Tonogold Resources, Inc. and Subsidiary
(An Exploration Stage Company)
Consolidated Financial Statements

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REPORT OF INDEPENDENT REGISTERED ACCOUNTING FIRM

To the Board of Directors and Stockholders
Tonogold Resources, Inc. and Subsidiary

We have audited the accompanying Balance Sheets of Tonogold Resources, Inc. and Subsidiary, A Exploration Stage Company, as of December 31, 2006, and 2005, and the related statements of operations, Stockholders Equity (deficit), Cash Flows for the periods then ended, and from inception to December 31, 2006 .These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based upon our audits. We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tonogold Resources, Inc .and Subsidiary as of December 31, 2006 and 2005, and the results of its operations and its cash flows in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred material losses, has a negative current ratio, and Stockholders Equity. These matters raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount ands classification of liabilities that may result should the Company be unable to continue as a going concern.

Gruber & Company LLC
Gruber & Company LLC
Lake St. Louis Missouri-March 21, 2007

Tonogold Resources, Inc. and Subsidiary
(An Exploration Stage Company)
Consolidated Balance Sheets

December 31, 2006 and 2005

		2006	2005
Assets			
Current Assets:			
Cash	$	87,358	83,811
Prepaid Expenses		9,877	650
Total Current Assets		97,235	84,461
Fixed Assets-Net		57,792	2,202
Total Assets	$	155,027	86,663
		========	========
Liabilities and Stockholders' Deficit			
Current Liabilities:			
Accounts Payable	$	913,633	162,325
Notes Payable		88,166	34,666
Interest Payable		9,752	9,252
Stockholders' Loans		78,721	23,721
Total Current Liabilities	$	1,090,272	229,964
Minority Interest		31,238	80,100
Stockholders' Deficit:			
Preferred Stock Series A, 1,000,000 shares authorized 0 issued		-	-
Preferred Stock Series B, 1,000,000 shares authorized 0 issued		-	-
Common Stock, 100,000,000 shares authorized at 0.001 par value, issued and outstanding 51,371,533 and 37,854,059		51,371	37,854
Common Stock subscribed		52,250	133,000
Additional Paid in Capital		5,912,488	2,108,414
Deficit Accumulated During Exploration Stage		-6,982,592	-2,502,669
Total Stockholders' Deficit		-966,483	-223,401
Total Liabilities and Stockholders' Deficit		155,027	86,663
		=========	=========

Tonogold Resources, Inc. and Subsidiary
(An Exploration Stage Company)
Consolidated Statement of Operations
Years Ended December 31, 2006 and 2005
and From Inception (May 1, 2002) through
December 31, 2006

		2006	2005	May 1, 2002 31-Dec-06
Revenues	$	-	-	-
Expenses:				
Mineral Property Costs		2,492,503	390,387	3,001,966
General and Administrative		2,108,884	1,223,120	4,094,572
Total Expenses		4,601,387	1,613,507	7,096,538
Loss From Operations		-4,601,387	-1,613,507	-7,096,538
Interest Expense		15,810	4,434	33,228
Net Loss before Minority Interest		-4,617,197	-1,618,411	-7,129,766
Minority Interest share of Loss		137,274	9,900	147,174
Net Loss		-4,479,923	-1,608,511	-6,982,592
		========	========	========
Net Loss per share		-0.1	-0.03	
Weighted average number of shares outstanding		44,173,436	29,558,493	

Tonogold Resources, Inc. and Subsidiary
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
Years Ended December 31, 2006 and 2005
and from Inception (May 1, 2002) Through
December 31, 2006

