

TONOGOLD RESOURCES, INC. AND SUBSIDIARY

(An Exploration Stage Company)

**Financial Statements
(Unaudited)**

**For the two years ended December 31, 2008 and 2007,
And Cumulative from May 1, 2002 (Inception) to December 31, 2008**

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

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
ASSETS		
Current Assets		
Cash	\$ 22,732	\$ 172,765
Total Current Assets	22,732	172,765
Property, plant and equipment, net	12,854	40,928
Loans to NPV Energy, Inc.	1,220	-
Investment in Secure Energy LLC	284,659	270,835
Total Assets	<u>\$ 321,465</u>	<u>\$ 484,528</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 117,221	\$ 536,254
Accrued interest	15,934	17,000
Nyac payable	176,721	-
Notes payable	99,600	125,875
Shareholder loans	76,021	101,221
Total Current Liabilities	485,497	780,350
Stockholders' Equity		
Preferred stock series A, 1,000,000 authorized: None issued	-	-
Preferred stock series B, 1,000,000 authorized: None issued	-	-
Preferred stock series C, 1,000,000 authorized: Issued	200,000.00	-
Common stock, \$0.001 par value: 100,000,000 shares authorized, 60,344,619 shares issued and outstanding at December 31, 2008 and 57,774,203 at December 31, 2007, respectively	60,344	57,774
Additional paid-in capital	7,462,745	6,991,251
Deficit accumulated	(10,009,507)	(9,763,534)
Total Stockholders' Equity	(2,286,418)	(2,714,509)
Minority interest	2,122,386	2,418,687
Total Liabilities and Stockholder's Equity	<u>\$ 321,465</u>	<u>\$ 484,528</u>

See accompanying notes to Consolidated Financial Statements

(An Exploration Stage Company)
Consolidated Statement of Operations
(Unaudited)

	For the Years Ended	
	December 31, 2008	December 31, 2007
Net Revenues	\$ 190,129	\$ -
Cost of Revenue	17,026	-
Gross Profit	173,103	-
Operating Expenses		
Mineral Property Costs	87,467	703,718
General and Administrative expenses	608,323	3,389,877
Total Operating Expenses	695,790	4,093,595
Loss from Operations	(522,687)	(4,093,595)
Other Income (Expense)		
Interest Expense	(19,585)	(17,878)
Loss before Minority interest	(542,272)	(4,111,473)
Minority interest before provision for income taxes	296,301	1,484,444
Net loss before provision for income taxes	(245,971)	(2,627,029)
Provision for income taxes	-	
Net Loss	\$ (245,971)	\$ (2,627,029)
Net (Loss) Per Share - Basic and Fully Diluted	\$ (0.00)	\$ (0.05)
Weighted average number of Common shares outstanding, basic and fully diluted	58,026,674	55,722,597

See accompanying notes to Consolidated Financial Statements

Tonogold Resources, Inc. and Subsidiary
(An Exploration Stage Company)
Consolidated Statement of Stockholders' Equity

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	PREFERRED SHARES A		PREFERRED SHARES B		PREFERRED SHARES C		TOTAL
	Shares	Par Value Face	Shares	Par Value Face	Shares	Par Value Face	
Issued May 2, 2002		\$ -		\$ -		\$ -	\$ -
Issued May 2, 2002	375,000	375					375
Conversion Preferred A to Common	(375,000)	(375)					(375)
Forward split							
Net loss							
Balance December 31, 2002	-	-	-	-	-	-	-
Common stock issued for cash							
Common stock issued for services							
Perferred shares A issued for cash	75,000	75					75
Net loss							
Balance December 31, 2003	75,000	75	-	-	-	-	75
Common stock issued for services							
Stock subscribed							
Perferred shares A issued for cash	250,000	250					250
Perferred shares B issued for cash			3,205,000	3,205			3,205
Perferred stock subscribed B							
Net loss							
Balance December 31, 2004	325,000	325	3,205,000	3,205	-	-	3,530
Common stock issued for cash							
Common stock issued for services							
Perferred shares B issued for cash			635,000	635			635
Stock subscribed							-
Conversion Preferred A to Common	(325,000)	(325)					(325)
Conversion Preferred B to Common			(3,840,000)	(3,840)			(3,840)
Net loss							
Balance December 31, 2005	-	-	-	-	-	-	-
Common stock issued for cash							
Common stock issued for services							
Stock subscribed							
Net loss							
Balance December 31, 2006	-	-	-	-	-	-	-
Common stock issued for cash							
Common stock issued for services							
Net loss							
Balance December 31, 2007	-	-	-	-	-	-	-
Common stock issued for cash							
Common stock issued for services							
Perferred shares C issued for cash					800,000	800	800
Net loss							
Balance December 31, 2008	-	\$ -	-	\$ -	-	\$ 800	\$ 800

