

THUNDER MOUNTAIN GOLD INC  
Form 10-K  
March 31, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-K**

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF  
1934

**For the fiscal year ended December 31, 2009**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission file number: 001-08429**

**Thunder Mountain Gold, Inc.**

(Exact Name of Registrant as Specified in its Charter)

**Nevada**  
(State of other jurisdiction of incorporation or organization)

**91-1031015**  
(I.R.S. Employer  
Identification No.)

**5248 W. Chinden Blvd.**  
**Garden City, Idaho**  
(Address of Principal Executive Offices)

**83714**  
(Zip Code)

**(208) 658-1037**

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(Registrant's Telephone Number, including Area Code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

**None**

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

**Common stock, Par Value \$0.001**

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of III of this Form 10-K or any amendment to the Form 10-K. ☒

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Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "Accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer ☐

Accelerated Filer ☐

Non-Accelerated Filer ☐ Smaller Reporting Company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$2,709,624 as of June 30, 2009

The number of shares of the Registrant's Common Stock outstanding as of March 15, 2010 was 18,892,880.

Documents Incorporated by Reference: None.

**THUNDER MOUNTAIN GOLD, INC.**

**Form 10-K**

**December 31, 2009**

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**PART I**

*Cautionary Statement about Forward-Looking Statements*

This Annual Report on Form 10-K includes certain statements that may be deemed to be forward-looking statements. All statements, other than statements of historical facts, included in this Form 10-K that address activities, events or developments that our management expects, believes or anticipates will or may occur in the future are forward-looking statements. Such forward-looking statements include discussion of such matters as:

The amount and nature of future capital, development and exploration expenditures;

The timing of exploration activities, and;

Business strategies and development of our Operational Plans.

Forward-looking statements also typically include words such as anticipate, estimate, expect, potential, could, similar words suggesting future outcomes. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, including such factors as the volatility and level of metal prices, uncertainties in cash flow, expected acquisition benefits, exploration, mining and operating risks, competition, litigation, environmental matters, the potential impact of government regulations, many of which are beyond our control. Readers are cautioned that forward-looking statements are not guarantees of future performance and actual results or developments may differ materially from those expressed or implied in the forward-looking statements. Except as required by law, we undertake no obligation to revise or update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Management's Discussion and Analysis is intended to be read in conjunction with the Company's financial statements and the integral notes thereto for the fiscal year ending December 31, 2009. The following statements may be forward looking in nature and actual results may differ materially.

## **ITEM 1 - DESCRIPTION OF BUSINESS**

### **Company History**

The Company was originally incorporated under the laws of the State of Idaho on November 9, 1935, under the name of Montgomery Mines, Inc. In April, 1978 controlling interest in the Montgomery Mines Corporation was obtained by a group of the Thunder Mountain property holders who then changed the corporate name to Thunder Mountain Gold, Inc. with the primary goal to further develop their holdings in the Thunder Mountain Mining District, Valley County, Idaho.

### **Change in Situs and Authorized Capital**

The Company moved its situs from Idaho to Nevada, but maintains its corporate offices in Garden City, Idaho. On December 10, 2007, articles of incorporation were filed with the Secretary of State in Nevada for Thunder Mountain Gold, Inc., a Nevada Corporation. The Directors of Thunder Mountain Gold, Inc. (Nevada) were the same as for Thunder Mountain Gold, Inc. (Idaho).

On January 25, 2008, the shareholders approved the merger of Thunder Mountain Gold, Inc. (Idaho) with Thunder Mountain Gold, Inc. (Nevada), which was completed by a share for share exchange of common stock. The terms of the merger were such that the Nevada Corporation was the surviving entity. The number of authorized shares for the Nevada Corporation is 200,000,000 shares of common stock with a par value of \$0.001 per share and 5,000,000 shares of preferred stock with a par value of \$0.0001 per share.



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The Company is structured as follows: The Company owns 100% of the outstanding stock of Thunder Mountain Resources, Inc., a Nevada Corporation. Thunder Mountain Resources, Inc. owns 100% of the outstanding stock of South Mountain Mines, Inc., an Idaho Corporation.

We have no patents, licenses, franchises or concessions which are considered by the Company to be of importance. The business is not of a seasonal nature. Since the potential products are traded in the open market, we have no control over the competitive conditions in the industry. There is no backlog of orders.

There are numerous Federal and State laws and regulation related to environmental protection, which have direct application to mining and milling activities. The more significant of these laws deal with mined land reclamation and wastewater discharge from mines and milling operations. We do not believe that these laws and regulations as presently enacted will have a direct material adverse effect on our operations.

## **Subsidiary Companies**

On May 21, 2007, the Company filed of articles of incorporation with the Secretary of State in Nevada for Thunder Mountain Resources, Inc., a wholly-owned subsidiary of Thunder Mountain Gold, Inc. G. Peter Parsley was appointed as President, Secretary, Treasurer and sole Director. The financial information for the new subsidiary is included in the consolidated financial statements.

On September 27, 2007, Thunder Mountain Resources, Inc., a wholly-owned subsidiary of Thunder Mountain Gold, Inc., completed the purchase of all the outstanding stock of South Mountain Mines, Inc., an Idaho corporation. The sole asset of South Mountain Mines, Inc. consists of seventeen patented mining claims, totaling approximately 326 acres, located in the South Mountain Mining District, Owyhee County, Idaho. The Stock Purchase Agreement was previously filed as an Exhibit to a Form 8-K filed on June 11, 2007.

## **Current Operations**

Thunder Mountain Gold is a mineral exploration stage company with no producing mines. The Company intends to remain in the business of exploring for mining properties that have the potential to produce gold, silver, base metals and other commodities.

## **Reports to Security Holders**

The Registrant does not issue annual or quarterly reports to security holders other than the annual Form 10-K and quarterly Forms 10-Q as electronically filed with the SEC. Electronically filed reports may be accessed at [www.sec.gov](http://www.sec.gov). Interested parties also may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N. W., Washington, D.C. 20549. Information may be obtained on the operation of the Public Reference Room by calling the SEC at 1 (800) SEC-0330.

## **ITEM 1A - RISK FACTORS**

Our business, operations, and financial condition are subject to various risks. This is particularly true since we are in the business of conducting exploration for mineral properties that have the potential for discovery of economic mineral resources. We urge you to consider the following risk factors in addition to the other information contained in, or incorporated by reference into, this Annual Report on Form 10-K:

**We have no income and resources and we expect losses to continue for at least the next three years.**

Our only continuing source of funds is through sales of equity positions received from investors, which may not be sufficient to sustain our operations. Any additional funds required would have to come from the issuance of debt or the sale of our common stock. There is no guarantee that funds would be available from either source. If we are unsuccessful in raising additional funds, we will not be able to develop our properties and will be forced to liquidate assets.

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**We have no proven reserves.**

We have no proven reserves at any of our properties. We only have indicated and inferred, along with assay samples at South Mountain; and assay samples at some of our other exploration properties.

**We will likely need to raise additional capital to continue our operations, and if we fail to obtain the capital necessary to fund our operations, we will be unable to continue our exploration efforts and may have to cease operations.**

At December 31, 2009, we had cash and cash equivalents of \$266,207. We are planning to raise additional funds in 2010 to meet our current operating and capital requirements for the next 12 months. However, we have based this estimate on assumptions that may prove to be wrong, and we cannot assure that estimates and assumptions will remain unchanged. For the year ended December 31, 2009 net cash used for operating activities was \$519,496. Our future liquidity and capital requirements will depend on many factors, including timing, cost and progress of our exploration efforts, our evaluation of, and decisions with respect to, our strategic alternatives, and costs associated with the regulatory approvals. If it turns out that we do not have enough money to complete our exploration programs, we will try to raise additional funds from public offerings, private placements or loans.

We know that additional financing will be required in the future to fund our planned operations. We do not know whether additional financing will be available when needed or on acceptable terms, if at all. If we are unable to raise additional financing when necessary, we may have to delay our exploration efforts or any property acquisitions or be forced to cease operations. Collaborative arrangements may require us to relinquish our rights to certain of our mining claims.

**Our exploration efforts may be adversely affected by metals price volatility causing us to cease exploration efforts.**

We have no earnings. However, the success of any exploration efforts is derived from the price of metal prices that are affected by numerous factors including: 1) expectations for inflation; 2) investor speculative activities; 3) relative exchange rate of the U.S. dollar to other currencies; 4) global and regional demand and production; 5) global and regional political and economic conditions; and 6) production costs in major producing regions. These factors are beyond our control and are impossible for us to predict.

There is no guarantee that current favorable prices for metals and other commodities will be sustained. If the market prices for these commodities fall we will temporarily suspend or cease exploration efforts.

**Our mineral exploration efforts may not be successful.**

Mineral exploration is highly speculative. It involves many risks and often does not produce positive results. Even if we find a valuable mineral deposit, it may be three years or more before production is possible because of the need for additional detailed exploration, pre-production studies, permitting, financing, construction and start up.

During that time, it may become economically unfeasible to produce those minerals. Establishing ore reserves requires us to make substantial capital expenditures and, in the case of new properties, to construct mining and processing facilities. As a result of these costs and uncertainties, we will not be able to develop any potentially economic mineral deposits.

**We face strong competition from other mining companies for the acquisition of new properties.**

If we do find an economic mineral reserve, and it is put into production, it should be noted that mines have limited lives and as a result, we need to continually seek to find new properties. In addition, there is a limited supply of desirable mineral lands available in the United States or elsewhere where we would consider conducting exploration activities. Because we face strong competition for new properties from other exploration and mining companies, some of whom have greater financial resources than we do, we may be unable to acquire attractive new mining properties on terms that we consider acceptable.

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**Mining operations may be adversely affected by risks and hazards associated with the mining industry.**

Mining operations involve a number of risks and hazards including: 1) environmental hazards; 2) political and country risks; 3) industrial accidents; 4) labor disputes; 5) unusual or unexpected geologic formations; 6) high wall failures, cave-ins or explosive rock failures, and; 7) flooding and periodic interruptions due to inclement or hazardous weather conditions. Such risks could result in: 1) damage to or destruction of mineral properties or producing facilities; 2) personal injury; 3) environmental damage; 4) delays in exploration efforts; 5) monetary losses, and; 6) legal liability.

We have no insurance against any of these risks. To the extent we are subject to environmental liabilities, we would have to pay for these liabilities. Moreover, in the event that we ever become an operator of a mine, and unable to fully pay for the cost of remedying an environmental problem, should they occur, we might be required to suspend operations or enter into other interim compliance measures.

**Because we are small and do not have much capital, we must limit our exploration. This may prevent us from realizing any revenues, thus reducing the value of the stock and you may lose your investment as a result.**

Because our Company is small and does not have much capital, we must limit the time and money we expend on exploration of interests in our properties. In particular, we may not be able to: 1) devote the time we would like to exploring our properties; 2) spend as much money as we would like to exploring our properties; 3) rent the quality of equipment or hire the contractors we would like to have for exploration; and 4) have the number of people working on our properties that we would like to have. By limiting our operations, it may take longer to explore our properties. There are other larger exploration companies that could and may spend more time and money exploring the properties that we have acquired.

**We will have to suspend our exploration plans if we do not have access to all the supplies and materials we need.**

Competition and unforeseen limited sources of supplies in the industry could result in occasional spot shortages of supplies, like dynamite, and equipment like bulldozers and excavators that we might need to conduct exploration. We have not attempted to locate or negotiate with any suppliers of products, equipment or materials. We will attempt to locate products, equipment and materials after we have conducted preliminary exploration activities on our properties.

If we cannot find the products and equipment we need in a timely manner, we will have to delay or suspend our exploration plans until we do find the products and equipment we need.

**We face substantial governmental regulation and environmental risks, which could prevent us from exploring or developing our properties.**

Our business is subject to extensive federal, state and local laws and regulations governing development, production, labor standards, occupational health, waste disposal, use of toxic substances, environmental regulations, mine safety and other matters. New legislation and regulations may be adopted at any time that results in additional operating expense, capital expenditures or restrictions and delays in the exploration, mining, production or development of our properties.

At this time, we have no specific financial obligations for environmental costs. Various laws and permits require that financial assurances be in place for certain environmental and reclamation obligations and other potential liabilities. Once we undertake any trenching or drilling activities, a reclamation bond and a permit will be required under applicable laws. Currently, we have no obligations for financial assurances of any kind, and are unable to undertake any trenching, drilling, or development on any of our properties until we obtain financial assurances pursuant to applicable regulations to cover potential liabilities.

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**If we fail to maintain an effective system of internal controls, we may not be able to detect fraud or report our financial results accurately, which could harm our business and we could be subject to regulatory scrutiny.**

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 ( Section 404 ), we are required to perform an evaluation of our internal controls over financial reporting. In 2010 and future years we will be required to have our independent registered public accounting firm test and evaluate the design and operating effectiveness of such internal controls and publicly attest to such evaluation. We have prepared an internal plan of action for compliance with the requirements of Section 404, and have completed our effectiveness evaluation. We have reported two material weaknesses in our internal controls over financial reporting, and we cannot guarantee that we will not have any material weaknesses as reported by our independent registered public accounting firm. Continuing compliance with the requirements of Section 404 is expected to be expensive and time-consuming. If our independent registered public accounting firm cannot attest to our evaluation, we could be subject to regulatory scrutiny and a loss of public confidence in our internal controls. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

**ITEM 1B - UNRESOLVED STAFF COMMENTS**

Not required for smaller reporting companies.

**ITEM 2 - DESCRIPTION OF PROPERTIES**

The Company, including its subsidiaries, owns rights to claims and properties in the mining areas of Nevada, Idaho and Arizona. None of the properties contain any known probable (indicated) or proven (measured) ore reserves under the definition of ore reserves that meet the definition of reserves as defined by SEC Industry Guide 7.

