TONOGOLD RESOURCES, INC.

FINANCIAL STATEMENTS

For the Twelve Months ended December, 2016 and 2015

CONTENTS

Tonogold Resources, Inc.
Condensed Balance Sheets
(Unaudited)

	December 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash	$152,072	$75
Total Current Assets	$152,072	$75
Fixed Assets		
Property, plant and equipment, net	$2,778	$2,778
Other Assets		
Investment in Mil-ler Resources and Energy SA CV	$1	$1
Investment in Persistence Mining	$5,000	$5,000
Total Assets	$159,851	$7,854
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
Current Liabilities		
Accounts payable	$13,850	$12,050
Accruals other	$149,000	$80,000
Accrued payroll	$338,000	$890,000
Accrued interest	$4,935	$169,550
Director loans	$50,518	$29,344
Accrued payroll taxes	$156,220	$9,058
Convertible loans payable	$238,000	$950,000
Total Current Liabilities	$950,523	$2,140,002
Stockholders' Deficit		
Preferred stock, 40,000,000 authorized: None issued at December 31, 2016 and December 31, 2015	-	-
Common stock, $0.001 par value: 200,000,000 shares authorized, 19,181,665 shares issued and outstanding at December 31, 2016 and December 31, 2015 respectively	$19,182	$19,182
Additional paid-in capital	$14,028,442	$14,028,442
Subscribed common stock (87,347,088 shares to be issued at December 31, 2016 and 54,100,000 at December 31, 2015)	$7,022,354	$5,410,000
Deficit accumulated	$(21,860,650)	$(21,589,772)
Total Stockholders' Deficit	$(790,672)	$(2,132,148)
Total Liabilities and Stockholder's (Deficit)	$159,851	$7,854

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

Tonogold Resources Inc
Statement of Operations
(Unaudited)

	For the year ended	
	12 months Dec 16	**12 months Dec 15**
Net Revenues	$-	$-
Cost of Revenue	$-	$-
Gross Profit (loss)	$-	$-
Operating Expenses		
Mineral Property Costs	$-	$4,744
General and Administrative expenses	$179,259	$802,244
Total Operating Expenses	$179,259	$806,988
Gain (Loss) from Operations	$(179,259)	$(806,988)
Interest expense	$91,619	$106,193
Gain (Loss) before provision for income taxes	$(270,878)	$(913,181)
Provision for income taxes		
Write down of carrying value of assets	$-	$5,609,999
Net Gain (Loss)	**$(270,878)**	**$(6,523,180)**
Net Loss per Share - basic and diluted	$0.01	$0.34
Weighted average number of common shares outstanding, basic and diluted	$19,087,915	$19,087,915

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

Tonogold Resources Inc
Statement of Operations
(Unaudited)

	12 months Dec 16	12 months Dec 15
Cash Flows from Operating Activities		
Net gain or (loss)	$(270,878)	$(6,523,180)
Adjustment to reconcile net loss to net cash provided by operations:		
Depreciation	$-	$435
Provisions	$-	$5,609,999
Changes in operating working capital:		$-
(Increase) decrease in accounts payable		
Increase (decrease) in accounts payable	$1,800	$(16,949)
Increase (decrease) in loans from directors	$21,174	$29,344
Increase (decrease) payroll taxes	$147,162	$(63,841)
Increase (decrease) accrued liabilities	$(483,000)	$821,168
Directors salaries	$-	$(51,977)
Net change in operating working captital	$(312,864)	$717,745
Net Cash Provided Used in Operations	**$(583,742)**	**$(195,001)**
Cash Flows From Investing Activities		
Investment in Mil-ler Resouces and energy SA de CV		$(5,410,000)
Net Cash Provided by (Used in) Investments Activities	$-	$(5,410,000)
Cash Flows from Financing Activities		
Share Issue	$1,612,354	$5,410,000
Convertible loans	$(712,000)	$70,000
Interest payable on convertible loans	$(164,615)	$106,193
Common stock issued for shares		
Subscribed shares		
Shareholder loans		
Net Cash Provided by Financing Activities	$735,739	$5,586,193
Net (Decrease) Increase in Cash	$151,997	$(18,808)
Cash-Beginning of Period	$75	$18,883
Cash - Ending of Period	**$152,072**	**$75**