	2006	**2005**	**Inception to 31-Dec-06**
Cash Flows from Operating Activities:			
Net Loss	-4,479,923	-1,608,511	-6,982,592
Adjustments to Reconcile net loss to net cash used in operating activities:			
Stock issued for services	267,667	67,861	368.935
Depreciation	16,865	1,100	17,965
Minority Share of loss	-137,274	-9,900	-137,274
Changes in operating assets and liabilities:			
Prepaid Expenses	-9,227	4,733	-9,877
Accounts Payable	751,308	90,871	913,633
Interest Payable	500	434	9,752
Net Cash Used in Operating Activities	-3,590,084	-1,453,412	-5,819,458
Cash Flows from Investing Activities:			
Acquistion of assets	-72,455	-3,302	-75,757
Net Cash Used in investment activities	-72,455	-3,302	-75,757
Cash Flows from Financing Activities:			
Shareholder Loans	55,000	1,175	78,721
Issuance of Common Stock for Cash	3,336,824	1,170,105	4,808,424
Issuance of Preferred Series A for cash	-	-	65,000
Issuance of Preferred Series B for cash	-	80,500	721,500
Subscribed stock	52,250	133,000	52,250
Notes increase (payments)	53,500	-	88,166
Minority interest in consolidated subsidiary	168,512	90,000	168,512
Net Cash Flows provided by financing activities	3,666,086	1,474,780	5,982,573
Net increase in cash	3,547	18,066	87,358
Cash at begginning of period	83,811	65,745	-
Cash at end of period	87,358	83,811	87,358
	========	========	========
Supplemental disclosure of non cash investing and financing activities:			
Issuance of Stock for Services	267,667	67,861	
Interest Paid	15,310	6,216	

Taxes Paid	-	1,745

Tonogold Resources, Inc. and Subsidiary
(An Exploration Stage Company)
Consolidated Statement of Stockholders' Deficit
Years Ended December 31, 2006 and 2005
and from Inception (May 1,2002) through
December 31, 2006

	Preferred Stock Series A Issued	Face	Preferred Stock Series B Issued	Face	Common Stock Issued	Par	Sub	APIC	Deficit	Total
1-May-02					905,381	905		-905		
1-May-02	375,000	375						-375		
Conversion	-375,000	-375			2,000,000	2,000		-1,625		
Forward Split					18,600,000	18,600		-18,600		
Net Loss									-58,666	-58,666
Balance 12/31/2002					21,505,381	21,505		-21,505	-58,666	-58,666
Common Stock issued for cash					1,000,000	1,000		4,000		5,000
Common Stock issued for services					1,000,000	1,000		4,000		5,000
Preferred Stock issued for cash	75,000	15,000								15,000
Net Loss									-50,006	-50,006
Balance 12/31/2003	75,000	15,000			23,505,381	23,505		-13,505	-108,672	-83,672

Common Stock issued for services					2,141,000	2,141		26,266		28,407
Stock Subscribed							36,895			36,895
Preferred Stock issued for cash	250,000	50,000	3,205,000	641,000						691,000
Preferred Stock Subscribed				46,500						46,500
Net Loss									-785,486	-785,486
Balance 12/31/2004	325,000	65,000	3,205,000	687,500	25,646,381	25,646	36,895	12,761	-894,158	-66,356
Common Stock issued for cash					4,981,750	4,982	-36,895	1,202,018		1,170,105
Common Stock issued for services					1,975,928	1,976		65,885		67,861
Preferred issued for cash			635,000	127,000						80,500
Subscribed							133,000			133,000
Conversion	-325,000	-65,000		-46,500	450,000	450		64,550		-46,500
Conversion			-3,840,000	-786,000	4,800,000	4,800		763,200		
Net Loss									-1,608,511	-1,608,511
Balance 12/31/2005					37,854,059	37,854	133,000	2,108,414	-2,502,669	-223,401

Common Stock issued for cash					12,837,033	12,837	-133,000	3,537,087		3,416,924
Common Stock issued for services					680,441	680		266,987		267,667
Subscribed							52,250			52,250
Net loss									-4,479,923	-4,479,923
Balance 12/31/2006	-	-	-	-	51,371,533	51,371	52,250	5,912,488	-6,982,592	-966,483

Tonogold Resources, Inc. and Subsidiary
(An Exploration Stage Company)
Notes To Consolidated Financial Statements
December 31, 2006

Note 1 – Organization and Significant Accounting Policies

Organization and Line of Business

Tonogold Resources, Inc., a Delaware corporation, is a result of the acquisition of Pacific Loma Partners, Inc. "PLP" by Gamesbro.Com, Inc. "GBI" (formerly Alliance Trophy Club Inc.) as of May 1, 2002. The Company changed its name to Tonogold Resources, Inc. in 2004.