See accompanying notes to Consolidated Financial Statements

Tongold Resources, Inc. and Subsidiary
(An Exploration Stage Company)
Consolidated Statement of Stockholders' Equity

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	COMMON SHARES		ADDITIONAL	SUBSCRIBED STOCK	INCOME (DEFICIT)	STOCKHOLDERS'
	Shares	Par Value \$0.001	PAID-IN CAPITAL			ACCUMULATED EQUITY (DEFICIT)
Issued May 2, 2002	905,381	\$ 905	\$ (905)	\$ -	\$ -	\$ -
Issued May 2, 2002			(375)	-	-	-
Conversion Preferred A to Common	2,000,000	2,000	(1,625)	-	-	-
Forward split	18,600,000	18,600	(18,600)	-	-	-
Net loss	-	-	-	-	(58,666)	(58,666)
Balance December 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
Perferred shares A issued for cash			14,925			15,000
Net loss					(50,006)	(50,006)
Balance December 31, 2003	23,505,381	23,505	1,420	-	(108,672)	(83,672)
Common stock issued for services	2,141,000	2,141	26,266			28,407
Stock subscribed				36,895		36,895
Perferred shares A issued for cash			49,750			50,000
Perferred shares B issued for cash			637,795			641,000
Perferred stock subscribed B				46,500		46,500
Net loss					(785,486)	(785,486)
Balance December 31, 2004	25,646,381	25,646	715,231	83,395	(894,158)	(66,356)
Common stock issued for cash	4,981,750	4,982	1,202,018	(36,895)		1,170,105
Common stock issued for services	1,975,928	1,976	65,885			67,861
Perferred shares B issued for cash			126,365	(46,500)		80,500
Stock subscribed				133,000		133,000
Conversion Preferred A to Common	450,000	450	(125)			-
Conversion Preferred B to Common	4,800,000	4,800	(960)			-
Net loss					(1,572,866)	(1,572,866)
Balance December 31, 2005	37,854,059	37,854	2,108,414	133,000	(2,467,024)	(187,756)
Common stock issued for cash	12,837,033	12,837	3,537,087	(133,000)		3,416,924
Common stock issued for services	680,441	680	266,987			267,667
Stock subscribed				52,250		52,250
Net loss					(4,669,481)	(4,669,481)
Balance December 31, 2006	51,371,533	51,371	5,912,488	52,250	(7,136,505)	(1,120,396)
Common stock issued for cash	4,596,704	4,597	946,043	(52,250)		898,390
Common stock issued for services	1,805,966	1,806	380,826			382,632
Net loss					(2,627,029)	(2,627,029)
Balance December 31, 2007	57,774,203	57,774	7,239,357	-	(9,763,534)	(2,466,403)
Common stock issued for cash	1,274,166	1,274	126,206			127,480
Common stock issued for services	1,296,250	1,296	97,182			98,478
Perferred shares C issued for cash			199,200			200,000
Net loss					(245,971)	(245,971)
Balance December 31, 2008	60,344,619	\$ 60,344	\$ 7,661,945	\$ -	\$ (10,009,505)	\$ (2,286,416)

See accompanying notes to Consolidated Financial Statements

Tonogold Resources, Inc. and Subsidiary
(An Exploration Stage Company)
Consolidated Statement of Cash Flows
(Unaudited)