The Company owns 100% of the outstanding stock of Thunder Mountain Resources, Inc., a Nevada Corporation. Thunder Mountain Resources, Inc. owns 100% of the outstanding stock of South Mountain Mines, Inc., an Idaho Corporation. South Mountain Mines, Inc. owns the South Mountain Project. Thunder Mountain Resources, Inc. completed the direct purchase of 100% ownership of South Mountain Mines, Inc. on September 27, 2007.

**West Tonopah Claim Group, Esmeralda County, Nevada**

Eight unpatented lode mining claims totaling approximately 160 acres in the Tonopah Mining district of Esmeralda County, Nevada were located by the Company in 2007. The claims are situated on what has been interpreted to be the offset portion of the West End and Ohio Veins along the south limb of the Tonopah District West End Rhyolite intrusive dome. The target is projected to be 500 to 800 feet deep and could initially be tested by surface drilling. The typical veins historically mined in this area were 10-20 feet thick, with localized ore shoots up to 50 feet thick. Grades historically mined in the area were 15 to 20 ounces per ton (opt) silver and 0.15 to 0.20 ounce per ton (opt) gold. There is approximately 3,000 feet of relatively unexplored strike length.

**Clover Mountain Claim Group, Owyhee County, Idaho**

A geologic reconnaissance program in the fall of 2006 identified anomalous gold, silver, and other base metals in rock chips and soils at Clover Mountain. In February 2007 the Company located the Clover Mountain claim group consisting of 40 unpatented lode mining claims totaling approximately 800 acres. Mineralization appears to be associated with stockwork veining in a granitic stock which has been intruded by northeast and northwest-trending rhyolitic dikes. The property is overlain by locally silicified rhyolitic tuff.

Follow-up rock chip sampling within the area of the anomaly has identified quartz veining with gold values ranging from 3.6 part per million (ppm) to 16.5 ppm. A soil sample program consisting of 215 samples was conducted on 200 x 200 grid spacing which defined two northeast trending soil anomalies with gold values ranging from 0.020 ppm to 0.873 ppm Au. The gold anomalies are approximately 1,000 in length and



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approximately 300' in width. The gold anomalies are associated with northeast trending structures with accompanying quartz stockwork veining in an exposure of Cretaceous/Tertiary granite. A 2,500' base metal soil anomaly is observed trending northwest proximal to rhyolite and rhyodacitic dikes which intrude the granitic stock. No work was completed on the claim group in 2009, but additional field work is warranted in the future that may include backhoe trenching and sampling in the significantly anomalous area followed by exploration drilling.

### **Trout Creek Claim Group, Lander County, Nevada**

The Trout Creek pediment exploration target is located in Lander County, Nevada in T.29N. R44E. The property consists of 60 unpatented mining claims totaling approximately 1,200 acres that are located along the western flank of the Shoshone Range in the Eureka-Battle Mountain mineral trend.

The claims are located along a northwest structural trend which projects into the Battle Mountain mining district to the northwest and into the Goat Ridge window and the Gold Acres, Pipeline, and Cortez area to the southeast. Northwest trending mineralized structures in the Battle Mountain mining district are characterized by elongated plutons, granodiorite porphyry dikes, magnetic lineaments, and regional alignment of mineralized areas. The Trout Creek target is located at the intersection of this northwest trending mineral belt and north-south trending extensional structures.

The Trout Creek target is based on a regional gravity anomaly on a well-defined northwest-southeast trending break in the alluvial fill thickness and underlying bedrock. Previous geophysical work in the 1980s revealed a airborne magnetic anomaly associated with the same structure, and this was further verified and outlined in 2008 by Company personnel using a ground magnetometer. The target is covered by alluvial fan deposits of unknown thickness shed from the adjacent Shoshone Range, a fault block mountain range composed of Paleozoic sediments of both upper and lower plate rocks of the Roberts Mountains thrust. The geophysical anomaly could define a prospective and unexplored target within a well mineralized region.

### **Portland Claim Group, Mohave County, Arizona**

In 2008 Thunder Mountain Resources, Inc. located 19 unpatented mining claims totaling approximately 380 acres at the Portland property located approximately 30 miles northwest of Kingman, Arizona. The identified gold exploration target is along a detachment at the contact of basement Precambrian gneiss and overlying Tertiary volcanics. Surface samples of silicified rhyolite on the Portland Claim Group range from a trace to 1.35 ppm gold. The alteration and

anomalous mineralization is interpreted to be leakage along vertical structures from a potentially mineralized detachment similar to the Portland 1980s open pit mine located approximately 7,500 feet east of the claim group.

#### **Gold Hill Claim Group, La Paz County, Arizona**

In 2008, Thunder Mountain Resources, Inc. staked unpatented mining claims that total approximately 440 acres in the Ellsworth mining district in west central. The Gold Hill Project covers prospective geology for a detachment style precious metals deposit. Select and chip-channel samples of exposures in shallow workings adjacent to the main covered target are highly anomalous in gold with values ranging from 5.14 ppm to 26.8 ppm gold.

Much of the exposed outcrop in the project area consists of Proterozoic gneiss with numerous metamorphic quartz veins with minor copper and gold. Along the eastern edge of a small embayment of alluvial cover, numerous prospect pits expose mineralized gneisses and quartzites that have been sheared at a low angle dipping both to the east and west. Select samples of this material have assayed as high as 26.8 ppm gold, and vertical chip channel samples of the walls of some of the accessible pits have found gold values up to 4.6 ppm gold.

#### **South Mountain Project, Owyhee County, Idaho**

The South Mountain Project consists of 17 patented mining claims totaling approximately 326 acres owned outright by Thunder Mountain Resources, Inc. In addition, the Company has negotiated three leases on private

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ranch parcels with mineral rights and one patented claim that total approximately 542 additional acres. Thunder Mountain Resources also staked 21 unpatented mining claims totaling approximately 290 acres to cover BLM-managed land that is situated between the various private parcels. All holdings are located in the South Mountain Mining District, Owyhee County, Idaho.

In 2008, Kleinfelder West, Inc., a nationwide engineering and consulting firm, completed a technical report "Resources Data Evaluation, South Mountain Property, South Mountain Mining District, Owyhee County, Idaho". The technical report was commissioned by Thunder Mountain Resources, Inc. to evaluate all the existing data available on the South Mountain property. Kleinfelder utilized a panel modeling method using this data to determine potential mineralized material remaining and to make a comparison with the resource determined by South Mountain Mines in the mid-1980s.

Additional drilling and sampling will be necessary before the resource can be classified as a mineable reserve, but Kleinfelder West's calculations provided a potential resource number that is consistent with South Mountain Mines (Bowes 1985) reserve model.

During the 2008 field season two core drill holes were drilled to test the downdip extension of the sulfide mineralization in the main mine area, one on the DMEA2 ore shoot and one on the Texas ore shoot. The DMEA 2 target was successful, with two distinct sulfide zones totaling 30 feet being encountered in an overall altered and mineralized intercept of approximately 73 feet. The samples over the entire intercept were detail sampled over the entire 73 feet resulting in a total of 34 discrete sample intervals ranging from 0.5 to 3.7 feet. The samples cut at the Company's office in Garden City, Idaho and Company personnel delivered the samples to ALS Chemex preparation lab in Elko, Nevada. The analytical results showed two distinct zones of strong mineralization.

| Interval         | Gold            | Silver          | Zinc | Copper | Lead  |
|------------------|-----------------|-----------------|------|--------|-------|
| Weighted Average | Fire Assay      | Fire Assay      | (%)  | (%)    | (%)   |
|                  | (ounce per ton) | (ounce per ton) |      |        |       |
| 657 - 669.5      |                 |                 |      |        |       |
| (12.5 feet)      | 0.066           | 1.46            | 7.76 | 0.276  | 0.306 |
| 687 - 704.5      |                 |                 |      |        |       |
| (17.5 feet)      | 0.129           | 1.89            | 2.18 | 0.183  | 0.152 |

These intercepts are down dip approximately 300 feet below of the DMEA 2 mineralized zone encountered in Sonneman Level tunnel, and 600 feet below the DMEA 2 zone on the Laxey Level tunnel. The tenor of mineralization the DMEA 2 on the Sonneman is similar to that intercepted in the core hole, including two distinct zones with differing grades.

The second drill hole, TX-1, was designed to test the Texas Ore Shoot approximately 300 feet down dip of the Sonneman Level. The small core hole achieved a depth of 1250 feet, but deviated parallel to the bedding and the targeted carbonate horizon was not intercepted.

Late in 2009, the Company contracted with Gregory P. Wittman (a Qualified Person under Canadian regulations) of Northwestern Groundwater & Geology to incorporate all the new drill and sampling data into a 43-101 Technical Report. This report would be needed as part of the Company's efforts to obtain a listing on the TSX Venture Exchange in 2010. This work was ongoing at the end of the reporting period.

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***Location Map of South Mountain and Clover Mountain Projects***

A multi-lithic intrusive breccia outcrop was identified and sampled in 2008 on property leased by the Company. This large area, approximately one mile long and one-half a mile wide, is located several thousand feet south of the main mine area. The intrusive breccia is composed of rounded to sub-rounded fragments of altered intrusive rock and silicified fragments of altered schist and marble. Initial rock chip samples from the outcrop area ranged from 0.49 ppm to 1.70 ppm gold, and follow-up outcrop and float sampling in 2009 yielded gold values ranging from 0.047 ppm to 5.81 ppm. A first pass orientation soil survey completed in 2008 was conducted near the discovery breccia outcrop at a spacing of 100 feet over a distance of 800 feet east/west and 1,000 feet north/south. The soil assays ranged from a trace to 0.31 ppm Gold. Surface mapping indicates that the intrusive breccia covers an area of approximately 5,000 feet x 1,500 feet.

The focus of the 2009 field season was to better define the extent and quality gold mineralization in the intrusive breccia. Systematic mapping and sampling of breccia outcrops were completed along with preliminary geologic mapping. A detailed soil sample grid was designed to cover the breccia area with it orientation at roughly right angles to the mapped local and regional structural trends, and with the slope of the hillside. Samples were taken at a grid point spacing of 400 X 200 , but were tightened in some areas of

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favorable geology. A total of 236 soil samples were taken on the grid points and targeted the C soil horizon (where present), sieved in the field to 80 mesh, then delivered by Company personnel to ALS Chemex Laboratory for analytical work. The samples were analyzed for multiple elements.

The results of the soil sampling were plotted and confirmed an extensive gold anomaly with over 75% of the samples containing detectable gold that ranged from up to 701 ppb. Base metal and other element plots supported the structural control of the gold anomaly, and are interpreted to be consistent with high level leakage from a potential porphyry base metal/gold system at depth.

## **Competition**

We are an exploration stage company. We compete with other mineral resource exploration and development companies for financing and for the acquisition of new mineral properties. Many of the mineral resource exploration and development companies with whom we compete have greater financial and technical resources than us. Accordingly, these competitors may be able to spend greater amounts on acquisitions of mineral properties of merit, on exploration of their mineral properties and on development of their mineral properties. In addition, they may be able to afford greater geological expertise in the targeting and exploration of mineral properties. This competition could result in competitors having mineral properties of greater quality and interest to prospective investors who may finance additional exploration and development. This competition could adversely impact on our ability to finance further exploration and to achieve the financing necessary for us to develop our mineral properties.

## **Employees**

The Company had three employees during the year ended December 31, 2009. Pete Parsley, Vice President and Exploration Manager, was the only full-time employee. Eric Jones, Chief Financial Officer and Investor Relations, was hired in mid-February 2008 on a three-quarter time basis with a salary of \$75,000 per year. For the period of June through September 2009, Mr. Jones voluntarily reduced his salary to \$1,000 per month, during which time a total of \$21,000 of deferred salary was accrued as a liability. Beginning in October 2009, his salary was increased to \$100,000 per year. Jim Collord, President, had voluntarily reduced his salary in June 2008 to a monthly salary of \$1,000, which represents less than 10% of typical industry standard. Messrs. Jones and Collord did this to preserve funding to advance exploration work.

**ITEM 3 - LEGAL PROCEEDINGS**

The Company has no legal actions pending against it and it is not a party to any suits in any court of law, nor are the directors aware of any claims which could give rise to or investigations pending by the Securities and Exchange Commission or any other governmental agency. There are no pending legal proceedings to which any director, officer or affiliate of the Company, any owner of record or beneficiary of more than 5% of the common stock of the Company, or any security holder of the Company is a party adverse to the Company or has a material interest adverse to the Company.

**ITEM 4 - RESERVED**



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**PART II**

**ITEM 5 - MARKET FOR REGISTRANT'S COMMON STOCK, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

**Market Information:**

There is no established market for trading the common stock of the company. The common stock is not regularly quoted in the automated quotation system of a registered securities system or association. The common stock of the Registrant is traded on the over-the-counter market operated by the Financial Industry Regulatory Authority (FINRA) (OTCBB) under the symbol THMG.OB . The "over-the-counter" quotations do not reflect inter-dealer prices, retail mark-ups, commissions or actual transactions.

The following table illustrates the average high/low price of the common stock for the last two (2) fiscal years 2009 and 2008:

| <b>PERIOD</b>  | <b>HIGH</b> | <b>LOW</b> |
|----------------|-------------|------------|
| <b>2008</b>    |             |            |
| First Quarter  | \$ 0.36     | \$ 0.23    |
| Second Quarter | \$ 0.30     | \$ 0.20    |
| Third Quarter  | \$ 0.33     | \$ 0.18    |
| Fourth Quarter | \$ 0.28     | \$ 0.11    |
| <b>2009</b>    |             |            |
| First Quarter  | \$ 0.24     | \$ 0.24    |
| Second Quarter | \$ 0.18     | \$ 0.18    |
| Third Quarter  | \$ 0.28     | \$ 0.28    |
| Fourth Quarter | \$ 0.22     | \$ 0.22    |

At March 30, 2010, the price per share quoted on the OTCBB was \$0.19 .