In May of 2005 the Company formed a subsidiary, Prospect Uranium, Inc. which is in the uranium exploration business. Tonogold owns approximately 63.67% of Prospect Uranium at December 31, 2006.

Tonogold, is primarily engaged in the acquisition, exploration and development of mining operations. It is a exploration stage company which has not yet realized any revenues from planned operations.

These financial statements include the Company and its subsidiary – Prospect Uranium.

Basis of Presentation/Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has incurred significant losses since inception has an accumulated deficit of $6,982,592 and a working capital deficit of $993,037. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its 63.67% owned subsidiary, of which the Company has the ability to exercise control and direct operations. All material inter company balances and transactions have been eliminated on consolidation.

Stock Based Compensation

SFAS No. 123, "Accounting for Stock-Based Compensation," establishes and encourages the use of the fair value based method of accounting for stock-based compensation arrangements under which compensation cost is determined using the fair value of stock-based compensation determined as of the date of grant and is recognized over the periods in which the related services are rendered. The statement also permits companies to elect to continue using the current intrinsic value accounting method specified in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," to account for stock-based compensation. The Company has elected to use the intrinsic value based method and has disclosed the pro forma effect of using the fair value based method to account for its stock-based compensation issued to employees. For options granted to employees where the exercise price is less than the fair value of the stock at the date of grant, the Company recognizes an expense in accordance with APB 25. For non-employee stock based compensation the Company recognizes an expense in accordance with SFAS No. 123 and values the equity securities based on the fair value of the security on the date of grant. For stock-based awards the value is based on the market value for the stock on the date of grant and if the stock has restrictions as to transferability a discount is provided for lack of tradability. Stock option awards are valued using the Black-Scholes option-pricing model.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, other current assets, accounts payable, accrued interest and due to related party, the carrying amounts approximate fair value due to their short maturities.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company defines cash equivalents as all highly liquid debt instruments purchased with a maturity of three months or less, plus all certificates of deposit.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash and cash equivalents and accounts receivables. The Company places its cash with high quality financial institutions and at times may exceed the FDIC $100,000 insurance limit. The Company extends credit based on an evaluation of the customer's financial condition, generally without collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses, as required.

Impairment of Long-Lived Assets

SFAS No. 144 requires that long-lived assets to be disposed of by sale, including those of discontinued operations, be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS No. 144 broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. SFAS No. 144 also establishes a "primary-asset" approach to determine the cash flow estimation period for a group of assets and

liabilities that represents the unit of accounting for a long-lived asset to be held and used. The Company has no impairment issues to disclose.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Earnings (Loss) Per Share

The Company reports earnings (loss) per share in accordance with SFAS No. 128, "Earnings per Share." Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted earnings (loss) per share has not been presented since the effect of the assumed conversion of options and warrants to purchase common shares would have an anti-dilutive effect.

Comprehensive Loss

SFAS No. 130, "Reporting Comprehensive Loss," establishes standards for the reporting and display of comprehensive income and its components in the financial statements. Total comprehensive loss consists of the net income for the respective periods, the foreign currency translation adjustments, and the unrealized loss on available for sale securities.

Recently Issued Accounting Pronouncements

In December 2003, the FASB issued FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" (FIN No. 46R"), which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN No. 46R replaces FASB Interpretation No. 46, "*Consolidation of Variable Interest Entities*", which was issued in January 2003. Companies are required to apply FIN No. 46R to variable interests in variable interest entities ("VIE's") created after December 31, 2003. For variable interest in VIE's created before January 1, 2004, the Interpretation is applied beginning January 1, 2005. For any Vies that must be consolidated under FIN No. 46R that were created before January 1, 2004, the assets, liabilities and non-controlling interests of the VIE initially are measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN No. 46R first applies may be used to measure the assets, liabilities and non-controlling interest of the VIE. The Company does not have any interest in any VIE.

