

TONOGOLD RESOURCES, INC.

FINANCIAL STATEMENTS

For the Three months ended March 31th 2018 and 2017

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FINANCIAL STATEMENTS

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Tonogold Resources Inc

Condensed Balance Sheet

Unaudited

	As at	
	March 31, 2018	December 31, 2017
ASSETS		
Cash	\$ 862,966	\$ 823,979
Prepaid expenses	\$ 17,684	\$ -
Total Current Assets	\$ 880,650	\$ 823,979
Fixed Assets		
Property, plant and equipment, net	\$ 2,778	\$ 2,778
Other Assets		
Investment in Miller Resources and Energy SA CV	\$ 1	\$ 1
Investment in Persistence Mining	\$ 5,000	\$ 5,000
Investment in Comstock JV	\$ 506,755	\$ 404,788
Investment in Durango Project	\$ 109,965	\$ -
Total Assets	\$ 1,505,149	\$ 1,236,546
LIABILITIES AND STOCKHOLDERS' (DEFICIT) Current Liabilities		
Accounts payable	\$ 6,900	\$ 5,450
Accruals other	\$ 801,167	\$ 834,500
Accrued payroll	\$ -	\$ -
Accrued interest	\$ 151,465	\$ 102,965
Loans from Directors	\$ -	\$ -
Accrued payroll taxes	\$ 248,005	\$ 231,815
Convertible loans payable	\$ 1,980,000	\$ 1,980,000
Total Current Liabilities	\$ 3,187,537	\$ 3,154,731
Stockholders' Deficit		
Preferred stock, 40,000,000 authorized: None issued at March 31, 2018 and December 31, 2017	\$ -	\$ -
Common stock, \$0.001 par value: 200,000,000 shares authorized, 104,777,046 shares issued and outstanding at Mar 31, 2018 and Dec 31, 2017 respectively	\$ 104,777	\$ 104,777
Additional paid-in capital	\$ 20,927,616	\$ 20,927,616
Subscribed common stock (7,300,000 shares to be issued at Mar 31 2018 and nil at Dec 31 2017)	\$ 569,000	\$ -
Deficit accumulated	\$ (23,283,781)	\$ (22,950,577)
Total Stockholders' Deficit	\$ (1,682,388)	\$ (1,918,184)
Total Liabilities and Stockholder's (Deficit)	\$ 1,505,149	\$ 1,236,546

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

Tonogold Resources Inc

Statement of Operations

(Unaudited)

	Three months ending March 31st	
	2018	2017
Net Revenues	\$ -	\$ -
Cost of Revenue	\$ -	\$ -
Gross Profit/(Loss)	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses		
Mineral Property Costs	\$ -	\$ -
General and Administration	\$ 284,703	\$ 174,622
Total Operating Expenses	<u>\$ 284,703</u>	<u>\$ 174,622</u>
Profit/(loss from Operations)	<u>\$ (284,703)</u>	<u>\$ (174,622)</u>
Interest expense	\$ 48,500	\$ 7,361
Profit/(Loss) before Provision for income taxes	<u>\$ (333,203)</u>	<u>\$ (181,983)</u>
Provision for Income Taxes	\$ -	\$ -
NET GAIN/(LOSS)	<u><u>\$ (333,203)</u></u>	<u><u>\$ (181,983)</u></u>
Net loss per share - on issue	\$ (0.00)	\$ (0.01)
Net loss per share - fully diluted	\$ (0.00)	\$ (0.00)
Weighted number of shares on issue	104,777,046	19,181,665
Weighted number of shares fully diluted	108,427,046	106,528,761

The accompanying notes are an integral part of these unaudited Financial Statements

Tonogold Resources Inc

Statement of Cash flows

(Unaudited)