**Holders:**

As of January 5, 2010 there were 2,018 shareholders of record of the Company's common stock with an unknown number of additional shareholders who hold shares through brokerage firms.

**Transfer Agent:**

Our independent stock transfer agent is Computershare Shareholder Services, located at 350 Indiana Street Suite 750 Golden, CO 80401.

**Dividends:**

No dividends were paid by the Registrant in 2009 or 2008, and the Company has no plans to pay a dividend in the foreseeable future. Dividends undertaken by the Company are solely at the discretion of the Board of Directors.

**Securities Authorized For Issuance under Equity Compensation Plans:**

The Company does not maintain any form of Equity Compensation Plan. On February 1, 2007, a total of one million shares of Thunder Mountain Resources, Inc. were allocated for a Key Employee Stock Incentive Plan. No securities have been granted or issued under such Plan.

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**Recent Sales of Unregistered Securities; Use of Proceeds From Registered Securities:**

On August 7, 2009, the Company closed a private offering of securities solely to accredited investors. The offering consisted of 380,000 Units priced at \$0.20 each; each Unit consisting of a share of common stock, \$0.001 par value, and a warrant to purchase common stock for \$0.30 per share. As a result of completion of the offering, a total of 380,000 shares of common stock, \$0.001 par value, and warrants to acquire 380,000 shares of common stock were issued. Included in the 380,000 units issued, were 5,000 units issued for services valued at \$1,000. There were no registration rights granted in connection with the offering. No Placement Agent was used, and no commissions were paid.

On August 10, 2009 the Board unanimously approved a resolution authorizing the re-pricing of warrants, including those issued in the August 7, 2009 private placement. The Warrants that were originally exercisable at \$0.30 or \$0.40 per share were reduced to an exercise price of \$0.15 per share, with such re-pricing valid until November 23, 2009.

As a result of completion of the offering, a total of 3,020,000 warrants were exercised for 3,020,000 shares of common stock, \$0.001 par value. Commissions of \$23,250 were paid to a placement agent, resulting in net cash proceeds of \$429,750 to the Company. Additionally, 100,000 shares were issued for warrants with an exercise price of \$0.05 per share, for net cash proceeds of \$5,000. The net cash proceeds from the exercise of warrants were \$434,750. An officer of the Company was issued 30,000 shares of common stock for warrants exercised at \$0.15 per share in exchange for a loan reduction of \$4,500. There were no registration rights granted in connection with any of these shares. No other commissions were paid, and a total of \$450 in registration fees were paid to the states of Idaho, California and Washington.

The offering and the shares issued for services and option exercises are believed exempt from registration pursuant to the exemption for transactions by an issuer not involving any public offering under Section 4(2) the Securities Act of 1933, as amended. The securities offered, sold and issued in connection with the private placement have not been registered under the Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States absent registration with the Securities and Exchange Commission or an applicable exemption from registration requirements.

**ITEM 6 - SELECTED FINANCIAL DATA**

Not required for smaller reporting companies.

## **ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following Management's Discussion and Analysis of Financial Condition and Results of Operation ( MD&A ) is intended to help the reader understand our financial condition. MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and the accompanying integral notes ( Notes ) thereto. The following statements may be forward-looking in nature and actual results may differ materially.

### **Plan of Operation:**

The financial condition of the Company was positive during 2009 and the metals commodity markets were favorable during most of the year. The global economic downturn continued to impact base metal prices, in particular, but prices did pick up during the last half of the year.

The Company underwent a reduced budget program during the year due to the economic downturn. The Company was successful in raising sufficient capital to maintain limited operations, but no drilling program was conducted on the South Mountain Project. Operational focus was on defining the extent and quality of the gold-bearing intrusive breccia zone through additional rock chip and soil sampling, and mapping. Our work was enhanced through the field work by Kinross that spent several weeks in the field mapping and gathering rock chip samples over the breccia zone. The results of this work defined this target area to the point that road building and initial phase drilling is planned in 2010. To this end, a third private parcel land package was leased from a landowner.

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The Company has applied for a listing on the TSX Venture Exchange (TSX-V) in Canada. The Company had previously entered into a Letter of Intent on September 10, 2009, with Kenai Resources Ltd., but terminated the agreement on January 27, 2010. If approved by the TSX-V, the listing will allow the Company to raise needed capital on a broad market that facilitates mining exploration and development. Management secured a major Canadian law firm work with our U.S. counterpart for listing approval. The Company has enlisted Haywood Securities, a Canadian Broker Dealer, to assist the Company in evaluating financial options in Canada, and in putting together a funding agreement. The Listing Application was filed in early 2010.

Funding derived from placements will be utilized to advance our South Mountain Project through the initial phases of drilling on the gold anomaly and enhancing the polymetallic replacement ore deposits. A 2010 budget of approximately \$1.5 million has been established to complete this next round at South Mountain. An additional amount is budgeted to continue working on our existing properties and to evaluate other opportunities.

The Company's plan of operation for the next twelve months, subject to obtaining and maintaining sufficient funding, is as follows:

.

Continue the advanced exploration and pre-development program for the South Mountain Project. This work may include the following:

.

Up to 10,000 feet of reverse circulation and core drilling will be initiated from the surface to intercept the down-dip extensions of the Texas, DMEA-2, and Laxey ore zones.

.

Complete first-phase drilling on the gold breccia target to the south of the sulfide mineralization. The program will consist of road construction and drilling 5 to 10 reverse circulation holes along the breccia anomaly to a depth of 1,000 to 1,500 feet. One or two of these holes will be selected for deepening an additional 1,000+ with core to test the potential for deep porphyry contact mineralization.

Further rehabilitation of the Sonneman workings near the Texas ore zone will be initiated so that underground sampling and mapping can be completed.

Continue the baseline environmental work, including the water sampling program.

Continue to work with potential joint venture or capital partners to advance the project into the next phase of exploration and pre-production goals.

Work on the other five properties controlled by the Company will continue, although South Mountain will remain the focus of our efforts. Potential joint venture partners will be solicited on some of the properties in Nevada and Arizona.

The Company maintains its offices in Garden City, Idaho. This is the primary work area for the South Mountain Project and is utilized primarily by Pete Parsley and Eric Jones. Jim Collord will continue to work from his home office in Elko, Nevada as well as in the Boise office.

### **Results of Operations:**

The Company had no revenues and no production for 2009 or 2008. Total expenses for 2009 decreased by \$438,443, or approximately 42%, to \$616,528 compared with \$1,054,971 for 2008, due largely to a decrease in exploration and management and administrative expense in 2009. Exploration costs in 2009 decreased by \$350,087 when compared with 2008, to \$98,640, primarily as a result of the limited exploration activities undertaken in 2009 due to limited cash resources. Management and administrative costs in 2009 decreased by \$97,154 over 2008, to \$374,424 as of December 31, 2009, primarily as a result of the voluntary decrease in salaries to preserve cash. As a result of these decreased expenses in 2009, the Company reported a comprehensive net loss of \$560,944 (\$0.04 per share) in 2009, compared to a comprehensive net loss of



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\$1,048,068 (\$0.08 per share) in 2008. Net loss per share was based on weighted average number of shares of 15,455,139 for the year ended December 31, 2009 and 13,314,328 for the year ended December 31, 2008.

**Liquidity and Capital Resources:**

The audit opinion and notes which accompany our consolidated financial statements for the year ended December 31, 2009, disclose a going concern qualification to our ability to continue in business. The consolidated financial statements for the period then ended have been prepared under the assumption that we will continue as a going concern. Such assumption contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the consolidated financial statements for the year ended December 31, 2009, we incurred losses and negative cash flows from operating activities for the year then ended, and at December 31, 2009, did not have sufficient cash reserves to cover normal operating expenditures for the following 12 months. These factors raise substantial doubt about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern.

Our continuation as a going concern is dependent upon our ability to generate sufficient cash flow to meet our obligations on a timely basis, to obtain additional financing as may be required, or ultimately to attain profitability. Potential sources of cash, or relief of demand for cash, include additional external debt, the sale of shares of our stock or alternative methods such as mergers or sale of our assets. No assurances can be given, however, that we will be able to obtain any of these potential sources of cash. We currently require additional cash funding from outside sources to sustain existing operations and to meet current obligations and ongoing capital requirements.

Our plans for the long term continuation as a going concern include financing our future operations through sales of our common stock and/or debt and the eventual profitable exploitation of our mining properties. Our plans may also, at some future point, include the formation of mining joint ventures with senior mining company partners on specific mineral properties whereby the joint venture partner would provide the necessary financing in return for equity in the property.

While the Company does not currently have cash sufficient to support the currently planned aggressive exploration work at South Mountain, we believe that the survivability of Thunder Mountain Gold can be assured by the following:



At December 31, 2009, we had \$266,207 cash in our bank accounts.

We expect to close on \$1,000,000 of financing in April 2010 to supplement existing funds of the Company. Additional private placements may be required to meet our exploration and corporate expenses incurred during the next 12 months.

Our non-exploration monthly burn rate is currently \$25,000, therefore we believe we have cash sufficient to support reduced company operations for the next 12 months.

Management and the Board have not undertaken plans or commitments that exceed the cash available to the Company. We do not include in this consideration any additional investment funds mentioned below. Management is committed to manage expenses of all types so as to not exceed the on-hand cash resources of the Company at any point in time, now or in the future.

We firmly believe we can outlast the current disruptions in the investment markets and continue to attract investment dollars in coming months and years. The Company will also consider other sources of funding, including potential mergers or farm-out of some of its exploration properties.

For the year ended December 31, 2009, net cash used for operating activities was \$519,496, consisting of our 2009 net operating loss reduced by non-cash expenses and net cash provided by changes in current assets and current liabilities. Cash used in investing activities for 2009 totaled \$29,530 used to purchase mining claims, compared to cash of \$33,325 used in 2008 to purchase mining claims and equipment.

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Our future liquidity and capital requirements will depend on many factors, including timing, cost and progress of our exploration efforts, our evaluation of, and decisions with respect to, our strategic alternatives, and costs associated with the regulatory approvals. If it turns out that we do not have enough money to complete our exploration programs, we will try to raise additional funds from a second public offering, a private placement, mergers, farm-outs or loans.

We know that additional financing will be required in the future to fund our planned operations. We do not know whether additional financing will be available when needed or on acceptable terms, if at all. If we are unable to raise additional financing when necessary, we may have to delay our exploration efforts or any property acquisitions or be forced to cease operations. Collaborative arrangements may require us to relinquish our rights to certain of our mining claims.

*Private Placement*

On August 7, 2009, the Company closed a private offering of securities solely to accredited investors. The offering consisted of 380,000 Units priced at \$0.20 each. Each Unit consisted of a share of common stock, \$0.001 par value, and a warrant to purchase common stock for \$0.30 per share. As a result of completion of the offering, a total of 380,000 shares of common stock, \$0.001 par value, and warrants to acquire 380,000 shares of common stock were issued. Included in the 380,000 units issued, were 5,000 units issued for services valued at \$1,000. There were no registration rights granted in connection with the offering. No Placement Agent was used, and no commissions were paid.

On August 10, 2009 the Board unanimously approved a resolution authorizing the re-pricing of warrants, including those issued in the August 7, 2009 private placement, originally exercisable at \$0.30 or \$0.40 per share, to an exercise price of \$0.13 per share which was subsequently raised to \$0.15 per share, with such re-pricing valid until November 23, 2009. As a result of completion of the offering, a total of 3,020,000 warrants were exercised for a like number of shares of common stock, \$0.001 par value. Commissions of \$23,250 were paid to a placement agent, resulting in net cash proceeds of \$429,750 to the Company. Additionally, 100,000 shares were issued for warrants with an exercise price of \$0.05 per share, for net cash proceeds of \$5,000. The net cash proceeds from the exercise of warrants were \$434,750. Finally, 30,000 shares were issued to an officer of the Company for warrants exercised at \$0.15 in exchange for a reduction of \$4,500 in a loan that the officer had previously extended to the Company. There were no registration rights granted in connection with any of these shares. No other commissions were paid, and a total of \$450 in Blue Sky fees were paid to the states of Idaho, California and Washington.

The offering and the shares issued for services and option exercises are believed exempt from registration pursuant to the exemption for transactions by an issuer not involving any public offering under Section 4(2) the Securities Act of 1933, as amended. The securities offered, and to be sold and issued in connection with the private placement have not been registered under the Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States absent registration with the Securities and Exchange Commission or an applicable exemption from registration requirements.

*Subsequent Events*

On January 28, 2010, the Registrant announced that Mr. R. Llee Chapman was appointed as a Director of Thunder Mountain Gold Inc. Mr. Chapman was also appointed as Chair of the Audit Committee, replacing Eric Jones. There was no arrangement or understanding between the director and any other person pursuant to which Mr. Chapman was appointed director.

Table of ContentsOff Balance-Sheet Arrangements:

During the 12 months ended December 31, 2009 and 2008, the Company had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

**Contractual Obligations**

During 2008, two lease arrangements were made with land owners that own land parcels adjacent to the Company's South Mountain patented and unpatented mining claims. The leases both were for a seven-year period, with options to renew, with annual payments (based on \$20 per acre) listed in the following table. The leases have no work requirements.

| <b>Contractual obligations</b>  | <b>Payments due by period</b> |                         |                  |                  |                          |
|---------------------------------|-------------------------------|-------------------------|------------------|------------------|--------------------------|
|                                 | <b>Total*</b>                 | <b>Less than 1 year</b> | <b>2-3 years</b> | <b>3-5 years</b> | <b>More than 5 years</b> |
| Acree Lease (yearly, June)      | \$11,300                      | \$2,260                 | \$4,520          | \$4,520          | \$0                      |
| Lowry Lease (yearly, October)** | \$37,700                      | \$7,540                 | \$15,080         | \$15,080         | \$0                      |
| <b>Total</b>                    | <b>\$49,000</b>               | <b>\$9,800</b>          | <b>\$19,600</b>  | <b>\$19,600</b>  | <b>\$0</b>               |

\*

Amounts shown are for the lease periods years 3 through 7, a total of 5 years that remain after 2009, the second year of the lease period.

