to expense advertising when incurred. The Company incurred advertising expense of \$0 during the three months ended March 31, 2015 and 2014.

### **Stock-Based Compensation**

In December 2004, the FASB issued FASB Accounting Standards Codification No. 718, *Compensation – Stock Compensation*. Under FASB Accounting Standards Codification No. 718, companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees are required to provide

services. Share-based compensation arrangements include stock options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. As such, compensation cost is measured on the date of grant at their fair value. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant. The Company applies this statement prospectively.

Equity instruments (“instruments”) issued to other than employees are recorded on the basis of the fair value of the instruments, as required by FASB Accounting Standards Codification No. 718. FASB Accounting Standards Codification No. 505, *Equity Based Payments to Non-Employees* defines the measurement date and recognition period for such instruments. In general, the measurement date is when either a (a) performance commitment, as defined, is reached or (b) the earlier of (i) the non-employee performance is complete or (ii) the instruments are vested. The measured value related to the instruments is recognized over a period based on the facts and circumstances of each particular grant as defined in the FASB Accounting Standards Codification.

### **Basic and Diluted Net Loss per Common Share**

Net Loss per Common Share is computed pursuant to FASB Accounting Standards Codification No. 260, *Earnings per Share*. Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed in the same way as for Basic net loss.

### **Reclassifications**

Certain amounts previously presented for prior year have been reclassified. The reclassifications had no effect on net loss, total assets, or stockholders' deficit.

### **Recent Accounting Pronouncements**

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not believe the future adoption of any such pronouncements may be expected to cause a material impact on its financial condition or the results of its operations.

### **Note 3. Going Concern**

The financial statements have been prepared assuming that the Company will continue as a going concern. The Company had a net loss of \$196,286 during the three months ended March 31, 2015. This raises substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as

a going concern is dependent on the Company's ability to raise additional capital and to successfully implement its business plan and achieve profitability

Management believes that the actions presently being taken and the success of future operations will be sufficient to enable the Company to continue as a going concern.

However, there can be no assurance that the raising of equity will be successful or that the Company will be able to achieve profitability. Failure to achieve the needed equity funding or establish profitable operations would have a material adverse effect on the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Note 4. Income taxes**

The components of the deferred tax asset are as follows:

**DEFERRED TAXES**  
(March 31 2015)

	March 31, 2015	December 31, 2014
Deferred tax assets		
Net operating loss carry-forward	\$ 4,588,000	\$ 4,445,000
Valuation allowance	(4,588,000)	(4,445,000)
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>

The Company had available approximately 11,192,000 at March 31 2015 and \$11,000,000 at December 31, 2014 of unused Federal and California net operating loss carry-forwards that may be applied against future taxable income. These net operating loss carry-forwards expire through 2035 and 2025 for Federal and State purposes, respectively. There is no assurance that the Company will realize the benefit of the net operating loss carry-forwards.

SFAS No. 109 requires a valuation allowance to be recorded when it is more likely than not that some or all of the deferred tax assets will not be realized.

Reconciliation of the differences between the statutory tax rate and the effective income tax rate is as follows at March 31, 2015 and December 31, 2014, respectively:

Statutory rate	35%	State taxes, net of Federal tax benefit	6%
Net operating loss carryforward	41%		
Effective taxrate	0%		

## Note 5. Project investments

During the year ended December 31, 2013 the Company sold Arizona project and Coors project for \$20,000 and a 3% royalty capped at \$50,000. The total invested on the date of sale was \$33,638 in Arizona project and \$23,940 in Coors project, a total of \$57,578. The Company has recognized the loss of \$37,578 in in the year ended December 31, 2013. Any royalties received will be recognized as income when received.

## Note 6. Mineral Properties

Prior to 2008, and subsequently for these properties, all costs were and are expensed as incurred.

	Property	Status	Date Signed	Costs incurred from Inception to date
1.	King Tonopah East	Active	February 18 2015	\$241,024
2.	Tonopah Divide	Inactive	March 01 2006	\$725,558

### 1) King Tonopah East Lease

On February 18, 2005 the Company obtained a mining lease from Royce L. Hackworth and Belva Tomany to develop and operate mining properties in the Tonopah mining district, Nye County, Nevada. The agreement required an \$11,000 payment at signing. The Company will pay a royalty of 3% of all mineral sales that may be reduced to 1.5% upon payment of \$150,000 during the first ten years.

The Company paid rental of \$5,000 in the year ended December 31, 2014. A lease payment of \$10,000 was due on February 15, 2015 has been accrued and \$10,000 is due on February 15<sup>th</sup> of each subsequent year.