	3 months ended	
	31-Mar-18	31-Mar-17
Cash Flows from Operating Activities		
Net gain or (loss)	\$ (333,203)	\$ (181,983)
Adjustment to reconcile net loss to net cash provided by operations:		
Depreciation	\$ -	\$ -
Provisions Changes in operating working capital:		
Increase (decrease) in accounts payable	\$ 1,450	\$ 450
Increase (decrease) in accrued expenses	\$ (33,333)	\$ (336,000)
Increase (decrease) in loans from directors	\$ -	\$ (23,800)
Increase (decrease) payroll taxes	\$ 16,190	\$ (5,000)
Increase (decrease) accrued liabilities	\$ -	\$ 497,000
(Increase) decrease in pre-paid expenses	\$ (17,684)	\$ -
Net change in operating working capital	\$ (33,377)	\$ 132,650
Net Cash Provided/(Used) in Operations Cash Flows From Investing Activities		
	\$ (366,580)	\$ (49,333)
Investment in Comstock JV	\$ 101,967	\$ 15,000
Investment in Durango project	\$ 109,965	\$ -
Net Cash Provided by (Used in) Investments Activities	\$ 211,932	\$ 15,000
Cash Flows from Financing Activities		
Share Issue	\$ 569,000	\$ -
Convertible loans	\$ 20,000	\$ 15,000
Interest payable on convertible loans	\$ 48,500	\$ 7,361
Net Cash Provided by Financing Activities	\$ 637,500	\$ 22,361
Net (Decrease) Increase in Cash	\$ 58,987	\$ (41,972)
Cash - Beginning of Period	\$ 803,979	\$ 152,072
Cash - Ending of Period	\$ 862,966	\$ 110,100

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

Tonogold Resources, Inc.
Condensed Statement of Stockholders' (Deficit)
(Unaudited)

	COMMON SHARES		ADDITIONAL	SUBSCRIBED	INCOME /	SHAREHOLDERS
	Shares	Par Value (\$0.001)	PAID-IN CAPITAL	STOCK	(DEFICIT)	ACCUMULATED (DEFICIT)
Balance December 31st, 2014	19,181,665	\$ 19,182	\$ 14,028,442	\$ -	\$ (15,066,592)	\$ (1,018,968)
Shares issued to Mil-Ler				\$ 5,410,000		\$ 5,410,000
Net Loss					\$ (6,523,180)	\$ (6,523,180)
Balance December 31st, 2015	19,181,665	\$ 19,182	\$ 14,028,442	\$ 5,410,000	\$ (21,589,772)	\$ (2,132,148)
Net Loss					\$ (659,470)	\$ (659,470)
Balance September 30th, 2016	19,181,665	\$ 19,182	\$ 14,028,442	\$ 5,410,000	\$ (22,249,242)	\$ (2,791,618)
Shares issued for CLN1				\$ 1,206,234		\$ 1,206,234
Shares issued for Directors Salary				\$ 456,120		\$ 456,120
Net Profit					\$ 388,591	\$ 388,591
Balance December 31st, 2016	19,181,665	\$ 19,182	\$ 14,028,442	\$ 7,072,355	\$ (21,860,651)	\$ (740,672)
Net Loss					\$ (181,982)	\$ (181,982)
Balance March 31st, 2017	19,181,665	\$ 19,182	\$ 14,028,442	\$ 7,072,355	\$ (22,042,633)	\$ (922,654)
Net Loss					\$ (194,518)	\$ (194,518)
Balance June 30th, 2017	19,181,665	\$ 19,182	\$ 14,028,442	\$ 7,072,355	\$ (22,237,151)	\$ (1,117,172)
Adjustment interest on CLN				\$ 5,766		\$ 5,766
Adjustment Directors accrued pay				\$ (116,120)		\$ (116,120)
Net Loss					\$ (313,817)	\$ (313,817)
Balance September 30th, 2017	19,181,665	\$ 19,182	\$ 14,028,442	\$ 6,962,000	\$ (22,550,968)	\$ (1,541,343)
Share Issue	85,139,994	\$ 85,140	\$ 6,876,860	\$ (6,962,000)		\$ -
Share Issue (CLN2 conversion)	455,387	\$ 455	\$ 22,314			\$ 22,769
Net Loss					\$ (399,611)	\$ (399,611)
Balance December 31st, 2017	104,777,046	\$ 104,777	\$ 20,927,616	\$ 0	\$ (22,950,579)	\$ (1,918,185)
Warrants exercised (shares not yet issued)				\$ 569,000		\$ 569,000
Net Loss					\$ (333,203)	\$ (333,203)
Balance March 31st, 2018	104,777,046	\$ 104,777	\$ 20,927,616	\$ 569,000	\$ (23,283,782)	\$ (1,682,388)