\*\*

The Lowry lease has an early buy-out provision for 50% of the remaining amounts owed in the event the Company desires to drop the lease prior to the end of the first seven-year period.

**Critical Accounting Policies**

We have identified our critical accounting policies, the application of which may materially affect the financial statements, either because of the significance of the financial statement item to which they relate, or because they require management's judgment in making estimates and assumptions in measuring, at a specific point in time, events which will be settled in the future. The critical accounting policies, judgments and estimates which management believes have the most significant effect on the financial statements are set forth below:

a)

Estimates. Our management routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increase, these judgments become even more subjective and complex. Although we believe that our estimates and assumptions are reasonable, actual results may differ significantly from these estimates. Changes in estimates and assumptions based upon actual results may have a material impact on our results of operation and/or financial condition.

b)

Stock-based Compensation. The Company records stock-based compensation in accordance with ASC 718, Compensation—Stock Compensation using the fair value method. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

c)

Income Taxes. We have current income tax assets recorded in our financial statements that are based on our estimates relating to federal and state income tax benefits. Our judgments regarding federal and state income tax rates, items that may or may not be deductible for income tax purposes and income tax regulations themselves are critical to the Company's financial statement income tax items.

### **Adopted Accounting Pronouncements**

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On January 1, 2009, the Company adopted a Business combination policy ( ASC 805 ) which changes the method of accounting for assets acquired and liabilities assumed in a business combination. These changes include:

.

Acquisition costs are generally expensed as incurred;

.

Non controlling interests are valued at fair value at the acquisition date;

.

Acquired contingent liabilities are recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non acquired contingencies;

.

In-process research and development are recorded at fair value as an indefinite-lived intangible asset at the acquisition date;

.

Restructuring costs associated with a business combination are generally expensed subsequent to the acquisition date; and

.

Changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally do affect income tax expense.

The adoption of this guidance did not have a material effect on the Company's financial statements.

In April 2009, the FASB amended guidance ( ASC 820 ) to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. It was effective for interim reporting periods ending after June 15, 2009, and was adopted without a material effect on the Company's financial position or results of operations.

ASC 820 expands disclosure requirements to include the following information for each major category of assets and liabilities that are measured at fair value on a recurring basis:

The fair value measurement;

a)

The level within the fair value hierarchy in which the fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3);

b)

For fair value measurements using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following:

1.

Total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings (or changes in net assets), and a description of where those gains or losses included in earnings (or changes in net assets) are reported in the statement of operations;

2.

The amount of these gains or losses attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting period date and a description of where those unrealized gains or losses are reported;

3.

Purchases, sales, issuances, and settlements (net); and

4.

Transfers in and/or out of Level 3.

## **ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not required for smaller reporting companies.





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**ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and

Stockholders of Thunder Mountain Gold, Inc.

(An Exploration Stage Company)

We have audited the accompanying consolidated balance sheets of Thunder Mountain Gold, Inc. (An Exploration Stage Company) ( the Company ) as of December 31, 2009 and 2008, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Thunder Mountain Gold, Inc. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended 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. As discussed in Note 1 to the financial statements, the Company has incurred substantial losses, has no recurring source of revenue, and has an accumulated deficit. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ DeCoria, Maichel & Teague P.S.

DeCoria, Maichel & Teague P.S.

Spokane, Washington

March 9, 2010

Table of Contents**Thunder Mountain Gold, Inc.***(An Exploration Stage Company)***Consolidated Balance Sheets***December 31, 2009 and December 31, 2008*

|                                                        | 2009              | 2008              |
|--------------------------------------------------------|-------------------|-------------------|
| <b>ASSETS</b>                                          |                   |                   |
| Current assets:                                        |                   |                   |
| Cash and cash equivalents                              | \$ 266,207        | \$ 203,133        |
| Prepaid expenses and other assets                      | 61,067            | 36,991            |
| Total current assets                                   | 327,274           | 240,124           |
| Property, plant, equipment, and mining claims:         |                   |                   |
| South Mountain Mines property                          | 357,497           | 357,497           |
| Equipment, net of accumulated depreciation             | 35,536            | 57,851            |
| Mining leaseholds                                      | 49,030            | 19,500            |
| Total property, plant, equipment and mining leaseholds | 442,063           | 434,848           |
| <b>Total assets</b>                                    | <b>\$ 769,337</b> | <b>\$ 674,972</b> |

**LIABILITIES AND STOCKHOLDERS' EQUITY**

|                                  |           |           |
|----------------------------------|-----------|-----------|
| Current liabilities:             |           |           |
| Accounts payable                 | \$ 53,895 | \$ 73,144 |
| Accounts payable - related party | 12,436    | -         |
| Interest payable                 | 972       | -         |
| Deferred salaries                | 21,000    | -         |
| Related party note payable       | 32,300    | -         |
| Note payable                     | 50,000    | -         |
| Total current liabilities        | 170,603   | 73,144    |

Commitments and contingencies (Note 6)

Stockholders' equity:

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|                                                                       |                   |                   |
|-----------------------------------------------------------------------|-------------------|-------------------|
| Preferred stock; \$0.0001 par value, 5,000,000                        |                   |                   |
| shares authorized; no shares issued or outstanding                    | -                 | -                 |
| Common stock; \$0.001 par value, 200,000,000 shares authorized;       |                   |                   |
| 18,583,469 and 14,764,580 shares issued and outstanding, respectively | 18,584            | 14,765            |
| Additional paid-in capital                                            | 2,115,523         | 1,561,492         |
| Less: 11,700 shares of treasury stock, at cost                        | (24,200)          | (24,200)          |
| Deficit accumulated prior to 1991                                     | (212,793)         | (212,793)         |
| Accumulated deficit during the exploration stage                      | (1,298,380)       | (737,436)         |
| Total stockholders' equity                                            | 598,734           | 601,828           |
| <b>Total liabilities and stockholders' equity</b>                     | <b>\$ 769,337</b> | <b>\$ 674,972</b> |

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

Table of Contents**Thunder Mountain Gold, Inc.***(An Exploration Stage Company)***Consolidated Statements of Operations and Comprehensive Income (Loss)***For the years ended December 31, 2009 and 2008 and**for the period of Exploration Stage 1991 through December 31, 2009 (unaudited)*

|                                            | Years Ended, |             | During Exploration Stage 1991 |
|--------------------------------------------|--------------|-------------|-------------------------------|
|                                            | December 31, |             | Through                       |
|                                            | 2009         | 2008        | December 31,                  |
|                                            |              |             | 2009                          |
|                                            |              |             | (unaudited)                   |
| Revenue:                                   |              |             |                               |
| Royalties, net                             | \$ -         | \$ -        | \$ 328,500                    |
| Gain on sale of property and mining claims | -            | -           | 2,576,112                     |
| Total revenue                              | -            | -           | 2,904,612                     |
| Expenses:                                  |              |             |                               |
| Exploration expense                        | 98,640       | 448,727     | 1,226,579                     |
| Legal and accounting                       | 103,599      | 111,999     | 567,865                       |
| Management and administrative              | 374,424      | 471,578     | 1,587,339                     |
| Directors' fees and professional services  | 17,550       | 2,646       | 649,241                       |
| Depreciation and depletion                 | 22,315       | 20,021      | 112,307                       |
| Total expenses                             | 616,528      | 1,054,971   | 4,143,331                     |
| Other income (expense):                    |              |             |                               |
| Interest and dividend income               | 74           | 8,032       | 283,749                       |
| Interest expense                           | (4,331)      | -           | (32,037)                      |
| Gain on sale of securities                 | -            | -           | 166,116                       |
| Impairment of investments                  | -            | (1,044)     | (52,299)                      |
| Total other income (expense)               | (4,257)      | 6,988       | 365,529                       |
| Net loss before income taxes               | (620,785)    | (1,047,983) | (873,190)                     |

|                                                                                        |                     |                       |                       |
|----------------------------------------------------------------------------------------|---------------------|-----------------------|-----------------------|
| (Provision) benefit for income taxes                                                   | 59,841              | -                     | (151,496)             |
| Net loss                                                                               | (560,944)           | (1,047,983)           | (1,024,686)           |
| Treasury stock cancelled                                                               | -                   | -                     | (273,694)             |
| Reclassification of other comprehensive loss for<br>permanent impairment of investment | -                   | (485)                 | -                     |
| <b>Comprehensive loss</b>                                                              | <b>\$ (560,944)</b> | <b>\$ (1,048,468)</b> | <b>\$ (1,298,380)</b> |
| Net loss per common share                                                              | \$ (0.04)           | \$ (0.08)             |                       |
| Weighted average common<br>shares outstanding-basic                                    | 15,455,139          | 13,314,328            |                       |

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



Table of Contents**Thunder Mountain Gold, Inc.***(An Exploration Stage Company)***Consolidated Statements of Cash Flows***For the years ended December 31, 2009 and 2008 and for the period**of Exploration Stage 1991 through December 31, 2009 (unaudited)*

|                                                                                | 2009         | 2008          | During<br>Exploration Stage<br>1991 Through<br>December 31,<br>2009<br><br>(unaudited) |
|--------------------------------------------------------------------------------|--------------|---------------|----------------------------------------------------------------------------------------|
| Cash flows from operating activities:                                          |              |               |                                                                                        |
| Net loss                                                                       | \$ (560,944) | \$(1,047,983) | \$ (1,024,686)                                                                         |
| Adjustments to reconcile net loss to net cash<br>used in operating activities: |              |               |                                                                                        |
| Depreciation and depletion                                                     | 22,315       | 20,021        | 112,307                                                                                |
| Common stock, warrants, and options issued<br>for services                     | 2,500        | 23,200        | 81,320                                                                                 |
| Adjustment for anti-dilution provisions                                        | 25,550       | -             | 86,084                                                                                 |
| Amortization of directors' fees prepaid<br>with common stock                   | -            | -             | 53,400                                                                                 |
| Gain on sale of mining claims and other assets                                 | -            | -             | (2,736,553)                                                                            |
| Impairment loss on securities                                                  | 36           | 1,044         | 52,335                                                                                 |
| Change in:                                                                     |              |               |                                                                                        |
| Prepaid expenses and other assets                                              | (24,112)     | (33,968)      | (61,067)                                                                               |
| Federal and state income tax refunds receivable                                | -            | 194,581       | -                                                                                      |
| Accounts payable                                                               | (19,249)     | 57,786        | 39,327                                                                                 |
| Accounts payable related party                                                 | 12,436       | -             | 12,436                                                                                 |
| Interest payable                                                               | 972          | -             | 972                                                                                    |
| Deferred salaries                                                              | 21,000       | -             | 21,000                                                                                 |
| Receivables                                                                    | -            | -             | 124,955                                                                                |
| Net cash used by operating activities                                          | (519,496)    | (785,319)     | (3,238,170)                                                                            |

## Cash flows from investing activities:

|                                                  |          |          |             |
|--------------------------------------------------|----------|----------|-------------|
| Proceeds from sale of property and mining claims | -        | -        | 5,500,000   |
| Purchase of Dewey Mining Co. mining claims       | -        | -        | (2,923,888) |
| Purchase of investments                          | -        | -        | (354,530)   |
| Purchase of South Mountain Mines                 | -        | -        | (357,497)   |
| Purchase of mining claims                        | (29,530) | (19,500) | (49,030)    |
| Purchase of equipment                            | -        | (13,825) | (168,577)   |
| Proceeds from disposition of investments         | -        | -        | 642,645     |
| Proceeds from disposition of equipment           | -        | -        | 49,310      |
| Net cash provided (used) by investing activities | (29,530) | (33,325) | 2,338,433   |

## Cash flows from financing activities:

|                                           |          |         |           |
|-------------------------------------------|----------|---------|-----------|
| Proceeds from sale of common stock, net   | 75,000   | 522,000 | 782,000   |
| Proceeds from exercise of warrants        | 434,750  | -       | 434,750   |
| Proceeds from exercise of stock options   | 15,550   | -       | 73,350    |
| Acquisition of treasury stock             | -        | -       | (376,755) |
| Borrowing on related party note payable   | 90,000   | -       | 331,500   |
| Payments on related party note payable    | (53,200) | -       | (294,700) |
| Borrowing on note payable                 | 50,000   | -       | 50,000    |
| Net cash provided by financing activities | 612,100  | 522,000 | 1,000,145 |

|                                                      |                   |                   |                   |
|------------------------------------------------------|-------------------|-------------------|-------------------|
| Net increase (decrease) in cash and cash equivalents | 63,074            | (296,644)         | 100,408           |
| Cash and cash equivalents, beginning of period       | 203,133           | 499,777           | 165,799           |
| <b>Cash and cash equivalents, end of period</b>      | <b>\$ 266,207</b> | <b>\$ 203,133</b> | <b>\$ 266,207</b> |