### 2) Tonopah Divide

On March 1, 2006, the Company obtained a ten-year mining lease from Tonopah Divide Mining Company, with option to renew as long as the property is in production, to develop and operate mining properties

in the Divide Mining District, Esmeralda County, Nevada. The primary lease on the Tonopah Divide property was terminated subsequent to the end of the quarter.

As of March 31, 2015 the lease was in arrears by \$31,026.03.

In addition to the primary lease with the Tonopah Divide Mining Company there are several subordinate leases including the Victory Divide, Apex-Bookkeeper, El Rio Ray-Bally Hoo Bey, and Mammoth leases. Rental payments for the subordinate leases total approximately \$10,250 per year. All of the subordinate leases will be relinquished in the second and third quarter.

### **Note 7. Private Placement of common shares**

At December 31, 2013 the Company had subscribed shares of \$14,781 (1,666,666 shares). On July 21, 2014 the shares were issued.

On July 29, 2014 the Company did a 1 for 10 reverse split of the common shares outstanding. The shares issued and outstanding have been adjusted accordingly.

### **Note 8. Convertible notes payable**

The Company issued notes ("Notes") and are convertible into common shares in the amounts of \$30,000 in 2013, \$850,000 during the year ended December 31, 2014 and \$20,000 in the first quarter ended March 31, 2015 for a total of \$900,000. After the 1 for 10 reverse share split on July 29, 2014 these Notes are convertible into shares at \$0.50 per share (1,800,000 shares). The Notes carry a 10% per annum interest rate. The Company accrued \$23,773 interest on these loans in for the three months ended March 31, 2015.

Subscribers of the Notes will receive 1.2 warrants for every \$1.00 invested to purchase common shares at \$1.00 per share prior to May 16<sup>th</sup> 2017. There are 1,080,000 warrants relating to these Notes outstanding at March 31, 2015.

## Note 9. Warrants issued for services

In May and June 2013 the Company issued warrants for services which (following the 1 for 10 Reverse Share Split) are as follows:

Issue Date	Name / Services Rendered	Exercise Price	Underlying Shares / Expiration Date
May 29, 2013	Comstock Royalty, Inc. Corporate Advisory / Financial Relations	\$0.10	160,000 Expire: May 29, 2016
June 01, 2013	Mark J. Ashley Issued to CEO (Employment Contract)#	\$0.10	170,000 Expire: June 6, 2018
June 01, 2013	Simona Ashley Issued to CEO (Employment Contract)#	\$0.10	170,000 Expire: June 6, 2018
June 01, 2013	Mark J. Ashley Issued to CEO (Employment Contract)#	\$0.50	165,000 Expire: June 6, 2018
June 01, 2013	Simona Ashley Issued to CEO (Employment Contract)#	\$0.50	165,000 Expire: June 6, 2018
June 01, 2013	Mark J. Ashley Issued to CEO (Employment Contract)#	\$0.80	165,000 Expire: June 6, 2018
June 01, 2013	Simona Ashley Issued to CEO (Employment Contract)#	\$0.80	165,000 Expire: June 6, 2018
June 06, 2013	Pareto Capital, Ltd. Investment Banking Services	\$0.10	300,000 Expire: July 30, 2018
May 07, 2014	Mark Ashley CEO	\$1.00	1,000,000 Expire: May 7, 2019
May 07, 2014	Jeffrey J. Janda Director / Consulting Services	\$1.00	500,000 Expire: May 7, 2019
May 07, 2014	Brian A. Zamudio Director / Consulting Services	\$1.00	500,000 Expire: May 7, 2019
September 26, 2014	Travis Miller Executive Director	\$1.50	1,500,000 Expire: September 26, 2019

#1 million warrants issued to CEO (directly and to nominee) pursuant to Contract of Employment

## Note 10. Employment agreement

In March 2013 the Company entered into an employment agreement with the Chief Executive Officer that includes managing the Company's interests. The contract was conditional on raising capital of

between \$360,000 and \$675,000, which was satisfied within the time frame established. Remuneration was set at \$192,000 per year plus the issue of one million warrants (see Note 9).

Mr. Travis Miller, Mil-ler Recourses and Energy SA de CV (“Mil-ler”) largest shareholder, was appointed to the board as an executive director on September 26, 2014 upon executing a Closing Agreement with Mil-Ler (see Note 12). Mr. Miller will be based in Hermosillo, Mexico and shall receive an annual remuneration of \$180,000.

### **Note 11. Investment in Persistence Mining Inc.**

Persistence Mining, Inc. (PMI) was formed as a Nevada corporation in February 2012 with Tonogold acquiring 750,000 shares (4.5%) of the company. PMI will explore and develop barite mines in Nevada.