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, 2018 and 2017
(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 in Mexico and Nevada and is actively seeking other mining related opportunities.

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, 2018 and 2017 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, 2018 and 2017.

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 \$333,203 during the Three months ended March 31, 2018. 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:

	As at	Mar-18	Dec-17
Net Operating Losses carry Forward		\$ (5,575,712)	\$ (5,439,107)
Valuation allowance		\$ (5,575,712)	\$ (5,439,107)
Deffered tax Asset		<u>\$ -</u>	<u>\$ -</u>

The Company had available approximately \$13,599,299 at March 31, 2018 and \$13,266,116 at December 31, 2017 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, 2018 and December 31, 2017, respectively:

Statutory Rate	35%
Net operating loss carry forward	41%
State taxes, net of Federal Tax	6%
Effective tax rate	0%

Note 5. Project investments

During the year ended March 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. Any royalties received will be recognized as income when received.

Note 6. Mineral Properties

Currently the Company holds mineral properties in Mexico through its subsidiary, Miller (see Note 13 below), in Virginia City, Nevada (Comstock) and in Durango, Mexico and is actively assessing other commercial resource opportunities. On October 5th, 2017, the Company announced that it had secured an Option Agreement with Comstock Mining Inc. which amongst other things, provides Tonogold an exclusive right to earn a 51% controlling interest in 1,162 acres of mining claims in the highly prospective Comstock Lode region in Virginia City, Nevada, which includes the Lucerne Deposit, located in the Storey and Lyon Counties (see "Comstock JV" below). On January 16th, 2018, the Company announced that it had secured an exclusive 6-month option over three gold/silver properties in Mexico (see "Durango Gold/silver projects - Mexico" below)

Comstock JV

In October 2017, Tonogold paid Comstock \$200,000 for an initial 6-month option, which can be extended at Tonogold's election to enter Stage Two of the agreement by making a further payment of \$2 million to Comstock prior to the expiry of the initial option period.

Subsequent to the quarter end, Tonogold elected to enter into Stage Two and paid Comstock \$2 million.

During the initial 6-month option period, Tonogold incurred just under \$1 million expenditure on the project (due diligence program, property holding costs, and general overheads written off). In order for Tonogold to earn a 51% controlling interest it will be required to invest a further \$19 million (\$20 million in total) over the next 36-months on work programs developed and managed by Tonogold, on the Lucerne Properties; the objective being to produce a commercially and technically robust mine plan and feasibility study to enable profitable mining on the properties to commence. It should be noted, that the \$20 million expenditure threshold is not a commitment, but a requirement to earn the 51% interest in the Lucerne Properties.

The Agreement provides that a Joint Venture Steering Committee which was established in October 2017 with majority members being nominated by Tonogold. Work programs, budgets and other day-to-day operational decisions require a simple majority decision of the JV Steering Committee, thus ensuring Tonogold assumed operational control from the outset.

Other aspects of the agreement provide Tonogold with:

- An option to acquire a 51% interest in Comstock's heap leach facilities (including the crushing, stacking, Merrill Crowe plant, gold recovery facilities, the American Flats mineral claims (totaling 1,013 acres – see map in Schedule 1), and other related infrastructure, plant and equipment ("**American Flat PP&E**") for \$25 million once it has acquired a 51% interest in the Lucerne Properties. If exercised, the purchase price shall be payable to Comstock over an 18-month period commencing from exercising the American Flat PP&E option. Alternatively, Tonogold can elect to rent the heap leach facility and infrastructure on the basis of \$1 per tonne treated plus \$1 million per year of operation.
- A Right of First Refusal over mining claims (192 acres) covering Comstock's Dayton gold and silver deposit.