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

Table of Contents**Thunder Mountain Gold, Inc.***(An Exploration Stage Company)***Consolidated Statements of Cash Flows***For the years ended December 31, 2009 and 2008 and for the period**of Exploration Stage 1991 through December 31, 2009 (unaudited)*

|                                                         | 2009     | 2008      | During<br>Exploration Stage<br>1991 Through<br>December 31,<br>2009<br>(unaudited) |
|---------------------------------------------------------|----------|-----------|------------------------------------------------------------------------------------|
| Supplemental disclosures of cash flow information:      |          |           |                                                                                    |
| Cash paid for interest                                  | \$ 3,354 | \$ -      | \$ 3,354                                                                           |
| Cash paid for income taxes                              | \$ -     | \$ -      | \$ 503,514                                                                         |
| Non-cash investing and financing activities:            |          |           |                                                                                    |
| Stock issued to acquire equipment from related party    | \$ -     | \$ 11,850 | \$ 11,850                                                                          |
| Stock issued for mining contract                        | \$ -     | \$ -      | \$ 50,000                                                                          |
| Stock issued for payments on related party note payable | \$ 4,500 | \$ -      | \$ 4,500                                                                           |
| Stock issued for payment of accounts payable            | \$ -     | \$ -      | \$ 29,250                                                                          |

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

Table of Contents**Thunder Mountain Gold, Inc.***(an Exploration Stage Company)***Condensed Statements of Changes in Stockholders' Equity (Deficit)***for the years ended December 31, 2009 and 2008, and for**the period of Exploration Stage 1991 through December 31, 2009 (unaudited)*

| Common Stock |            | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Treasury<br>Stock | Retained<br>Earnings<br>(Deficit) | Retained<br>Earnings Accumulated<br>During Exploration<br>Stage (1991<br>Through Dec. 31,<br>2009) | Total |
|--------------|------------|----------------------------------|--------------------------------------------------------|-------------------|-----------------------------------|----------------------------------------------------------------------------------------------------|-------|
| Shares       | Amount     |                                  |                                                        |                   |                                   |                                                                                                    |       |
| 7,776,587    | \$ 388,829 | \$ 254,285                       | \$ -                                                   | \$ (24,150)       | \$ 20,002                         | \$ -                                                                                               | \$    |
| ly           |            |                                  |                                                        |                   |                                   |                                                                                                    |       |
| ed           |            |                                  |                                                        |                   |                                   |                                                                                                    |       |
| r            |            |                                  |                                                        |                   |                                   |                                                                                                    |       |
| 1,265        | 63         | (63)                             | -                                                      | -                 | -                                 | -                                                                                                  |       |
| (50,000)     | (2,500)    | (10,000)                         | -                                                      | -                 | -                                 | -                                                                                                  |       |
| d            |            |                                  |                                                        |                   |                                   |                                                                                                    |       |
| -            | -          | -                                | -                                                      | -                 | -                                 | (82,358)                                                                                           |       |
| t            |            |                                  |                                                        |                   |                                   |                                                                                                    |       |
| 7,727,852    | 386,392    | 244,222                          | -                                                      | (24,150)          | 20,002                            | (82,358)                                                                                           |       |
| 1,000,000    | 50,000     | -                                | -                                                      | -                 | -                                 | -                                                                                                  |       |

|                 |           |         |         |         |          |           |
|-----------------|-----------|---------|---------|---------|----------|-----------|
|                 | -         | -       | -       | -       | -        | (14,718)  |
|                 | 8,727,852 | 436,392 | 244,222 | -       | (24,150) | (97,076)  |
| d 1,000,000     |           | 50,000  | 10,000  | -       | -        | -         |
|                 | -         | -       | -       | -       | -        | (42,942)  |
|                 | 9,727,852 | 486,392 | 254,222 | -       | (24,150) | (140,018) |
| ed              |           |         |         |         |          |           |
| ble<br>s<br>ive | -         | -       | -       | 215,803 | -        | -         |
| ting<br>le      | -         | -       | -       | (910)   | -        | 910       |
|                 | -         | -       | -       | -       | -        | (27,471)  |
|                 | 9,727,852 | 486,392 | 254,222 | 214,893 | (24,150) | 20,912    |
| ed              | -         | -       | -       | 141,801 | -        | -         |

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|   |   |   |   |   |   |        |
|---|---|---|---|---|---|--------|
| - | - | - | - | - | - | 26,367 |
|---|---|---|---|---|---|--------|

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|           |         |         |         |          |        |           |
|-----------|---------|---------|---------|----------|--------|-----------|
| 9,727,852 | 486,392 | 254,222 | 356,694 | (24,150) | 20,912 | (141,122) |
|-----------|---------|---------|---------|----------|--------|-----------|

|   |   |   |        |   |   |   |
|---|---|---|--------|---|---|---|
| - | - | - | 12,360 | - | - | - |
|---|---|---|--------|---|---|---|

|   |   |   |   |   |   |        |
|---|---|---|---|---|---|--------|
| - | - | - | - | - | - | 83,029 |
|---|---|---|---|---|---|--------|

|           |         |         |         |          |        |          |   |
|-----------|---------|---------|---------|----------|--------|----------|---|
| 9,727,852 | 486,392 | 254,222 | 369,054 | (24,150) | 20,912 | (58,093) | 1 |
|-----------|---------|---------|---------|----------|--------|----------|---|

|   |   |   |   |      |   |   |
|---|---|---|---|------|---|---|
| - | - | - | - | (50) | - | - |
|---|---|---|---|------|---|---|

|   |   |   |           |   |   |   |
|---|---|---|-----------|---|---|---|
| - | - | - | (168,521) | - | - | - |
|---|---|---|-----------|---|---|---|

|   |   |   |        |   |   |   |
|---|---|---|--------|---|---|---|
| - | - | - | 27,389 | - | - | - |
|---|---|---|--------|---|---|---|

|           |         |         |         |          |        |          |
|-----------|---------|---------|---------|----------|--------|----------|
| -         | -       | -       | -       | -        | -      | (10,139) |
| 9,727,852 | 486,392 | 254,222 | 227,922 | (24,200) | 20,912 | (68,232) |

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|   |   |   |          |   |   |   |
|---|---|---|----------|---|---|---|
| - | - | - | (26,895) | - | - | - |
|---|---|---|----------|---|---|---|

|   |   |   |   |   |           |   |
|---|---|---|---|---|-----------|---|
| - | - | - | - | - | (233,705) | - |
|---|---|---|---|---|-----------|---|

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|   |   |   |   |   |   |           |
|---|---|---|---|---|---|-----------|
| - | - | - | - | - | - | (125,684) |
|---|---|---|---|---|---|-----------|

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|           |         |         |         |          |           |           |
|-----------|---------|---------|---------|----------|-----------|-----------|
| 9,727,852 | 486,392 | 254,222 | 201,027 | (24,200) | (212,793) | (193,916) |
|-----------|---------|---------|---------|----------|-----------|-----------|

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



Table of Contents**Thunder Mountain Gold, Inc.***(Exploration Stage Company)***Condensed Statements of Changes in Stockholders' Equity (Deficit)***for the years ended December 31, 2009 and 2008, and**from the inception of Exploration Stage 1991 through December 31, 2009 (unaudited)*

| Common Stock |         | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Treasury<br>Stock | Retained<br>Earnings<br>(Deficit) | Retained<br>Earnings<br>Accumulated<br>During Exploration<br>Stage (1991<br>Through Dec. 31,<br>2009) | Total    |
|--------------|---------|----------------------------------|--------------------------------------------------------|-------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------|----------|
| Shares       | Amount  |                                  |                                                        |                   |                                   |                                                                                                       |          |
| 9,727,852    | 486,392 | 254,222                          | 201,027                                                | (24,200)          | (212,793)                         | (193,916)                                                                                             | 501,732  |
| -            | -       | -                                | (24,030)                                               | -                 | -                                 | -                                                                                                     | (24,030) |
| -            | -       | -                                | -                                                      | -                 | -                                 | 37,050                                                                                                | 37,050   |
| 9,727,852    | 486,392 | 254,222                          | 176,997                                                | (24,200)          | (212,793)                         | (156,866)                                                                                             | 501,732  |
| -            | -       | -                                | (60,186)                                               | -                 | -                                 | -                                                                                                     | (60,186) |

|                                        |         |         |          |          |           |           |           |     |  |
|----------------------------------------|---------|---------|----------|----------|-----------|-----------|-----------|-----|--|
| retable<br>ities<br>sification<br>ment |         |         |          |          |           |           |           |     |  |
| ded                                    |         |         |          |          |           |           |           |     |  |
| ne                                     | -       | -       | -        | (47,100) | -         | -         | -         | (4  |  |
| sification<br>ment                     |         |         |          |          |           |           |           |     |  |
| ities                                  |         |         |          |          |           |           |           |     |  |
| iously<br>ded                          |         |         |          |          |           |           |           |     |  |
| prehensive<br>ne                       | -       | -       | -        | (89,587) | -         | -         | -         | (8  |  |
|                                        | -       | -       | -        | -        | -         | -         | (102,602) | (10 |  |
| prehensive                             |         |         |          |          |           |           |           | (2  |  |
| s                                      |         |         |          |          |           |           |           |     |  |
| er                                     |         |         |          |          |           |           |           |     |  |
| 9,727,852                              | 486,392 | 254,222 | (19,876) | (24,200) | (212,793) | (259,468) | 22        |     |  |
| ized<br>g                              |         |         |          |          |           |           |           |     |  |
| retable<br>ities<br>sification<br>ment | -       | -       | -        | (17,108) | -         | -         | -         | (   |  |
| ded                                    | -       | -       | -        | 45,455   | -         | -         | -         | 4   |  |

|            |           |         |         |          |          |           |           |     |
|------------|-----------|---------|---------|----------|----------|-----------|-----------|-----|
| ne         |           |         |         |          |          |           |           |     |
| sification |           |         |         |          |          |           |           |     |
| ment       |           |         |         |          |          |           |           |     |
| rities     |           |         |         |          |          |           |           |     |
| iously     |           |         |         |          |          |           |           |     |
| ded        |           |         |         |          |          |           |           |     |
| prehensive |           |         |         |          |          |           |           |     |
| ne         | -         | -       | -       | (26,778) | -        | -         | -         | (3  |
|            | -         | -       | -       | -        | -        | -         | (145,648) | (14 |
| prehensive |           |         |         |          |          |           |           | (14 |
| s          |           |         |         |          |          |           |           |     |
| er         |           |         |         |          |          |           |           |     |
|            | 9,727,852 | 486,392 | 254,222 | (18,307) | (24,200) | (212,793) | (405,116) |     |

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

Table of Contents**Thunder Mountain Gold, Inc.***(an Exploration Stage Company)***Condensed Statements of Changes in Stockholders' Equity (Deficit)***for the years ended December 31, 2009 and 2008, and for**the period of Exploration Stage 1991 through December 31, 2009 (unaudited)*

| Common Stock |         | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Treasury<br>Stock | Retained<br>Earnings<br>(Deficit) | Retained<br>Earnings Accumulated<br>During Exploration<br>Stage (1991<br>Through Dec. 31,<br>2009) | Total |
|--------------|---------|----------------------------------|--------------------------------------------------------|-------------------|-----------------------------------|----------------------------------------------------------------------------------------------------|-------|
| Shares       | Amount  |                                  |                                                        |                   |                                   |                                                                                                    |       |
| 9,727,852    | 486,392 | 254,222                          | (18,307)                                               | (24,200)          | (212,793)                         | (405,116)                                                                                          |       |
| -            | -       | -                                | (2,994)                                                | -                 | -                                 | -                                                                                                  |       |
| -            | -       | -                                | 13,298                                                 | -                 | -                                 | -                                                                                                  |       |

|                         |           |         |          |          |          |           |           |
|-------------------------|-----------|---------|----------|----------|----------|-----------|-----------|
| Comprehensive<br>Income | (50,000)  | (2,500) | (10,000) | (14,294) | -        | -         | -         |
|                         | -         | -       | -        | -        | -        | -         | (95,651)  |
| Comprehensive<br>Income | 9,727,852 | 486,392 | 254,222  | (22,297) | (24,200) | (212,793) | (500,767) |
| Comprehensive<br>Income | -         | -       | -        | 34,335   | -        | -         | -         |
| Comprehensive<br>Income | -         | -       | -        | (12,948) | -        | -         | -         |
| Comprehensive<br>Income | -         | -       | -        | 4,830    | -        | -         | -         |
| Comprehensive<br>Income | -         | -       | -        | -        | -        | -         | (95,473)  |
| Comprehensive<br>Income | 9,727,852 | 486,392 | 254,222  | 3,920    | (24,200) | (212,793) | (596,240) |

|                 |           |         |         |          |           |           |           |    |
|-----------------|-----------|---------|---------|----------|-----------|-----------|-----------|----|
| ed              |           |         |         |          |           |           |           |    |
| ble<br>s        | -         | -       | -       | 14,187   | -         | -         | -         |    |
| hensive         | -         | -       | -       | -        | -         | -         | (111,424) |    |
|                 |           |         |         |          |           |           |           |    |
|                 | 9,727,852 | 486,392 | 254,222 | 18,107   | (24,200)  | (212,793) | (707,664) | (1 |
| 25              |           |         |         |          |           |           |           |    |
|                 | -         | -       | -       | -        | (376,705) | -         | -         | (3 |
|                 |           |         |         |          |           |           |           |    |
| d<br>00         | -         | -       | 16,380  | -        | -         | -         | -         |    |
| fication<br>ent |           |         |         |          |           |           |           |    |
| s               |           |         |         |          |           |           |           |    |
|                 |           |         |         |          |           |           |           |    |
| usly<br>ed      |           |         |         |          |           |           |           |    |
| hensive         | -         | -       | -       | (17,622) | -         | -         | -         |    |
|                 | -         | -       | -       | -        | -         | -         | 1,856,493 | 1, |

|           |         |         |     |           |           |           |   |
|-----------|---------|---------|-----|-----------|-----------|-----------|---|
| 9,727,852 | 486,392 | 270,602 | 485 | (400,905) | (212,793) | 1,148,829 | 1 |
|-----------|---------|---------|-----|-----------|-----------|-----------|---|