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'
		Par Value	PAID-IN	SUBSCRIBED	INCOME	ACCUMULATED
	Shares	$0.001	CAPITAL	STOCK	(DEFICIT)	(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 isssued (10-1 split)	136					$-
Net loss					(901,861)	$(901,861)
Balance December 31, 2014	19,181,665	19,182	14,028,442	-	(15,066,592)	(1,018,968)
Shares to be issued for Mil-Ler	54,100,000	-		5,410,000		5,410,000
Net loss					(6,523,180)	(6,523,180)
Balance December 31, 2015	**73,281,665**	**$19,182**	**$14,028,442**	**$5,410,000**	**$(21,589,772)**	**$(2,132,148)**
Shares to be issued for CLN1	24,124,688	-		$1,206,234		1,206,234
Shares to be issued for directors salary	9,122,400	-		$456,120		456,120
Net Loss					(270,878)	(270,878)
Balance December 31, 2016	**106,528,753**	**$19,182**	**$14,028,442**	**$7,072,354**	**$(21,860,650)**	**$(740,672)**

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

Tonogold Resources, Inc.

Footnotes to Financial Statements

For the Twelve Months Ended December 31, 2016 and 2015
(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 acquiring Iron Ore interests in Mexico, 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 twelve months ended December 31st, 2016 and 2015 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 classily 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 twelve months ended December 31, 2016 and 2015.

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 $270,878 during the twelve months ended December 31, 2016. 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:

	31-Dec-16	31-Dec-15
Deferred Tax Assets		
Net operating loss carry forward	$4,995,464	$4,884,404
Valuation allowance	$(4,995,464)	$(4,884,404)
Deferred tax assets	**$-**	**$-**

The Company had available approximately $12,184,059 at December 31, 2016 and $11,913,181 at December 31, 2015 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 December 31, 2016 and December 31, 2016, respectively:

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

Effective taxrage 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	$245,643
2	Tonopah Divide	Active	March 01 2006	$740,302

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 lease was amended on November 2, 2010 to include a revised schedule of annual payments listed below. 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.

During the year, the company decided to drop this project.

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.

In addition to the primary lease with the Tonopah Divide Mining Company there are several subordinate leases including the Victory Divide, Apex-Bookeeper, 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. During the year, the company decided to drop this project.

Note 7. Private Placement of common shares

During 2015, the Company agreed to issue 54,100,000 shares to the shareholders of Mil-Ler in exchange for their holding in Mil-ler thus giving the Company 100% ownership (see Note 13 below).

During the year the Company negotiated the conversion of the original Loan Notes into 24,124,688 ordinary shares (see Note 8 below).

During the year, the Company agreed to issue approximately 9,122,400 shares to the current directors as payment of 50% of their unpaid remuneration entitlements. The current directors have agreed to write off the remaining 50% (see Note 9 below).

The shares listed above, are expected to be issued during the June 2017 quarter.

Note 8. Convertible notes payable

The Company issued a series of loan notes ("Notes"), which were convertible into common shares with a principle balance of $950,000 as at December 31, 2015. During the year, the Company arranged for the agreement of the Note-holders to convert the principle balance of the Notes plus accrued interest to August 31st 2016 ($256,234) into ordinary shares at a conversion price of 5 cents per share. As a result, 24,124,688 shares will be issued. This agreement paved the way for a second series of loan notes to be issued to help fund general working capital requirements.