Durango Gold/Silver Projects - Mexico

On January 16th 2018, the Company announced that it has entered into a binding agreement with a private Mexican entity which provides Tonogold an exclusive right (but not obligation) to acquire 100% interest in the Claudia, Promontorio and Montoros gold/silver properties located

in Durango, Mexico (the “**Projects**”) for total consideration of \$7.3 million in cash. Tonogold paid \$100,000 for an initial 6-month option, which can be extended by 3 additional months at Tonogold's election for a further payment of \$1 million prior to July 16th 2018 (the expiry of the initial option period). Both option payments form part of the \$7.3 million purchase price in the event the option is exercised.

Note 7. Share Capital

A total of 85,139,994 new shares were issued during October 2017, as follows:

- i. During 2015, the Company agreed to issue 54,100,000 shares to the shareholders of Miller in exchange for share holding in Miller thus giving the Company 100% ownership (see Note 13 below).
- ii. During 2017 the Company negotiated the conversion of the original Convertible Loan Notes into 24,239,994 ordinary shares (see Note 8 below).
- iii. During 2017 the Company agreed to issue approximately 6,800,000 shares to the current directors as payment of 50% of their unpaid remuneration entitlements. The directors have written off the remaining 50% (see Note 9 below).

During the March quarter, 7,300,000 warrants granted pursuant to CLN2 (see Note 8 below) were exercised resulting in a cash injection of \$569,000. The shares will be issued during the June 2018 quarter.

Note 8. Convertible Loan Notes

The Company issued a series of loan notes (“CLN1”), which were convertible into common shares with a principle balance of \$950,000 at March 31, 2015. During 2017, the Company secured the agreement of the holders of CLN1 to convert the principle balance plus accrued interest to August 31st 2017 (\$262,000) into ordinary shares at a conversion price of 5 cents per share. As a result, 24,239,994 shares were issued during October 2017 (see Note 7 above). This agreement paved the way for a second series of loan notes (CLN2) to be issued to help fund the option payments in respect of Lucerne and Durango, the due diligence programs in respect of those projects and to fund general working capital requirements.

During 2016, the Company launched a raising through the issue of a second series of Convertible Loan Notes (“CLN2”), convertible into Common shares at 5 cps. Since the launch

through to December 2017, an aggregate of \$2.0 million was raised from CLN2. During the December 2017 quarter, \$20,000 of principle and \$2,769 of accrued interest were converted into Common shares at 5 cents per share (455,387 shares). The net principle amount outstanding under CLN2 as at March 31st 2018 was \$1,980,000. These notes accrue interest at 12% per annum (which is capitalized) and are due to be repaid on November 30th 2018, if not previously converted into ordinary shares. As at March 31st 2018, accrued interest relating to CLN2 amounted to \$151,465.

In addition, 15 free attaching Warrants were granted for each \$1 invested in, and pursuant to the CLN2 issue, the number, exercise price and expiry being as follows:

	Investment date		
	Pre Jan 1st 2017	Post Jan 1st 2018	Total to Sept 30th 2017
Investment received	\$ 253,000	\$ 1,714,869	\$ 1,967,869
Converted	\$ (20,000)	\$ -	\$ (20,000)
Balance as at Dec 31 2017	\$ 233,000	\$ 1,714,869	\$ 1,947,869
Number of warrants	10,120,000	25,723,035	35,843,035
Exercise Price of Warrants	\$ 0.05	\$ 0.09	
Expiry date Warrants	July 31 st 2018	18-months from issue	

These funds raised provided the financial resources required to complete the initial phase of the Comstock Joint Venture (see Mineral Properties Note 6 above).