In March 2004, the FASB approved the consensus reached on the Emerging Issues Task Force (EITF) Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." The objective of this Issue is to provide guidance for identifying impaired investments. EITF 03-1 also provides new disclosure requirements for investments that are deemed to be temporarily impaired. In September 2004, the FASB issued a FASB Staff Position (FSP) EITF 03-1-1 that delays the effective date of the measurement and recognition guidance in EITF 03-1 until after further deliberations by the FASB. The disclosure requirements are effective only for annual periods ending after June 15, 2004. The Company has evaluated the impact of the adoption of the disclosure requirements of EITF 03-1 and does not believe it will have an impact to the Company's overall combined results of operations or combined financial position. Once the FASB reaches a final decision on the measurement and recognition provisions, the Company will evaluate the impact of the adoption of EITF 03-1.

In November 2004, the FASB issued SFAS No. 151 "Inventory Costs, an amendment of ARB No. 43, Chapter 4 (" SFAS No. 151". The amendments made by SFAS 151 clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 23, 2004. The Company has evaluated the impact of the adoption of SFAS 151, and does not believe the impact will be significant to the Company's overall results of operations or financial position.

In December 2004, the FASB issued SFAS No.152, "Accounting for Real Estate Time-Sharing Transactions-an amendment of FASB Statements No. 66 and 67" ("SFAS 152") SFAS 152 amends SFAS No. 66, "Accounting for Sales of Real Estate", to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP) 04-2, "Accounting for Real Estate Time-Sharing Transactions". SFAS 152 also amends SFAS No. 67, "Accounting for Costs and Initial Rental Operations of Real Estate Projects", to state that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance in SOP 04-2. SFAS 152 is effective for financial statements for fiscal years beginning after June 15, 2005, with earlier application encouraged. The Company has evaluated the impact of the adoption of SFAS 152, and does not believe the impact will be significant to the Company's overall results of operations or financial position.

In December 2004, the FASB issued SFAS No.153, "Exchanges of Non-monetary Assets, an amendment of APB Opinion No. 29, Accounting for Non-monetary Transactions." The amendments made by SFAS 153 are based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for non-monetary exchanges of similar productive assets and replace it with a broader exception for exchanges of non-monetary assets that do not have commercial substance. Previously, Opinion 29 required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in the same or similar productive asset should be based on the recorded amount of the asset relinquished. Opinion 29 provided an exception to its basic measurement principle (fair value) for exchanges of similar productive assets. That exception required that some non-monetary exchanges, although commercially substantive, to be recorded on a carryover basis. By focusing the exception on exchanges that lack commercial substance, the FASB believes SFAS No.153 produces financial reporting that more faithfully represents the economics of the transactions. SFAS No.153 is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Earlier application is permitted for non-monetary asset exchanges occurring in fiscal periods beginning after the date of issuance. The provisions of SFAS No.153 shall be applied prospectively. The Company has evaluated the impact of the adoption of SFAS 153, and does not believe the impact will be significant to the Company's overall results of operations or financial position.

In December 2004, the FASB issued SFAS No.123 (revised 2004), "Share-Based Payment" ("SFAS 123I"). SFAS 123I will provide investors and other users of financial statements with more complete and neutral financial information by requiring that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. SFAS 123I covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. SFAS 123I replaces SFAS No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". SFAS 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in Opinion 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. Public entities (other than those filing as small business issuers) will be required to apply SFAS 123I as of the first interim or annual reporting period that begins after June 15, 2005. The Company has evaluated the impact of the adoption of SFAS 123I, and does not believe the impact will be significant to the Company's overall results of operations or financial position.

In May 2005, the FASB issued Statement No. 154, *Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3* ("FAS 154"), which changes the requirements for the accounting for and reporting of a change in accounting principle, requires retrospective application to prior periods' financial statements of changes in accounting principle and carries forward without change the guidance contained in Opinion 20 for reporting the correction of an error in previously issued financial statements and a change in accounting estimate. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not expect the adoption of FAS 154 to affect future reporting or disclosures.

Mineral Property Costs

Mineral Property acquisition and exploration costs are expensed when incurred. Upon determination that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property, will be capitalized. Such costs will be amortized using the units-of-production method over the estimated life of the probable reserve.