	For the Years Ended	
	December 31, 2008	December 31, 2007
Cash Flows from Operating Activities		
Net loss	\$ (245,972)	\$ (2,627,029)
Adjustment to reconcile net loss to net cash provided by operations:		
Depreciation	-	16,864
Stock issued for expenses	98,478	382,632
Minority share of loss	296,301	(1,484,444)
Changes in operating working capital:		
(Increase)/decrease in prepaids and other assets	(1,220)	9,878
(Increase)/decrease in accounts payable	(419,034)	(377,379)
Increase/(decrease) in accrued interest	(1,066)	3,315
Net change in operating working capital	(26,541)	(1,449,134)
Net Cash Provided Used in Operations	(272,513)	(4,076,163)
Cash Flows From Investing Activities		
Acquisition of investment in Secure Energy LLC	(13,825)	(270,834)
(Acquisition disposition of fixed assets)	28,074	-
Net Cash Provided by (Used in) Investments Activities	14,249	(270,834)
Cash Flows from Financing Activities		
Shareholder loans advanced (paid)	(25,200)	22,500
Common stock issued for cash	375,586	898,390
Preferred Series A stock issued for cash	-	-
Preferred Series B stock issued for cash	-	-
Preferred Series C stock issued for cash	200,000	-
Notes payable advanced (paid)	(26,275)	37,709
Nyac	176,721	-
Minority interest in consolidated subsidiary	(592,602)	3,473,805
Net Cash Provided by Financing Activities	108,230	4,432,404
Net (Decrease) Increase in Cash	(150,034)	85,407
Cash--Beginning of Period	172,766	87,358
Cash - Ending of Period	\$ 22,732	\$ 172,765
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Issuance of common stock for expenses	\$ 98,478	\$ 382,632
Income taxes paid	\$ 1,683	\$ 1,952
Interest paid	\$ 20,651	\$ 14,558

See accompanying notes to Consolidated Financial Statements

Tonogold Resources, Inc. and Subsidiary
(An Exploration Stage Company)
FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2009
(UNAUDITED)

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 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.

In May of 2005 the Company formed a subsidiary, Prospect Uranium, Inc. which is in the uranium exploration business. Tonogold owns approximately 40.62% of Prospect Uranium at December 31, 2008 (See Note 4).

Tonogold has been primarily engaged in the acquisition, exploration and development of mining properties, however in 2008 the company reviewed its business plans for the future. The Company will now focus on obtaining and proving out mining leases for sale to other mining development companies in order to generate income from the sale of mining claims for cash and for a small royalty residual. In addition, the Company will do consulting with mining development companies on acquisition of leases.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 40.62% owned subsidiary Prospect Uranium, Inc., of which the Company has the ability to exercise control and direct operations.

All significant inter-company transactions and balances have been eliminated in consolidation.

Basis of Preparation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for financial reporting and pursuant to the rules and regulations of the Securities and Exchange Commission ("Commission").

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, the disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

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 will be recognized as received.

Property, Plant and Equipment

Property, plant and equipment is stated at cost and depreciated using the straight-line method over the estimated useful life of the assets, which is three to ten years.

Long-Lived Assets

The Company accounts for intangible assets in accordance with Statement of Financial Accounting Standards (SFAS) No.144 " Accounting For The Impairment or Disposal of Long-Lived Assets" and Statement of Financial Accounting Standards (SFAS)No. 142 "Goodwill and Other Intangible".

Income Taxes

The Company follows SFAS No. 109 "Accounting for Income Taxes" (SFAS No. 109) for recording the provision for income taxes. Deferred tax assets and liabilities are computed based upon the differences between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expense or benefit is based on the change in the asset or liability each period. If available evidence suggests that is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax asset to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

Minimum State income taxes are recorded as paid.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period's presentation.

Going Concern

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As of December 31, 2008 the Company had cash of \$22,732 and working capital deficit of \$(446,830). The Company had net losses from continuing operations of \$271,848 and \$3,926,440 for the two years ended December 31, 2008, and 2007, respectively.

The accompanying financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

Development Stage Company

The Company is considered to be in the Exploration (development) stage as defined in Statement of Financial Accounting Standards (SFAS) No. 7, "Accounting and Reporting by Development Stage Enterprises". The Company has devoted substantially all of its efforts to the corporate formation, the raising of capital, obtaining mining leases and developing mining properties. The Company has reviewed its prior year operations and determined that a new approach should be taken. To that end the Company is continuing to obtain mining leases, but is no longer developing those leases. It is selling the mining leases obtained to other mining development companies.

Mining Property costs

The Company incurs costs on activities that relate to the securing of mining leases. In the past these costs were expensed when incurred until it was determined that the property could be economically developed as a result of proven ore probable reserves. In the future such costs will be capitalized until the lease can be sold or until the lease proves to be of no value and expensed .