During the quarter, Tonogold launched a new Convertible Loan Note (CLN3) to raise a minimum of \$3 million on the following general terms:

- Interest 12% pa compounded monthly and capitalized
- Maturity – December 31st, 2019
- Convertible into fully paid shares in Tonogold at the holders option at any time prior to maturity at 15 cents per share
- The granting of 15 free warrants for each \$1 invested in the Note exercisable at 25 cents per share prior to their expiry (December 31st 2019)

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 (gross), and which had been accrued. In order to assist the Company in securing the agreement of the CLN1 holders to convert their entitlements into ordinary shares (see Note 8 above), all the 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 required the issue of 6,800,000 shares, which were issued during October 2017.

Note 10. Warrants issued for services

In June 2013, May 2014 and September 2014 the Company issued 5,800,000 warrants for services, which are as follows:

Issue Date	Name / Services Rendered	Exercise Price	Expiration Date	Underlying Shares
1-Jun-13	Mark J. Ashley Issued to CEO (Employment Contract)#	\$0.10	Jun-18	170,000
1-Jun-13	Simona Ashley Issued to CEO (Employment Contract)#	\$0.10	Jun-18	170,000
1-Jun-13	Mark J. Ashley Issued to CEO (Employment Contract)#	\$0.50	Jun-18	165,000
1-Jun-13	Simona Ashley Issued to CEO (Employment Contract)#	\$0.50	Jun-18	165,000
1-Jun-13	Mark J. Ashley Issued to CEO (Employment Contract)#	\$0.80	Jun-18	165,000
1-Jun-13	Simona Ashley Issued to CEO (Employment Contract)#	\$0.80	Jun-18	165,000
6-Jun-13	Pareto Capital, Ltd. Investment Banking Services	\$0.10	Jul-18	300,000
7-May-14	Mark Ashley CEO	\$1.00	May-19	1,000,000
7-May-14	Jeffrey J. Janda Director / Consulting Services	\$1.00	May-19	500,000
7-May-14	Brian A. Zamudio Director / Consulting Services	\$1.00	May-19	500,000
26-Sep-14	Travis Miller Executive Director	\$1.50	Sep-19	1,500,000

#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 (reviewable annually) plus the issue of 1.0 million warrants (see Note 10).

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 13). Mr. Miller will be based in Hermosillo, Mexico and shall receive an annual remuneration of \$180,000 (reviewable annually) plus the issue of 1.5 million warrants (see Note 10).

Note 12. Investment in Persistence Data Mining Inc.

Persistence Data Mining, Inc. (PDMI) was formed as a Nevada corporation in February 2012 with Tonogold acquiring 750,000 shares (2.7%) of the company. PDMI is an AgTech development company.

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 54,100,000 Tonogold shares.

MIL-LER owns mineral rights over approximately 18 square miles 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

The parties executed a Closing Agreement on September 26, 2014. The 54.1 million shares

required to be issued pursuant to this transaction, were issued in October 2017.

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. Warrants outstanding

Details of the 34.3 million Warrants outstanding as at March 31st 2018 are provided in the table below:

Issued in respect of:	Warrant summary		
	Number	Exercise price	Expiry
Executive Contract (see Note 10)	340,000	\$ 0.10	Jun-18
Executive Contract (see Note 10)	330,000	\$ 0.50	Jun-18
Executive Contract (see Note 10)	330,000	\$ 0.80	Jun-18
Investment banking services (see Note 10)	300,000	\$ 0.10	Jun-18
Executive Contract (see Note 10)	2,000,000	\$ 1.00	May-19
Executive Contract (see Note 10)	1,000,000	\$ 1.00	Sep-19
Executive Contract (see Note 10)	1,500,000	\$ 1.50	Sep-19
Issued pursuant to 2016 Loan Note (see Note 8)	7,920,000	\$ 0.05	Jul-18
Issued pursuant to 2017 Loan Note (see Note 8)	4,500,000	\$ 0.09	Dec-18
Issued pursuant to 2017 Loan Note (see Note 8)	6,375,000	\$ 0.09	Apr-18
Issued pursuant to 2017 Loan Note (see Note 8)	5,625,000	\$ 0.09	May-18
Issued pursuant to 2017 Loan Note (see Note 8)	4,123,035	\$ 0.09	Jun-19
Total as at March 31st 2018	34,343,035	\$ 0.23	