### **Note 12. Agreement with Mil-ler Resources and Energy SA**

On October 18, 2013, Tonogold Resources, Inc. entered into an exclusive option agreement with Mil-Ler Resources and Energy SA (“MIL-LER”) a private Mexican mining and Exploration Company to acquire up to 34% equity interest in MIL-LER in two tranches of \$5 million each for a total investment of up to \$10 million. On February 18, 2014, the option was extended until March 28, 2014 and Tonogold obtained the right to purchase shares from existing shareholders that would bring its ownership in Mil-Ler to 51% for a payment of \$6 million plus a minimum of 59 million shares in Tonogold (subject to raising scale in the event that Tonogold’s share price is above 10cps at that time). On May 8, 2014 Tonogold obtained the right to acquire 100% upon issuance of 541 million (54,100,000 after split) Tonogold shares subject to the shareholders approving a 1 for 10 reverse share split and an adjustment to the authorized capital to enable the shares to be issued. On July 29, 2014 the 1 for 10 reverse share split was completed.

MIL-LER is currently owned by two groups, each having 50% ownership, the first being a small group of US investors and the other 50% by two Mexican individuals who control a large Mexican construction company.

MIL-LER owns mineral rights over approximately 135 square miles (350 square kilometers) 40 kilometers north of Hermosillo (the capital of Sonora), Mexico. Exploration drilling over a small area of the total claims during 2011 confirmed the presence of iron ore mineralization. MIL-LER commenced a small scale operation in January 2013 and mines ore (both hematite and magnetite) which is beneficiated via a simple two stage crushing and dry magnetic separation process producing approximately 15,000 tonnes of iron ore product which is transported by road to main port at Guaymas

(180 kilometers from site) where the product is shipped and sold to China under an off-take agreement.

A Closing Agreement was executed by the parties on September 26<sup>th</sup> 2014. However, the final acquisition will be completed when the Tonogold shares are issued for the MIL-LER.

## PART 2

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company maintains leases on gold mining properties. The Company is now focused on the acquisition of Mil-ler Resources and Energy SA de CV (MIL-LER) an iron mining operation in Mexico.

#### Revenues

The Company has no revenues for the three ended March 31, 2015 and 2014.

#### Mineral Property Costs

There were only minimal Mineral property costs of \$10,125 and \$2,059 for the three months ended March 31, 2015 and 2014, respectively.

#### General and Administrative Expenses

	March 31, 2015	March 31, 2014	Increase / (Decrease)
Wages and Salaries	127,437	109,627	17,810
Office	794	3,275	(2,481)
Insurance	-	1,412	(1,412)
Rent	1,356	121	1,235
Investor Relations	15,000	7,277	7,723
Pink Sheet Filings	705	2,410	(1,705)
Travel	3,007	2,206	801
Telephone	4,507	2,924	1,583
Legal Fees	2,500	4,125	(1,625)
Accounting Fees	2,000	2,520	(520)
Other Expenses	5,082	4,364	718
	<u>\$ 162,388</u>	<u>\$ 140,261</u>	<u>\$ 22,127</u>
	\$ (162,388)	\$ (140,261)	
	-	-	

Total expense increased \$22,127 from the prior year. The increases were due primarily to wages and salaries (\$17,810) and Investor relations (\$7,723).

## Interest Expense

Interest expense increased \$23,773 for the three months ended March 31, 2015 over prior three month period ended March 31, 2014 as no interest bearing convertible loans had been issued up to that date..

## Provision for Income Tax

We incurred taxable losses; consequently no liability to taxation was incurred during the three months ended March 31, 2015 and 2014.

## Working Capital

As of March 31, 2015 the Company had cash of \$1,465. The company had a negative working capital position of (\$1,423,321) at March 31, 2015. The Company had net loss from continuing operations of \$196,286 for the three months ended March 31, 2015 as compared a net loss from continuing operations of \$142,320 for the three months ended March 31, 2014.

The Company has issued \$900,000 in convertible notes (at 10% pa interest) through March 31, 2015. The company will need to raise additional funds during the next twelve months in order to sustain our business. Additional funds may not be available and we cannot predict what revenues and cash flow from operations we can expect during the next twelve months. The Company is working with EAS Advisors, LLC and Merriman Capital, Inc. to fund the development of the Mil-ler mining properties.

## Cash flows

The following table summarizes selected items from our “Statement of Cash Flows” for the three months ended March 31, 2015 and 2014.

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
<b>Net cash provided by (used in)</b>		
Operations	\$ (61,191)	\$ (115,391)
Investing	-	(45,000)
Financing	43,773	155,000
Increase In Cash	\$ (17,418)	\$ (5,391)