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payment" ("SFAS 123R"). SFAS 123R requires that compensation cost related to share-based payment transactions be recognized in the financial statements. Share-based payment transactions within the scope of SFAS 123R include stock options, restricted stock plans, performance-based awards, stock appreciation rights, and employee share purchase plans. The provisions of SFAS 123R, as amended, are effective for small business issuers beginning as of the next interim period after December 15, 2005.

The Company has elected to use the modified-prospective approach method. Stock-based compensation expense for all awards granted is based on the grant-date fair values estimated in accordance with the provisions of FAS 123R. The Company recognizes these compensation costs, net of an estimated forfeiture rate, on a pro rata basis over the requisite service period of each vesting tranches of each award.

The Company considers voluntary termination behavior as well as trends of actual option forfeitures when estimating the forfeiture rate.

The Company measures compensation expense for its non-employee stock-based compensation under the Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) Issue No. 96-18, "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services". The fair value of the option issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to compensation expense and additional paid-in capital.

Basics and Diluted Net Loss Per Common Share

The Company computes per share amounts in accordance with SFAS No. 128, "Earnings per Share". SFAS No. 128 requires presentation of basic and diluted EPS. Basic EPS is computed by dividing the income (loss) available to Common Shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is based on the weighted-average number of shares of common stock and common stock equivalents outstanding during the periods.

Recent Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") has recently issued several new accounting pronouncements, which may apply, to the Company at present, or in the proceeding months as operations expand.

In July 2006, the FASB issued Financial Interpretation No. 48, "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109" ("FIN 48"), and supplemented by FASB Financial Staff Position FIN 48-1, Definition of Settlement in FASB Interpretation No. 48, issued May 2, 2007. FIN 48 specifies how tax benefits for uncertain tax positions are to be recognized, measured, and derecognized in financial statements; requires certain disclosures of uncertain tax matters; specifies how reserves for uncertain tax positions should be classified on the balance sheet; and provides transition and interim period guidance, among other provisions. FIN 48 is effective for fiscal years beginning after December 15, 2006 and as a result, is effective for the Company in the fiscal year 2008.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for using fair value assets and liabilities, and expands disclosures

about fair value measurements. This statement applies whenever other statements require or permit assets or liabilities to be measured at fair value. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The management believes that there is no material impact on its consolidated results of operations, cash flows, and financial position.

In September 2006, the Securities and Exchange Commission (“SEC”) issued Staff Accounting Bulletin (“SAB”) No. 108, Quantifying Financial Misstatements (“SAB 108”), which expresses the Staff’s views regarding the process of quantifying financial statement misstatements. Registrants are required to quantify the impact of correcting all misstatements, including both carryover and reversing effects of prior year misstatements, on the current year financial statements. The financial statements would require adjustment when either approach results in quantifying a misstatement that is material, after considering all relevant quantitative and qualitative factors. SAB 108 is effective for financial statements covering the first fiscal year ending after November 15, 2006. The management believes that there is no material impact on its consolidated results of operations, cash flows, and financial position.

In December 2007, the SEC issued Staff Accounting Bulletin (“SAB”) 110 Share-Based Payment. SAB 110 amends and replaces Question 6 of Section D.2 of Topic 14, “Share-Based Payment,” of the Staff Accounting Bulletin series. Question 6 of Section D.2 of Topic 14 expresses the views of the staff regarding the use of the “simplified” method in developing an estimate of the expected term of “plain vanilla” share options and allows usage of the “simplified” method for share option grants prior to December 31, 2007. SAB 110 allows public companies which do not have historically sufficient experience to provide a reasonable estimate to continue use of the “simplified” method for estimating the expected term of “plain vanilla” share option grants after December 31, 2007. SAB 110 is effective January 1, 2008 which the Company adopted upon its inception. The Company currently uses the “simplified” method to estimate the expected term for share option grants to employees as it does not have enough historical experience to provide a reasonable estimate. The Company will continue to use the “simplified” method until it has enough historical experience to provide a reasonable estimate of expected term in accordance with SAB 110. The Company does not expect SAB 110 will have a material impact on its balance sheet, statement of operations and cash flows.