During the period August 2016 through December 2016, $238,000 was raised via the issue of a second series of Convertible Loan Notes ("**CLN 2**"). These notes accrue interest at 12% per annum and are due to be repaid on or before December 31st 2017 if not previously converted.

Subscribers of the CLN 2 will receive a total of 16,920,000 12-month warrants to purchase common shares at an average price $0.13 per share.

Note 9. Directors unpaid Remuneration

The current Directors of the Company had previously agreed to defer payment of their entire remuneration entitlements since June 2014. As at August 2016, the amount owing to the current directors amounted to $1,261,000, and which has been accrued. In order to assist in securing the agreement of the original Loan Note Holders to convert their entitlements into ordinary shares (see Note 8 above), all the current Directors agreed to write off 50% of their entitlements as at August 31st 2016 and for the remaining 50% (after the deduction of withholding tax) to be converted into ordinary shares at 5 cents per share. This will require the issue of approximately 9,122,400 shares.

Note 10. Warrants issued for services

In May and June 2013 and September 2014 the Company issued warrants for services, which are as follows:

Issue Date	Name / Services Rendered	Exercise Price	Underlying Shares / Expiration Date
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 11. 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 12. 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 13. Agreement with Mil-Ler Resources

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 10 for 1 reverse share split and an adjustment to the authorized capital to enable the shares to be issued. On July 29, 2014 the 10 for 1 reverse share split was completed.

MIL-LER was previously 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 was 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. Operations ceased at the end of 2014 when the iron ore price fell

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

As a result of the fall in the price of iron ore and the subsequent cessation of operations, the Company decided to write down its investment in Mil-ler to $1 at December 31st, 2015

Note 14. Subsequent Events

The Company has evaluated subsequent events from December 31, 2016 through the date the financial statements were available to be issued and has determined that there have been no subsequent events after December 31, 2016 for which disclosure is required.

PART 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company maintains leases on gold mining properties. The Company is currently 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 twelve months ended December 31, 2016 and 2015.

Mineral Property Costs

There were no Mineral property costs during 2016 as a result of the Company's decision to drop our holdings in Nevada.

General and Administrative Expenses

	31st Dec 16	31st Dec 15
Wages and salaries	$78,500	$692,230
Office	$5,283	$3,354
Insurance	$39,679	$54,733
Rent	$109	$3,328
Investor relations	$-	$-
Pink sheet filings	$2,000	$3,305
Travel	$34,641	$17,484
Telephone	$8,920	$13,541
Legal fees	$-	$4,167
Accounting fees	$-	$750
Other expense	$10,128	$9,352
	$179,259	**$802,244**

Total expenses decreased from the prior year mainly the result of the directors agreeing to write off 50% of their past unpaid remuneration amounting to $630,500.

Interest Expense

Interest expense $91,619 for the twelve months ended December 31, 2016 compared to $106,193 for the twelve months ended December 31, 2015 on the reduced average convertible loans balance.

Provision for Income Tax

We incurred taxable losses; consequently no liability to taxation was incurred during the twelve months ended December 31, 2015 and 2016.

Working Capital

As of December 31, 2016 the Company had cash of $152,072. The company had a negative working capital position of $790,672 at December 31, 2016 compared to negative $2,132,148 at December 31st, 2015. The Company had net loss from continuing operations of $270,878 for the twelve months ended December 31, 2016 as compared a net loss from continuing operations of $913,181 for the twelve months ended December 31, 2015.

The Company has a balance of $238,000 in convertible notes (at 12% pa interest) at December 31, 2016.

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.

Cash flows

The following table summarizes selected items from our "Statement of Cash Flows" for the twelve months ended December 31, 2016 and 2015.

	12 months Dec 16	**12 months Dec 15**
Net Cash provided by (used in):		
Operations	$(583,742)	$(195,001)
Investing	$-	$(5,410,000)
Financing	$735,739	$5,586,193
Increase (decrease) in cash	**$151,997**	**$(18,808)**