Note 2 – Notes Payable

The Company is obligated under three notes. The first for $17,166 was liquidated in the form of cash and stock in 2007. The second is a unsecured note bearing interest at 5%, past due, for $11,000 and the third is for $60,000 payable in monthly installments of $5,000.

Note 3 – Stockholder Loans/Related Party

The Company is indebted to a major stockholder for a unsecured non interest bearing note, payable on demand for $78,721.

Note 4 – Minority Interest

Minority Interest represents the minority stockholders' proportionate share of the equity of Prospect Uranium, Inc. At December 31, 2006, the Company owned 63.67% of Prospects capital stock. The equity interest is shown as Minority Interest on the Balance Sheet, and the respective portion of the loss is reduced and shown in the statement of operations.

Note 5 – Mineral Properties

A. North Tonopah Claims

On December 31, 2004 the Company obtained a gold mining lease from Mountain Gold Exploration, Inc. and Caracol, with option to purchase, to develop mining properties in Tonapah mining district, Nye County, Nevada. The agreement required a $515,000 payment at signing and the issuance of 50,000 shares of common stock. Rentals are payable and investment required in exploration, development and mining as follows:

Year Ended	Investment Required	Rents Required
December 31, 2006	$25,000	$20,000
December 31, 2007	50,000	25,000

December 31, 2008	50,000	30,000
December 31, 2009	50,000	40,000
Subsequent Years	50,000	50,000

The Company will pay a royalty of 2.5% of all mineral sales. The company has the right to purchase the property during the first five years, until December 31, 2009 at $1,500,000.

On January 23, 2007 the Company agreed with Mountain Gold Exploration, Inc. and Caracoal to waive the investment requirement for 2006 in exchange for 50,000 shares of the Company's restricted common stock.

B. King Tonopah East Leases

On February 18, 2005 the company obtained a gold mining lease from Royce L Hackworth and Belva Tomany, with option to renew, to develop mining properties in Tonapah mining district, Nye County, Nevada. The agreement required an $11,000 payment at signing. Rentals are payable as follows:

Year Ended	Rents Required
February 18, 2007	$6,000
February 18, 2008	7,000
February 18, 2009	9,000
February 18, 2010	10,000

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.

C. Nyac Gold Project

On May 11, 2005 the Company obtained a gold exploration and lode mining lease from Calista Corp., with option to renew, to explore, develop and mine bedrock deposits on mining properties in Seward Meridian-Township 10 and 11 ranges 59,60 and 61 West Alaska. The agreement required a $25,000 payment at signing. Royalty payment of gold sold will be based on the price og gold at the time of sale as follows:

Price of Gold	Royalty %
$ 400	2.5
401-500	3.0
Over 500	3.5

Minimum royalty payments and investment required in exploration, development and mining are as follows:

Year Ended	Required	Royalty
January 1, 2006	$ 200,000	-
January 1, 2006	300,000	35,000

January 1, 2007	400,000	45,000
January 1, 2008	500,000	55,000
January 1, 2009	-	75,000
Subsequent	See Below	100,000

After the Company has invested $1,400,000 there will be a two year grace period when the Company need not invest. After the two year grace period the expenditures required will be $500,000 per year. The Company has invested more than the $1,400,000 requirement and is not contractually obligated to invest additional funds on the property until the 2009 exploration season.

On February 15, 2007, the Company and Calista agreed to amend the lease and settle a dispute regarding outstanding invoices related to the 2006 exploration program. Under the terms of the settlement, the Company will pay Calista $252,559 by May 15, 2007 for outstanding invoices and will agree to a 10 day grace period for future default events.