In December 2007, the Financial Accounting Standards Board (“FASB”) issued Statement No. 141R, Business Combinations. Statement No. 141R modifies the accounting and disclosure requirements for business combinations and broadens the scope of the previous standard to apply to all transactions in which one entity obtains control over another business.

In December 2007, the FASB issued SFAS No. 160 Non-controlling Interests in Consolidated Financial Statements, an amendment of ARB No. 51, this Statement amends Accounting Research Bulletin No. 51, “Consolidated Financial Statements” to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is required to be adopted simultaneously with SFAS 141R and is effective for reporting periods on or after December 15, 2008. An earlier adoption is not permitted. Currently, the Company does not have any non-controlling interests and accordingly, the adoption of SFAS 160 is not expected to have a material impact on our financial position, cash flows or results of operations.

Note 2. Notes Payable

The following notes were payable at December 31, 2008

	Date	Interest %	Due	Amount
Hofheimer	May 2002	12%	On demand	\$ 3,100
Edwards	July 2007	12%	On demand	50,000
Nix	July 2007	12%	On demand	<u>46,500</u>
Total				<u>\$ 99,600</u>

Interest expense was \$13,585 for the year ended December 31, 2008 and \$21,264 for the year ended December 31, 2007

Note 3. Shareholder loans

Loan from shareholder \$1,021 at December 31, 2008 was non-interest bearing and due on demand. Another loan from shareholder \$75,000 accrues interest at 8% a year.

Note 4. Minority interest

Minority interest represents the interest of non-Tonogold Resources, Inc. investment in Prospect Uranium, Inc. at December 31, 2008. The Company owned 40.62% of Prospects capital stock at December 31, 2008. Although less than 50%, the Company still controlled the business and activities of Prospect. The equity interest is shown as Minority Interest on the Balance Sheet as an addition to equity and the respective portion of the loss is reduced and shown in the Statement of Operations.

Note 5. Mineral properties

TONOGOLD RESOURCES, INC.

	<u>Property</u>	<u>Status</u>	<u>Date Signed</u>	<u>Date Term. / Sold</u>
1.	North Tonopah	Terminated	12/31/04	5/12/09
2.	King Tonopah East	Active	2/18/05	n/a
3.	Nyac Gold Lease	Active / Sold / Litigation	5/11/05	10/24/08
4.	Tonopah Divide	Active	3/1/06	n/a
5.	Rainbow	Terminated	11/07/06	8/29/08
6.	Aurora-Indian	Terminated	11/07/06	8/29/08
7.	Goldstrike (OV, D)	Active	8/05/09	n/a
8.	Goldstrike (W)	Active	8/05/09	n/a
9.	Arizona Claims	Active	10/01/09	n/a

1) 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 the Tonopah mining district, Nye County, Nevada. The agreement required a \$7,500 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:

<u>Year Ended</u>	<u>Investment Required</u>	<u>Rents Required</u>
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 Caracol to waive the investment required for 2006 in exchange for 50,000 shares of the Company's restricted common stock.

On February 7, 2008, the Company agreed with Mountain Gold Exploration, Inc. and Caracol to pay \$30,000, issue 100,000 shares of restricted common stock, and invest \$70,000 in exploration work on the property in

order to keep the lease in good standing. The Company actually paid \$20,000, issued 100,000 shares, and performed no exploration work.

On May 12, 2009, the Company terminated its lease with Mountain Gold Exploration, Inc. and Caracol.

2) King Tonopah East Lease

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

<u>Year Ended</u>	<u>Rents Required</u>
February 18, 2006	\$6,000
February 18, 2007	\$7,000
February 18, 2008	\$8,000
February 18, 2009	\$9,000
Subsequent Years	\$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.

The Company is currently in arrears on its rental payments by \$15,000.

3) Nyac Gold Lease

On May 11, 2005, the Company obtained a gold exploration and lode mining lease from Calista Corporation, with option to renew, to explore, develop and mine bedrock deposits on mining properties in the Seward Meridian Township 10 and 11, Range 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 of gold at the time of sale as follows:

<u>Price of Gold</u>	<u>Royalty %</u>
\$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:

<u>Year Ended</u>	<u>Investment Required</u>	<u>Rents Required</u>
January 1, 2006	\$25,000	\$20,000
January 1, 2007	\$50,000	\$25,000
January 1, 2008	\$50,000	\$30,000
January 1, 2009	\$50,000	\$40,000
Subsequent Years	\$50,000	\$50,000

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 expiration 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 paid Calista \$252,559 by May 15, 2007 for outstanding invoices and will agree to a 10 day grace period for future default events.