RECONCILIATION

	Number	
Total warrants issued as at December 31st 2017	41,643,035	
Warrants Issued during March 2018 quarter	-	
Warrants exercised during March 2018 quarter	(7,300,000)	<i>See below</i>
Total warrants issued as at March 31st 2018	34,343,035	

Warrants Issued during March 2018 quarter

	Number	Price	Proceeds
Exercised during March 2018 quarter (5cps)	2,200,000	\$ 0.05	\$ 110,000
Exercised during March 2018 quarter (9cps)	5,100,000	\$ 0.09	\$ 459,000
Total	7,300,000		\$ 569,000

Note 15. Subsequent Events

The Company has evaluated subsequent events from March 31, 2018 through the date the financial statements were available to be issued, and other than the matters listed below has

determined that there have been no subsequent events after March 31, 2018 for which disclosure is required.

- Tonogold formally entered into Stage Two of the Lucerne (Comstock) option, and paid Comstock Mining Inc. \$2 million (see Note 6),
- Tonogold announced the appointment of Robert Kopple to the board

PART 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company maintains leases on gold mining properties. The Company is currently focused on the Joint Venture arrangement with Comstock and the recently announced option over three gold and silver properties in Durango, Mexico.

Revenues

The Company has no revenues for the Three months ended March 31, 2018 and 2017.

Mineral Property Costs

There were no Mineral property costs during the quarter.

General and Administrative Expenses

	Three months ending	
	Mar-18	Dec-18
Wages and salaries Office	\$ 215,755	\$ 268,022
Insurance	\$ 11,252	\$ 7,182
Rent	\$ 1,575	\$ -
Office costs	\$ 1,979	\$ 2,018
Investor relations	\$ 10,988	\$ 13,711
OTC Markets, Inc. filings	\$ 2,450	\$ 11,000
Travel	\$ 30,582	\$ 10,253
Telephone	\$ 1,246	\$ 706
Legal fees	\$ 5,985	\$ 12,192
Accounting fees	\$ 2,500	\$ (1,100)
Other expense	\$ 391	\$ 14,638
TOTAL	\$ 284,703	\$ 338,622

Total expenses for the March 2018 quarter were lower than the previous quarter, although not significant.

Interest Expense

Interest expense \$48,500 for the Three months ended March 31, 2018 compared to \$7,000 for the Three months ended March 31, 2017. The increase is the result of the Convertible Loan Notes issued during this period.

Provision for Income Tax

We incurred taxable losses; consequently, no liability to taxation was incurred during the Three months ended March 31, 2018 and 2017.

Working Capital

As of March 31, 2018 the Company had cash of \$862,966. The Company had a negative working capital position of \$1.7 million at March 31, 2018 compared to negative \$1.9 million at December 31st, 2017. The Company incurred a net loss from continuing operations of \$0.3 million for the Three months ended March 31, 2018 as compared to a net loss of \$0.2 million for the Three months ended March 31, 2017.

At March 31, 2018 and December 31st, 2017, the Company had a total principle balance of \$1.98 million outstanding in respect of the CLN2.

The Company may need to raise additional funds during the next Three 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 Three months.

Cash flows

The following table summarizes selected items from our "Statement of Cash Flows" for the Three months ended March 31, 2018 and December 31st, 2017.

	Three months ending	
	Mar-18	Dec-18
Net Cash provided by / (used in):		
Operations	\$ (366,580)	\$ (49,333)
Investing	\$ (211,932)	\$ (15,000)
Financing	\$ 637,480	\$ 22,361
Increase/(decrease) in cash	\$ 58,967	\$ (41,972)