D. Tonopah Divide Project

On March 1, 2006 the Company obtained a ten year gold mining lease form Tonopah Divide Mining Company, with option to renew as long as property is in production, to develop mining properties in Divide mining district, Esmeralda, Nevada. The agreement required a $30,000 payment at signing and a rental payment of $10,000 per month starting April 1, 2006. Rentals are payable and investment required in exploration, development and mining as follows:

Year Ended	Investment	Royalty
March 1, 2007	100,000	220,000
March 1, 2008	125,000	120,000
March 1, 2009	150,000	155,000
March 1, 2010	175,000	155,000
March 1, 2011	200,000	155,000
March 1, 2012	225,000	155,000
March 1, 2013	250,000	155,000
March 1, 2014	275,000	155,000
March 1, 2015	300,000	155,000
Subsequent years	300,000	155,000

The Company will pay a royalty of 5% or 1% of net smelter returns depending on where the properties are located. Prior rental payments can be offset against the royalty payments.

E. Rainbow Claims

On November 7, 2006 the Company signed a four year exploration agreement with John and Beau Hanson, with option to purchase, to develop mining properties in the Goodpaster Mining District, Alaska. Advance minimum royalties are payable and investment required in exploration, development and mining as follows:

Year Ended	Investment	Royalty
April 30, 2007	100,000	10,000
April 30, 2008	200,000	10,000
April 30, 2009	200,000	10,000
April 30, 2010	200,000	10,000

The Company will pay a production royalty of 2.5% of all mineral sales. Prior advance minimum royalty payments can be offset against production payments. The Company has the right to purchase the property for $500,000 with the prior owners retaining 2.5% production royalties.

F. Aurora and Indian Claims

On November 7, 2006 the Company signed a four year exploration agreement with William Johnson, Jr. and David and Sharon Wright, with option to purchase, to develop mining properties in the Goodpaster Mining District, Alaska. Advance minimum royalties are payable and investment required in exploration, development and mining as follows:

Years Ended	Investment	Royalty
April 30, 2007	100,000	12,500
April 30, 2008	200,000	12,500
April 30, 2009	200,000	12,500
April 30, 2010	200,000	12,500

The Company will pay a production royalty of 2.5% of all mineral sales. Prior advance minimum royalty payments can be offset against production royalty payments. The Company has the right to purchase the property for $200,000 with prior owners maintaining a 20% interest in addition to the 2.5% production royalty above.

G. Sandoval Uranium Project

On December 19, 2005, Prospect Uranium, Inc. a subsidiary of the Company, obtained a twenty year uranium mining lease from Sedi-Met, Inc. to develop mining properties in Sanoval County, New Mexico. Rentals are payable and investment required in exploration, development and mining as follows:

Year Ended	Investment	Royalty
January 1, 2006	-	25,000
January 1, 2007	-	30,000
January 1, 2008	100,000	35,000
January 1, 2009	-	40,000
January 1, 2010	-	45,000

The Company will pay a royalty of 6% of all mineral sales. Prior rental payments can be offset against royalty payments.

On July 22, 2006, Prospect Uranium and Sedi-Met, Inc. agreed to suspend both the investment requirement and advance royalty payments until a dispute over the validity of the claims with a third party could be resolved. A third party, Karl Meyers, has over-staked a portion of Sedi-Met's claim on the property. Prospect Uranium and Sedi-Met have not been able to resolve the claim dispute and are exploring their legal options.

Note 6 – Litigation

The Company settled a lawsuit with Calista Corporation for $252,559 payable over 120 days commencing February 15, 2007.

Note 7 – Subsequent Events

In 2007, the management of the Company received 6,745,000 shares of Prospect Uranium's restricted common stock.

Note 8-Income Taxes

Income taxes are accounted for in accordance with SFAS 109, *Accounting for Income Taxes,* using the asset and liability method. 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 and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. 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 components of the Company's income (loss) are as follows:

	2006
Deferred Tax Assets:	
Net Operating Loss Carry-Forward	2,164,600
Valuation	(2,164,600)

Net Deferred Tax Assets -

The Company has available approximately $6,500,000 and $4,000,000 of unused Federal and State net operating loss carry-forwards. These net operating loss carry forwards expire in 2021. There can be no assurance that the Company will realize the benefit of net operating loss carry-forwards and hence a valuation allowance has been established.

The consolidated effective tax rates are different than the U.S. Federal statutory rate. The differences result from the following:

Statutory rate	35.0%
State and local taxes, net of federal tax benefit	6.0
Net operating loss carryforward	(41.0)
Effective tax rate	0%