On October 24, 2008, the Company agreed with Nyac Gold, LLC. to sell its leasehold interest in the Nyac property for \$563,420 and retain a one-half percent net smelter royalty. The lease assignment is subject to Calista's approval. Calista has rejected the lease assignment.

On February 6, 2009, the Company and Nyac Gold, LLC. filed a lawsuit against Calista seeking approval of the lease assignment. Calista disputes that the lease assignment is reasonable. The Company and Nyac Gold obtained a favorable judgment on its temporary restraining order for permission to conduct exploration during the 2009 season. Trial is set for Spring 2010. The Company believes the lease assignment is reasonable and will be approved by the court.

4) Tonopah Divide Lease

On March 1, 2006 the Company obtained a ten year gold mining lease from Tonopah Divide Mining Company, with option to renew as long as the property is in production, to develop mining properties in the Divide Mining District, Esmeralda County, Nevada. The agreement required a \$30,000 payment as signing and a rental payment of \$10,000 per month starting April 1, 2006.

On March 14, 2008, the Company signed an Exploration and Option Agreement with Centerra (U.S.), Inc., a subsidiary of Centerra Gold, Inc.

Centerra has the right to earn a 60% interest in the Tonopah Divide project by spending \$2.7 million over five years, at which time Centerra and Tonogold will form a joint venture. The first year's minimum expenditure is \$300,000. After formation of the joint venture, Centerra can earn an additional 15% interest by spending a further \$5.0 million over four years.

As of December 31, 2008, Centerra had spent \$1,066,524 of its required \$2.7 mill. earn-in commitment.

Concurrent with the signing of the Exploration and Option Agreement, the terms of the mining lease with Tonopah Divide Mining Company have been amended per the following terms. Advance minimum royalties, investment required in exploration, development and mining are as follows:

<u>Years Ended</u>	<u>Investment Required</u>	<u>Royalty</u>
March 1, 2009	\$300,000	\$50,000
March 1, 2010	\$400,000	\$50,000
March 1, 2011	\$500,000	\$50,000
March 1, 2012	\$500,000	\$60,000
March 1, 2013	\$450,000	\$60,000
March 1, 2014	\$200,000	\$75,000
March 1, 2015	\$200,000	\$75,000
March 1, 2016	\$200,000	\$75,000
Subsequent Years	\$300,000	\$75,000

According to the terms of the Exploration and Option Agreement Centerra is responsible for the above investments until their earn-in percentage is met then the expenses and royalties shall be paid according to each party's ownership percentage.

Prior advance minimum royalty payments can be offset against production royalty payments.

Upon commencement of commercial production a maximum of 4% net smelter royalty will be paid to the Tonopah Divide Mining Company or its associated lessors.

5) Rainbow Claims

On November 7, 2006 the Company signed a four year exploration agreement with John and Beau Hansen, 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:

<u>Year Ended</u>	<u>Investment Required</u>	<u>Advance Royalty</u>
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 royalty payments. The Company has the right to purchase the property for \$200,000 with prior owners maintaining a 2.5% production royalty.

On September 7, 2007, the Company agreed to issue John and Beau Hansen 133,000 shares of restricted common stock to waive the investment requirement for 2007.

The Company terminated its Exploration Agreement on August 29, 2008.

6) 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:

<u>Year Ended</u>	<u>Investment Required</u>	<u>Advance Royalty</u>
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.

On August 23, 2007, the Company agreed to issue William Johnson, Jr. and David and Sharon Wright 133,000 shares of restricted common stock to waive the investment requirement for 2007.

The Company terminated its Exploration Agreement on August 29, 2008.

PROSPECT URANIUM, INC.

1) Slope County, North Dakota, Lease 1

On June 28, 2007 the Secure Energy, LLC (Prospect Uranium, Inc. is the managing partner) signed a 20 year exploration agreement with Robert Petri, Sr to develop 472.8 acres of uranium mining properties in the Slope County, North Dakota. The company prepaid the annual payment of \$10 per net acre \$20,744.75 at the date of signing.