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

Table of Contents**Thunder Mountain Gold, Inc.***(an Exploration Stage Company)***Condensed Statements of Changes in Stockholders' Equity (Deficit)***for the years ended December 31, 2009 and 2008, and for**the period of Exploration Stage 1991 through December 31, 2009 (unaudited)*

| Common Stock |          | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Treasury<br>Stock | Retained<br>Earnings<br>(Deficit) | Retained<br>Earnings Accumulated<br>During Exploration<br>Stage (1991<br>Through Dec. 31,<br>2009) | Total     |
|--------------|----------|----------------------------------|--------------------------------------------------------|-------------------|-----------------------------------|----------------------------------------------------------------------------------------------------|-----------|
| Shares       | Amount   |                                  |                                                        |                   |                                   |                                                                                                    |           |
| 9,727,852    | 486,392  | 270,602                          | 485                                                    | (400,905)         | (212,793)                         | 1,148,829                                                                                          | 1,148,829 |
| 225,000      | 11,250   | 18,000                           | -                                                      | -                 | -                                 | -                                                                                                  | -         |
| (1,883,525)  | (94,176) | (8,835)                          | -                                                      | 376,705           | -                                 | (273,694)                                                                                          | (273,694) |
| -            | -        | 39,240                           | -                                                      | -                 | -                                 | -                                                                                                  | -         |
| -            | -        | -                                | -                                                      | -                 | -                                 | (171,879)                                                                                          | (171,879) |
| 8,069,327    | 403,466  | 319,007                          | 485                                                    | (24,200)          | (212,793)                         | 703,256                                                                                            | 703,256   |



|             |           |         |     |          |           |           |    |
|-------------|-----------|---------|-----|----------|-----------|-----------|----|
|             |           |         |     |          |           |           |    |
|             |           |         |     |          |           |           |    |
|             |           |         |     |          |           |           |    |
|             |           |         |     |          |           |           |    |
| en2,500,000 | 125,000   | -       | -   | -        | -         | -         | -  |
|             |           |         |     |          |           |           |    |
| s'          |           |         |     |          |           |           |    |
| 500,000     | 25,000    | 20,000  | -   | -        | -         | -         | -  |
|             |           |         |     |          |           |           |    |
|             |           |         |     |          |           |           |    |
| ng          |           |         |     |          |           |           |    |
| es 60,000   | 3,000     | 5,400   | -   | -        | -         | -         | -  |
|             |           |         |     |          |           |           |    |
| d 800,253   | 40,013    | 17,787  | -   | -        | -         | -         | -  |
| ution       |           |         |     |          |           |           |    |
|             |           |         |     |          |           |           |    |
| d -         | -         | 60,534  | -   | -        | -         | -         | -  |
|             |           |         |     |          |           |           |    |
| -           | -         | -       | -   | -        | -         | (392,709) | (3 |
|             |           |         |     |          |           |           |    |
|             |           |         |     |          |           |           |    |
|             |           |         |     |          |           |           |    |
| 11,929,580  | 596,479   | 422,728 | 485 | (24,200) | (212,793) | 310,547   | 1, |
| ification   |           |         |     |          |           |           |    |
| ent         |           |         |     |          |           |           |    |
|             |           |         |     |          |           |           |    |
|             |           |         |     |          |           |           |    |
| on          |           |         |     |          |           |           |    |
| -           | (584,549) | 584,549 | -   | -        | -         | -         | -  |
| 2,775,000   | 2,775     | 519,225 | -   | -        | -         | -         | 5  |

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|------------|----|--------|----|-----------|----|---|----|----------|----|-----------|----|-----------|----|
| 14,764,580 | \$ | 14,765 | \$ | 1,561,492 | \$ | - | \$ | (24,200) | \$ | (212,793) | \$ | (737,436) | \$ |
|------------|----|--------|----|-----------|----|---|----|----------|----|-----------|----|-----------|----|

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



Table of Contents**Thunder Mountain Gold, Inc.***(Exploration Stage Company)***Consolidated Statements of Changes in Stockholders' Equity (Deficit)***for the years ended December 31, 2009 and 2008,**and**for the period of Exploration Stage 1991 through December 31, 2009 (unaudited)*

| Common Stock      |            | Additional | Accumulated   |          |             | Retained     | Retained             |       |
|-------------------|------------|------------|---------------|----------|-------------|--------------|----------------------|-------|
| Shares            | Amount     | Paid-in    | Other         | Treasury |             | Earnings     | Earnings Accumulated |       |
|                   |            | Capital    | Comprehensive | Stock    |             | (Deficit)    | During Exploration   | Total |
|                   |            |            | Income (Loss) |          |             |              | Stage (1991          |       |
|                   |            |            |               |          |             |              | Through Dec. 31,     |       |
|                   |            |            |               |          |             |              | 2009)                |       |
| December 31, 2009 | 14,764,580 | \$ 14,765  | \$ 1,561,492  | \$ -     | \$ (24,200) | \$ (212,793) | \$ (737,436)         | \$ 60 |
| December 31, 2008 | 375,000    | 375        | 74,625        | -        | -           | -            | -                    | 75    |
| December 31, 2007 | 3,120,000  | 3,120      | 431,630       | -        | -           | -            | -                    | 434   |
| December 31, 2006 | 30,000     | 30         | 4,470         | -        | -           | -            | -                    | 4     |
| December 31, 2005 | 5,000      | 5          | 1,495         | -        | -           | -            | -                    | 5     |

|                     |            |        |           |   |          |           |             |      |
|---------------------|------------|--------|-----------|---|----------|-----------|-------------|------|
| ck<br>ed            |            |        |           |   | -        |           |             |      |
| vices<br>ck<br>ed   |            |        |           |   | -        |           |             |      |
| vices               | 5,000      | 5      | 995       | - | -        | -         | -           |      |
| ck<br>ons<br>rcised | 283,889    | 284    | 15,266    | - | -        | -         | -           | 15   |
| i-dilution<br>ense  |            |        |           |   |          |           |             |      |
| ons<br>rcised       | -          | -      | 25,550    | - | -        | -         | -           | 25   |
| 9<br>ices           | -          | -      | -         | - | -        | -         | (560,944)   | (560 |
| mber                |            |        |           |   |          |           |             |      |
|                     | 18,583,469 | 18,584 | 2,115,523 | - | (24,200) | (212,793) | (1,298,380) | 598  |

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



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**Thunder Mountain Gold, Inc.**

*(An Exploration Stage Company)*

**Notes to Consolidated Financial Statements**

**1.**

**Summary of Significant Accounting Policies and Business Operations**

Business Operations

Thunder Mountain Gold, Inc. ( Thunder Mountain or the Company ) was originally incorporated under the laws of the State of Idaho on November 9, 1935, under the name of Montgomery Mines, Inc. In April 1978, the Montgomery Mines Corporation was obtained by a group of the Thunder Mountain property holders and changed its name to Thunder Mountain Gold, Inc., with the primary goal to further develop their holdings in the Thunder Mountain Mining District, located in Valley County, Idaho. Thunder Mountain Gold, Inc. takes its name from the Thunder Mountain Mining District, where its principal lode mining claims were located. For several years, the Company's activities were restricted to maintaining its property position and exploration activities. During 2005, the Company sold its holdings in the Thunder Mountain Mining District. During 2007, the Company acquired the South Mountain Mines property in southwest Idaho and initiated exploration activities on that property, which continue through 2009.

Going Concern

The accompanying consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern. The Company is an exploration stage company and has incurred losses since its inception and does not have sufficient cash at December 31, 2009 to fund normal operations for the next 12 months. The Company has no recurring source of revenue and its ability to continue as a going concern is dependent on the Company's ability to raise capital to fund its future exploration and working capital requirements. The Company's plans for the long-term return to and continuation as a going concern include financing the Company's future operations through sales of its common stock and/or debt and the eventual profitable exploitation of its mining properties. Additionally, the current capital markets and general economic conditions in the United States are significant obstacles to raising the required funds. These factors raise substantial doubt about the Company's ability to continue as

a going concern. The Company is currently investigating a number of alternatives for raising additional capital with potential investors, lessees and joint venture partners.

The consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. If the going concern basis was not appropriate for these financial statements, adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used.

#### Exploration Stage Enterprise

The Company's financial statements are prepared using the accrual method of accounting and according to, Accounting for Development Stage Enterprises, as it devotes substantially all of its efforts to acquiring and exploring mining interests that will eventually provide sufficient net profits to sustain the Company's existence. Until such interests are engaged in commercial production, the Company will continue to prepare its financial statements and related disclosures in accordance with entities in the exploration stage.

#### Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiary, Thunder Mountain Resources, Inc. All significant intercompany accounts and transactions have been eliminated and any significant related party transactions have been disclosed.



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**Thunder Mountain Gold, Inc.**

*(An Exploration Stage Company)*

**Notes to Consolidated Financial Statements**

**1.**

**Summary of Significant Accounting Policies and Business Operations, continued**

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board ( FASB ) established the FASB *Accounting Standards Codification* ( ASC ) as the single source of authoritative GAAP to be applied by nongovernmental entities. The ASC is a new structure which took existing accounting pronouncements and organized them by accounting topic. Relevant authoritative literature issued by the Securities and Exchange Commission ( SEC ) and select SEC staff interpretations and administrative literature was also included in the ASC. All other accounting guidance not included in the ASC is non-authoritative. The ASC was effective for the Company interim quarterly period beginning July 1, 2009. The adoption of the ASC did not have an impact on the Company's consolidated financial position, results of operations or cash flows.

Reclassifications

Certain reclassifications have been made to conform prior year's data to the current presentation. These reclassifications have no effect on the results of reported operations or stockholders' equity.

### Cash and Cash Equivalents

The Company considers cash in banks and highly liquid short term investments with original maturities when acquired of three months or less to be cash and cash equivalents. The Company's cash was held in a Merrill Lynch money market fund on December 31, 2009, and is not covered by insurance of the Federal Deposit Insurance Corporation (FDIC).

### Fair Value Measures

ASC 820 requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC prioritizes the inputs into three levels that may be used to measure fair value:

.

Level 1: Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

.

Level 2: Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

.

Level 3: Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

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**Thunder Mountain Gold, Inc.**

*(An Exploration Stage Company)*

**Notes to Consolidated Financial Statements**

**1.**

**Summary of Significant Accounting Policies and Business Operations, continued**

Fair Value Measures, continued

Our financial instruments consist principally of cash. The table below sets forth our assets and liabilities measured at fair value, whether recurring or non-recurring and the fair value calculation input hierarchy level that we have determined applies to each asset and liability category.

|            | Balance           | Balance           | Input           |
|------------|-------------------|-------------------|-----------------|
|            | December 31, 2009 | December 31, 2008 | Hierarchy level |
| Recurring: |                   |                   |                 |
| Cash       | \$ 266,207        | \$ 203,133        | Level 1         |

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using straight line depreciation methods with useful lives of three to seven years. Major additions and improvements are capitalized. Costs of maintenance and repairs which do not improve or extend the life of the associated assets are expensed in the period in which they are incurred. When there is a disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in net income.

### Mining Properties and Claims

Exploration costs are expensed in the period in which they occur. The Company capitalizes costs for acquiring mineral properties and expenses costs to maintain mineral rights and leases as incurred. Should a property reach the production stage, these capitalized costs would be amortized using the units-of-production method on the basis of periodic estimates of ore reserves. Mineral properties are periodically assessed for impairment of value, and any subsequent losses are charged to operations at the time of impairment. If a property is abandoned or sold, its capitalized costs are charged to operations.

### Reclamation and Remediation

The Company's operations have been, and are subject to, standards for mine reclamation that have been established by various governmental agencies. The Company records the fair value of an asset retirement obligation as a liability in the period in which the Company incurs a legal obligation for the retirement of tangible long-lived assets. A corresponding asset is also recorded and depreciated over the life of the asset. After the initial measurement of the asset retirement obligation, the liability will be adjusted at the end of each reporting period to reflect changes in the estimated future cash flows underlying the obligation. Determination of any amounts recognized upon adoption is based upon numerous estimates and assumptions, including future retirement costs, future inflation rates and the credit-adjusted risk-free interest rates.

For non-operating properties, the Company accrues costs associated with environmental remediation obligations when it is probable that such costs will be incurred and they are reasonably estimable. Such costs are based on management's estimate of amounts expected to be incurred when the remediation work is performed.

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**Thunder Mountain Gold, Inc.**

*(An Exploration Stage Company)*

**Notes to Consolidated Financial Statements**

**1.**

**Summary of Significant Accounting Policies and Business Operations, continued**

Income Taxes

The Company recognizes deferred income tax liabilities or assets at the end of each period using the tax rate expected to be in effect when the taxes are actually paid or recovered. A valuation allowance is recognized on deferred tax assets when it is more likely than not that some or all of the deferred tax assets will not be realized. The Company has evaluated all tax positions for open years and has concluded that it has no material unrecognized tax benefits.

Share-Based Compensation

The Company requires all share-based payments to employees and directors, including grants of employee stock options, be measured at fair value and expensed in the statement of operations over the service period. In addition to the recognition of expense in the financial statements, any excess tax benefits received upon exercise of options will be presented as a financing activity inflow rather than as an adjustment of operating activity as presented in prior years.

Net Loss Per Share

The Company is required to have dual presentation of basic earnings per share ( EPS ) and diluted EPS on the face of all income statements issued after December 15, 1997, for all entities with complex capital structures. Basic EPS is

computed as net income divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants, and other convertible securities. The dilutive effect of convertible and exercisable securities would be:

|                         | December 31, December 31, |           |
|-------------------------|---------------------------|-----------|
| For years ended         | 2009                      | 2008      |
| Stock options           | 0                         | 155,000   |
| Warrants                | 15,000                    | 2,885,000 |
| Total possible dilution | 15,000                    | 3,040,000 |

For the periods ended December 31, 2009 and 2008, the effect of the Company's outstanding options and common stock equivalents would have been anti-dilutive. Accordingly, only basic EPS is presented.