The Company will pay a production royalty of \$0.75 per pound of all uranium sales.

2) Slope County, North Dakota, Lease 2

On June 28, 2007 the Secure Energy, LLC (Prospect Uranium, Inc. is the managing partner) signed a 20 year exploration agreement with Robert Petri, Sr and Michelle Petri to develop an additional 472.8 acres of uranium mining properties in the Slope County, North Dakota. The company prepaid the annual payment of \$10 per net acre \$15,972 at the date of signing.

The Company will pay a production royalty of \$0.75 per pound of all uranium sales.

3) Slope County, North Dakota, Lease 3

On November 23, 2007 the Secure Energy, LLC (Prospect Uranium, Inc. is the managing partner) signed a 10 year exploration agreement, with right to extend an additional 10 years, with Mark E. Schmidt to develop 554.24 acres of uranium mining properties in the Slope County, North Dakota. The company prepaid the annual payment of \$10 per net acre for ten years \$53,775.25 at the date of signing.

The Company will pay a production royalty of \$0.75 per pound of all uranium sales or 5% of net proceeds from the sale of uranium bearing ores.

Note 6. Income taxes

The components of the deferred tax asset are as follows:

	December 31, 2008	December 31, 2007
Deferred tax assets		
Net operating loss carry-forward	\$ 2,919,000	\$ 2,984,000
Valuation allowance	<u>(2,919,000)</u>	<u>(2,984,000)</u>
Net deferred tax assets	\$ <u> -</u>	\$ <u> -</u>

The Company had available approximately \$7,120,000 at December 31, 2008 and \$7,280,000 at December 31, 2007 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 2029 and 2019 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, 2008 and 2008 respectively:

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

Note 7. Subsequent events

The following leasing and claim staking activity took place in 2009:

a) Goldstrike - Oro Vista Claims

On August 5, 2009 the Company obtained a mining lease from Oro Vista, LLC., to develop mining properties in the Goldstrike mining district, Washington County, Utah. The agreement required the issuance of 150,000 restricted common shares and payment of \$16,800 in claim maintenance fees upon signing. The Company is required to invest \$25,000 in exploration expenditures on the property each year.

<u>Year Ended</u>	<u>Cash Bonus Payment</u>	<u>Stock Bonus Payment</u>
February 5, 2010	\$15,000	
August 5, 2010	\$30,000	\$10,000
August 5, 2010	\$30,000	\$10,000

Beginning on August 5, 2011, and each year thereafter, the Company is required to pay an advance minimum royalty of \$30,000.

The Company will pay a net smelter royalty upon the commencement of commercial production based on the price of gold at the time of sale as follows:

<u>Price of Gold</u>	<u>Royalty %</u>
Below \$700	3.0
\$700-\$899	3.5
\$900 or above	4.0

Prior advance minimum royalty payments can be offset against production royalty payments.

The term of the lease is ten years or perpetual upon commercial production or upon payment of an advance minimum royalty equal to 150% of the amount paid in year ten of the lease.

b) Goldstrike - W Claims

On August 5, 2009 the Company obtained a mining lease from Ray Hunter, to develop mining properties in the Goldstrike mining district, Washington County, Utah. The agreement required the issuance of 50,000 restricted common shares and payment of \$1,200 in claim maintenance fees upon signing. The Company is required to invest \$25,000 in exploration expenditures on the property each year.

<u>Year Ended</u>	<u>Cash Bonus Payment</u>
February 5, 2010	\$5,000
August 5, 2010	\$10,000
August 5, 2010	\$10,000

Beginning on August 5, 2011, and each year thereafter, the Company is required to pay an advance minimum royalty of \$10,000.

The Company will pay a net smelter royalty upon the commencement of commercial production based on the price of gold at the time of sale as follows:

<u>Price of Gold</u>	<u>Royalty %</u>
Below \$700	3.0
\$700-\$899	3.5
\$900 or above	4.0

Prior advance minimum royalty payments can be offset against production royalty payments.

The term of the lease is ten years or perpetual upon commercial production or upon payment of an advance minimum royalty equal to 150% of the amount paid in year ten of the lease.

c) Arizona Claims

In October, 2009 we staked six mining claims in Yavapai County, Arizona. On November 2009 we staked eight mining claims in Mohave County, Arizona.