#### Adopted Accounting Pronouncements

On January 1, 2009, the Company adopted a Business combination policy ( ASC 805 ) which changes the method of accounting for assets acquired and liabilities assumed in a business combination. These changes include:

.

Acquisition costs are generally expensed as incurred;

.

Non controlling interests are valued at fair value at the acquisition date;

.

Acquired contingent liabilities are recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non acquired contingencies;

.

In-process research and development are recorded at fair value as an indefinite-lived intangible asset at the acquisition date;

.

Restructuring costs associated with a business combination are generally expensed subsequent to the acquisition date; and



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**Thunder Mountain Gold, Inc.**

*(An Exploration Stage Company)*

**Notes to Consolidated Financial Statements**

**1.**

**Summary of Significant Accounting Policies and Business Operations, continued**

Adopted Accounting Pronouncements, continued

.

Changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally do affect income tax expense.

The adoption of this guidance did not have a material effect on the Company's financial statements.

In April 2009, the FASB amended guidance ( ASC 820 ) to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. It was effective for interim reporting periods ending after June 15, 2009, and was adopted without a material effect on the Company's financial position or results of operations.

**2.**

**Share-Based Compensation**

The Company does not have an option plan, but has issued options in prior years to key people.



A summary of the status of outstanding and exercisable stock options as of the years ended December 31, 2009 and 2008, are as follows:

|                                        |               |                       | <b>Weighted</b>    |                  |
|----------------------------------------|---------------|-----------------------|--------------------|------------------|
|                                        |               |                       | <b>Average</b>     |                  |
|                                        |               |                       | <b>Remaining</b>   | <b>Aggregate</b> |
|                                        |               |                       | <b>Contractual</b> | <b>Intrinsic</b> |
|                                        |               |                       | <b>Term</b>        | <b>Value</b>     |
|                                        | <b>Shares</b> | <b>Exercise Price</b> | <b>(Years)</b>     |                  |
|                                        |               | <b>(per share)</b>    |                    |                  |
| Options outstanding and exercisable at |               |                       |                    |                  |
| January 1, 2008                        | 155,000       | \$ 0.10               | 4.3                | \$31,000         |
| Granted or Exercised                   | 0             |                       |                    |                  |
| Options outstanding at December 31,    |               |                       |                    |                  |
| 2008                                   | 155,000       | \$ 0.10               | 3.3                | \$27,900         |
| Exercised                              | (155,000)     | \$ 0.10               |                    |                  |
| Options outstanding and exercisable at |               |                       |                    |                  |
| December 31, 2009                      | 0             | \$ 0.00               | 0                  | \$0              |

There were no options granted during 2009 and all outstanding options were exercised in 2009. The options granted in prior periods contained an anti-dilution clause whereby, upon written request the holders of the options, an adjustment to the number of shares could be required to increase the number of shares issued in connection with the exercise of options. The holders requested such a dilution adjustment in 2009. The Company issued 283,889 shares of its common stock for 155,000 options exercised. Accordingly, the Company recognized share-based compensation for an officer and nonemployee director of \$8,000 and \$17,550, respectively, in management and administration expense. The expense recognized represented the fair value of stock calculated by comparing the fair value of the options pre and post modification to determine the incremental value resulting from the anti-dilution provision. The income tax effect of the anti-dilution compensation is immaterial. The Company received \$15,550 in cash from the options exercised in 2009. There were no options outstanding at December 31, 2009.



Table of Contents**Thunder Mountain Gold, Inc.***(An Exploration Stage Company)***Notes to Consolidated Financial Statements****3.****Income Taxes**

The Company recognized a tax benefit of \$59,841 for the year ending December 31, 2009, due to the change of net operating loss carrybacks from 2 to 5 years in the American Recovery and Reinvestment Act of 2009, which was signed into law in February 2009.

At December 31, 2009 and 2008, the Company had deferred tax assets which were fully reserved by valuation allowances due to the likelihood of expiration of these deferred tax benefits prior to the Company generating future taxable income sufficient to utilize the deferred tax benefits to reduce tax expense from those future periods. The deferred tax assets were calculated based on an expected future tax rate of 34%. Following are the components of such assets and allowances at December 31, 2009 and 2008:

|                                         | <b>2009</b> | <b>2008</b> |
|-----------------------------------------|-------------|-------------|
| Deferred tax assets arising from:       |             |             |
| Charitable contribution                 | \$2,682,000 | \$2,682,000 |
| Non-deductible share based compensation | 34,000      | 34,000      |
| Net operating loss carryforwards        | 475,000     | 352,000     |
|                                         | 3,191,000   | 3,068,000   |
| Less valuation allowance                | (3,191,000) | (3,068,000) |
| <b>Net deferred tax assets</b>          | <b>\$ 0</b> | <b>\$ 0</b> |

The Company has approximately \$1.4 million of federal and state net operating loss carryforwards that expire in 2028 and 2029. The Company has approximately \$7.9 million of charitable contribution carryforward that expire in 2010.

The income tax benefit shown in the financial statements for the year ended December 31, 2009 and 2008, differs from the federal statutory rate as follows:

|                                   | <b>2009</b>   |             | <b>2008</b>   |             |
|-----------------------------------|---------------|-------------|---------------|-------------|
|                                   | <b>Amount</b> | <b>Rate</b> | <b>Amount</b> | <b>Rate</b> |
| Benefit at federal statutory rate | \$ 182,000    | 34%         | \$ 352,000    | 34%         |
| Refund from NOL carryback         | (59,000)      | 30%         | -             | 0%          |
| Increase in valuation allowance   | (123,000)     | 34%         | (352,000)     | -34%        |
| Other                             | -             | -           | -             | -           |
| Total                             | \$ -          | 0%          | \$ -          | 0%          |

The Company has analyzed its filing positions in all jurisdictions where it is required to file income tax returns and found no positions that would require a liability for unrecognized income tax benefits to be recognized. The Company is subject to possible tax examinations for the years 2007 through 2009. The Company will deduct interest and penalties as interest expense on the financial statements.

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**Thunder Mountain Gold, Inc.**

*(An Exploration Stage Company)*

**Notes to Consolidated Financial Statements**

**4.**

**Stockholders Equity**

On May 1, 2008, Thunder Mountain Gold, Inc. initiated a private offering of securities solely to accredited investors. The completed offering consisted of 2,775,000 Units priced at \$0.20 each. Each Unit consisted of a share of common stock, \$0.001 par value, and a warrant to purchase common stock for \$0.40 per share. The offering was oversold by 11% of the planned offering of 2,500,000 Units. The offering closed on July 18, 2008. As a result of completion of the offering, on the closing date a total of 2,775,000 shares of common stock, \$0.001 par value, and warrants to acquire 2,775,000 shares of common stock were issued to the purchasers. There were no registration rights granted in connection with the offering. Pennaluna and Company of Coeur d Alene, Idaho, acted as the placement agent for approximately 60% of the funds raised in the Private Placement and was paid a commission of \$33,000. The net proceeds from the placement were \$522,000. No other commissions were paid, and a total of \$400 in registration fees were paid to the states of Idaho, California and Washington.

On August 7, 2009, the Company closed a private offering of securities solely to accredited investors. The offering consisted of 380,000 Units priced at \$0.20 each; each Unit consisting of a share of common stock, \$0.001 par value, and a warrant to purchase common stock for \$0.30 per share. As a result of completion of the offering, a total of 380,000 shares of common stock, \$0.001 par value, and warrants to acquire 380,000 shares of common stock were issued. Included in the 380,000 units issued, were 5,000 units issued for services valued at \$1,000. There were no registration rights granted in connection with the offering. No Placement Agent was used, and no commissions were paid.

On August 10, 2009 the Board unanimously approved a resolution authorizing the re-pricing of warrants, originally exercisable at \$0.30 or \$0.40 per share, to an exercise price of \$0.15 per share, with such re-pricing valid until November 23, 2009. As a result of completion of the offering, a total of 3,020,000 warrants were exercised at \$0.15 for a like number of shares of common stock. Commissions of \$23,250 were paid to a placement agent, resulting in net cash proceeds of \$429,750 to the Company. Additionally, 100,000 shares were issued for warrants with an exercise price of \$0.05 per share, for net cash proceeds of \$5,000. The net cash proceeds from the exercise of

warrants were \$434,750. Finally, 30,000 shares were issued to an officer of the Company for warrants exercised at \$0.15 in exchange for a reduction of \$4,500 in a loan that the officer had previously extended to the Company. There were no registration rights granted in connection with any of these shares, and no other commissions were paid. Holders of 100,000 warrants priced returned their warrants to the Company unexercised.

The following is a summary of warrants for 2009 and 2008:

|                                                  |               | <b>Exercise</b> |                        |
|--------------------------------------------------|---------------|-----------------|------------------------|
|                                                  | <b>Shares</b> | <b>Price</b>    | <b>Expiration Date</b> |
| <b>Warrants:</b>                                 |               |                 |                        |
| Outstanding and exercisable at December 31, 2007 | -             | -               |                        |
| Warrants issued                                  | 2,775,000     | 0.40            | July 18, 2011          |
| Warrants issued                                  | 100,000       | 0.05            | April 2, 2013          |
| Warrants issued                                  | 10,000        | 0.05            | August 20, 2011        |
| Outstanding and exercisable at December 31, 2008 | 2,885,000     |                 |                        |
| Warrants issued                                  | 380,000       | 0.30            |                        |
| Warrants exercised                               | (3,050,000)   | 0.15            |                        |
| Warrants exercised                               | (100,000)     | 0.05            |                        |
| Warrants forfeited                               | (100,000)     | 0.40            |                        |
| Outstanding and exercisable at December 31, 2009 | 15,000        |                 | August 20, 2011        |

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**Thunder Mountain Gold, Inc.**

*(An Exploration Stage Company)*

**Notes to Consolidated Financial Statements**

**4.**

**Stockholders' Equity, continued**

On April 2, 2008, the Company issued 100,000 5-year warrants to an investor relations firm. These warrants vested upon issuance and have an exercise price of \$0.05 per share of Company common stock, which will in turn have a 3-year trading restriction upon their issuance. The price of the Company's common stock was \$0.23 per share on the date of issue of the warrants.

On December 16, 2008, the Company issued 10,000 3-year warrants, previously committed on August 20, 2008, to a contractor in exchange for half of the fees for his professional service, with the issuance when made to be effective on that commitment date. The warrants have a grant date of August 20, 2008, were vested upon issuance and have an exercise price of \$0.05 per share of Company common stock, which will in turn have a 3-year trading restriction after exercise and issuance. The price of the Company's common stock was \$0.25 per share on the grant date of the warrants.

For the years ended December 31, 2009 and 2008, the fair value of warrants was estimated at the date of grant using the Black-Scholes option pricing model, which requires the use of highly subjective assumptions, including the expected volatility of the stock price, which may be difficult to estimate for small reporting companies traded on micro-cap stock exchanges. The fair value of each warrant grant was estimated on the grant date using the following weighted average assumptions:

|                         | 2009  | 2008  |       |
|-------------------------|-------|-------|-------|
|                         |       | Low   | High  |
| Risk-free interest rate | 1.87% | 2.16% | 2.72% |
| Expected dividend yield | --    | --    | --    |

|                     |         |         |         |
|---------------------|---------|---------|---------|
| Expected term       | 3 years | 3 years | 5 years |
| Expected volatility | 201.2%  | 105.9%  | 113.5%  |

The risk-free interest rate is based on the U.S. Treasury yield curve at the time of the grant. The expected term of warrants granted is from the date of the grant. The expected volatility is based on historical volatility.

An expense of \$23,200 was recognized in 2008 in management and administrative expenses as a result of issuing 5-year warrants and \$2,200 as a result of issuing 3-year warrants.

**5.**

**Environmental and Remediation Costs**

The Company's management believes that the Company is currently in substantial compliance with environmental regulatory requirements. Remediation requirements for the Company are limited to minor activities related to drill pad reclamation and the like, and that no material environmental remediation costs exist as of December 31, 2009. Such costs are accrued at the time the expenditure becomes probable and the costs can reasonably be estimated. The Company recognizes, however, that in some cases future environmental expenditures cannot be reliably determined due to the uncertainty of specific remediation methods, conflicts between regulating agencies relating to remediation methods and environmental law interpretations, and changes in environmental laws and regulations. Any changes to the Company's remediation plans as a result of these factors could have an adverse affect on the Company's operations. The range of possible losses in excess of the amounts accrued cannot be reasonably estimated at this time.



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**Thunder Mountain Gold, Inc.**

*(An Exploration Stage Company)*

**Notes to Consolidated Financial Statements**

**6.**

**Related Party Transactions**

On June 1, 2009 the Board unanimously approved a resolution authorizing a voluntary temporary reduction in salary for Eric Jones, the Company's CFO and a director, from \$75,000 to \$12,000 per year in order to facilitate this season's exploration goals and growth of the Company. As of December 31, 2009 the Company had recorded \$21,000 in deferred salaries in relation to the temporary reduction in salary for Eric Jones.

On June 26, 2009 the Board unanimously approved a resolution authorizing a bridge loan from E. James Collord, the Company's CEO and a director, and his wife Leta Mae Collord in the amount of \$40,000 for operational capital to meet the Company's day to day operational needs. The entire balance of the loan including interest at 12% is due in full no later than February 28, 2010. As of December 31, 2009 the Company had borrowed \$40,000 against the bridge loan and repaid \$3,200 in cash and \$4,500 in stock, resulting in a balance owing of \$32,300 with interest payments paid through December 2009.

On August 10, 2009 the Board unanimously approved a resolution authorizing a second bridge loan from E. James Collord, the Company's CEO and a director, and his wife Leta Mae Collord in the amount of \$50,000 for operational capital to meet the Company's day to day operational needs. The entire balance of the loan including interest at 12% was due upon receipt of the IRS refund. As of December 31, 2009 the loan, together with all interest, had been paid in full.

Of the 380,000 shares of stock issued in connection with the August 7, 2009 placement, the following shares were issued to related parties:

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| Name                 | Relationship to Company | Units   | Amount   |
|----------------------|-------------------------|---------|----------|
| Kay Meier            | Sister of CEO           | 75,000  | \$13,750 |
| Charles A. Cleveland | Legal Counsel           | 55,000  | \$9,500  |
| E. James Collord     | CEO                     | 130,000 | \$24,500 |
| Eric T. Jones        | CFO                     | 50,000  | \$8,750  |

On October 9, 2009 Jim Collord converted 30,000 warrants purchased in the private placement which closed August 7, 2009 to 30,000 shares of common stock at the re-priced rate of \$0.15 per share for a total cost of \$4,500 which was used to reduce the amount of his and Leta Mae's \$50,000 bridge loan.

On October 27, 2009 Jerritt Collord, the son of the Company's President Jim Collord, performed consulting services for data compilation and manipulation for the South Mountain Breccia Target for fees of \$1,000.

As of December 31, 2009 the Company owed \$11,436 in legal fees to Charles Cleveland, the Company's legal counsel, and \$1,000 in professional fees to Jeritt Collord for a total of \$12,436 in accounts payable to related parties.

## **ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

During the year ended December 31, 2009, there were no changes in independent audit firms or consulting firms who provide accounting assistance.

During the fiscal year ended December 31, 2009, there were no disagreements between the Company and its independent certified public accountants concerning accounting and financial disclosure.

## **ITEM 9A(T) - CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

At the end of the period covered by this report, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Securities and Exchange Act of 1934, as amended). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures were adequately designed and effective in ensuring that information required to be disclosed by the Company in its reports that it files or submits to the SEC under the Exchange Act, is recorded, processed, summarized and reported within the time period specified in applicable rules and forms.

Our Chief Executive Officer and Chief Financial Officer have also determined that the disclosure controls and procedures are effective to ensure that material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow for accurate required disclosure to be made on a timely basis.

## Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of its Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting in accordance with accounting principles generally accepted in the United States of America. Management evaluates the effectiveness of the Company's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009 and concluded that it is ineffective in assuring that the financial reports of the Company are free from material errors or misstatements.

Management has identified two material weaknesses and is taking action to remedy and remove the weakness in its internal controls over financial reporting:

.  
Lack of an independent board of directors, including an independent financial expert. In June 2008, the Company added one independent director, and subsequent to the December 31, 2009, added another independent director, the latter of which has been designated the Company's independent financial expert. The current board of directors is evaluating expanding the board of directors to include additional independent directors. The current board is composed of six members and may be expanded to as many as nine members under the Company's Articles of Incorporation and By-Laws.

.  
Inappropriate Segregation of Duties, as the same Director was responsible for initiating and recording transactions, thereby creating segregation of duties weakness.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

#### **Changes in internal controls over financial reporting**

During the quarter ended December 31, 2009, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Subsequent to the close of the quarter an additional independent director was added to help alleviate the material weakness identified above.

#### **ITEM 9B - OTHER INFORMATION**

None.



### PART III

#### ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

This section sets forth certain information with respect to the Company's current directors and executive officers, as well as information about appointments subsequent to the fiscal year ended December 31, 2009, with disclosure of addition of R. Llee Chapman subsequent to the end of 2009.

##### Directors and Executive Officers:

| <b>Name</b>        | <b>Age</b> | <b>Office with the Company</b>                  | <b>Appointed to Office</b> |
|--------------------|------------|-------------------------------------------------|----------------------------|
| E. James Collord   | 63         | President, Chief Executive Officer, Director    | Since 1978                 |
| Pete Parsley       | 50         | Vice President, Director<br>Exploration Manager | Since 1999                 |
| Eric T. Jones      | 48         | Chief Financial Officer,<br>Investor Relations  | Since March 2006           |
| Dr. Robin S. McRae | 69         | Director                                        | Since 1978                 |
| Edward D. Fields   | 72         | Director                                        | Since March 2006           |
| Douglas J. Glaspey | 57         | Director                                        | Since June 2008            |
| R. Llee Chapman    | 49         | Director, Chairman of Audit                     | Since January 2010         |

Committee

Background and experience:

**E. James Collord** has a MS degree in exploration geology from the Mackay School of Mines, University of Nevada, Reno (1980). He has been a mining professional for 37 years, employed in a variety of capacities, including mill construction superintendent, exploration geologist, mine construction and reclamation manager, and in environmental and lands management. During the period 1975 through 1997, Jim worked for Freeport Exploration where he worked with a successful exploration team that discovered several Nevada mines. Later in his Freeport career, he managed mining operations and lead permitting efforts. For the period 1997 through 2005, Jim was Environmental and Lands Superintendent at Cortez Gold Mines, a large Nevada mine that was a joint venture between Placer Dome and Kennecott Minerals. After retirement from Cortez, and until his employment by Thunder Mountain Gold, Inc. in April 2007, he managed the Elko offices for environmental and hydrogeologic consulting groups. He is the grandson of Daniel C. McRae, the original locator of the gold prospects in the Thunder Mountain Gold Mining District in the early 1900s.

**G. Peter Parsley** has a Masters in Science degree in geology from the University of Idaho. He has been a mining professional since 1985 and has experience in gold exploration, mine development, construction, reclamation, and environmental compliance and permitting. He was associated with the Thunder Mountain Project starting in 1985 when he was project manager for the exploration program by USMX/Dakota Mining that defined the Dewey mineralization. After that, he served as President and Exploration Manager for Triumph Gold Corporation that had interests in the United States, China and South America. Mr. Parsley was appointed Vice President and Exploration Manager for Thunder Mountain Gold, Inc. on April 1, 2006, and was appointed as President of Thunder Mountain Resources in early 2007.



**Eric T. Jones** has over 18 years of varied mining, financial and entrepreneurial experience. He has held positions for Hecla Mining at their Rosebud Mine in Nevada and Stibnite, Idaho. For Dakota Mining, Mr. Jones was General Mine Manager for the Stibnite, Idaho gold heap leach operation. He was also engaged as a manager of a successful Boise, Idaho-based private investment fund during the period 1997-2002. Mr. Jones currently works with various successful entities in business development. Due to Eric's varied business experience, in 2006 the Board appointed him to the position of Secretary/Treasurer and Chief Financial Officer. In February 2008 Eric went to work for Thunder Mountain Gold, Inc. as Vice President of Investor Relations and Business Development, as well as Chief Financial Officer.

**Dr. Robin S. McRae** is a graduate of the Pacific College of Optometry and is a retired Boise optometrist. He is also the grandson of Daniel C. McRae, and is the son of Robert J. McRae, author of numerous geological reports concerning the Thunder Mountain Mining District. His knowledge of mining and related exploratory activities is derived from three generations of ownership of the Sunnyside group of claims that the Registrant previously owned.

**Edward D. Fields** is a professional mineral resource geologist with over 40 years of experience. He was Manager of Mineral Resources for Boise Cascade Corporation (1983-1999), and was responsible for the discovery of a significant underground gold resource in Washington State. He also worked for Kennecott Copper Company at their Ok Tedi Mine in Papua New Guinea and as Chief Geologist for the Duval Corporation at the Battle Mountain, Nevada copper-gold mine. Mr. Fields has a MS degree in geology from the University of Wyoming.

**Douglas J. Glaspey** is currently Chief Operating Officer of U.S. Geothermal, Inc. Mr. Glaspey has 29 years of operating and management experience with experience in production management, planning and directing resource exploration programs, preparing feasibility studies and environmental permitting. He formed and served as an executive officer of several private resources companies in the U.S., including Drumlummon Gold Mines Corporation and Black Diamond Corporation. He holds a BS degree in Mineral Processing and an Associate of Science in Engineering Science.

**R. Llee Chapman** was appointed as Director and Chairman of the Audit Committee on January 28, 2010, subsequent to the close of 2009. He is the former Regional Vice President for Newmont Mining Corporation - North America. His many years of mining experience also includes public company CFO level management in positions with Barrick Goldstrike Mines, Apollo Gold Inc., Knight Piesold & Co., Idaho General Mines (now General Moly). Mr. Chapman holds a Bachelor of Science degree in Accounting from Idaho State University, and is a licensed CPA in Idaho and Montana.

Directorships in reporting companies:

Doug Glaspey is the only director of the Registrant that is a director of another corporation subject to the requirements of Section 12 or Section 15(d) of the Exchange Act of 1934.

Significant Employees:

Peter Parsley remained a full-time employee for the Company during 2009. Jim Collord commenced working for the Company in April 2007 when work on evaluation of South Mountain intensified. In order to preserve assets to advance exploration, in June 2008, Mr. Collord voluntarily reduced his salary to \$1,000 per month. Eric Jones became an employee in February 2008 (as discussed above). Mr. Jones is also a part-time employee. In June through September 2009, Mr. Jones voluntarily reduced his salary to \$1,000 per month, which was then increased to a full annual salary of \$100,000 on October 1, 2009.

Family Relationships:

Dr. Robin S. McRae is the cousin of E. James Collord, the President of the Registrant. Both are grandsons of the original locator of the Thunder Mountain Mining District, Valley County, Idaho.

Involvement in Certain Legal Proceedings:

None of the officers and directors of the Registrant have been involved in any bankruptcy, insolvency, or receivership proceedings as an individual or member of any partnership or corporation; none have ever been convicted in a criminal proceeding or is the subject of a criminal proceeding presently pending. None have been involved in proceedings concerning his ability to act as an investment advisor, underwriter, broker, or dealer in securities, or to act in a responsible capacity for an investment company, bank savings and loan association, or insurance company or limiting his activity in connection with the purchase and sale of any security or engaging in any type business practice. None have been enjoined from engaging in any activity in connection with any violation of federal or state securities laws nor been involved in a civil action regarding the violation of such laws.

Section 16(a) Beneficial Ownership Reporting Compliance:

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers and persons who beneficially owns more than ten percent of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of change in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. To our knowledge, no persons failed to file on a timely basis, the identified reports required by Section 16(a) of the Exchange Act during fiscal year ended December 31, 2009.

Audit Committee:

The Company's Board of Directors is responsible for the oversight and management of the Company. During 2009, the Board did not have a separately-designated standing audit committee because the entire Board of Directors acted as the Company's audit committee. However, on January 28, 2010, an Audit Committee was designated from members of the Board and consists of R. Llee Chapman as Chairman, with Douglas Glaspey and Edward Fields as independent members of the committee. The Board of Directors has specified Mr. Chapman as its "financial expert".

Compensation Committee:

There is currently no Compensation Committee of the Board of Directors. Compensation of employees is reviewed and approved by the Board.

Code of Ethics:

The Board of Directors has not formally adopted a code of ethics. The Board will be reviewing issues and developing a Code of Ethics during 2010.

Indemnification of Directors and Officers:

The Company's By-Laws address indemnification of Directors and Officers. Nevada law provides that Nevada corporations may include within their articles of incorporation provisions eliminating or limiting the personal liability of their directors and officers in shareholder actions brought to obtain damages for alleged breaches of fiduciary duties, as long as the alleged acts or omissions did not involve intentional misconduct, fraud, a knowing violation of law or payment of dividends in violation of the Nevada statutes. Nevada law also allows Nevada corporations to include in their Articles of Incorporation or Bylaws provisions to the effect that expenses of officers and directors incurred in defending a civil or criminal action must be paid by the corporation as they are incurred, subject to an undertaking on behalf of the officer or director that he or she will repay such expenses if it is ultimately determined by a court of competent jurisdiction that such officer or director is not entitled to be indemnified by the corporation because such officer or director did not act in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation.

The Company's Articles of Incorporation provide that a director or officer is not personally liable to the Company or its shareholders for damages for any breach of fiduciary duty as a director or officer, except for liability for (i) acts or omissions which involve intentional misconduct, fraud or a knowing violation of law, or (ii) the payment of distribution in violation of Nevada Revised Statutes, §78.300. In addition, Nevada Revised Statutes §78.751 and Article VII of the Company's Bylaws, under certain circumstances, provided for the indemnification of the officers and directors of the Company against liabilities which they may incur in such capacities.

#### **ITEM 11 - EXECUTIVE COMPENSATION**

Pete Parsley continued his full-time position as Vice President and Exploration Manager during 2009 at \$105,000 per year.

Jim Collord voluntarily reduced his salary to \$12,000 per year commencing in June 2008 which continued throughout 2009 to maximize financial resources toward exploration efforts.

Eric Jones commenced working for the Company in February 2008 at a 75% of a full-time rate of \$100,000 per year, or \$75,000 per year which was further reduced to a temporary rate of \$12,000 per year starting June 1, 2009 through September 30, 2009. His salary was returned to the 100% full-time rate of \$100,000 starting in October 2009.

No other compensation in the form of stock grants, options or bonuses were given to the above Officers and Directors during the year ending December 31, 2009.

#### **Summary Compensation Table**

Compensation to directors also included reimbursement of out-of-pocket expenses that are incurred in connection with the directors' duties associated with the Company's business. There is currently no other compensation arrangements for the Company's directors. The following table provides certain summary information for the fiscal year ended December 31, 2009 concerning compensation awarded to, earned by or paid to our Chief Executive Officer, Chief

Financial Officer and three other highest paid executive officers, including the Directors of the Company:

| Name &<br>Position         | Year | Change in               |        |         |                      |              |               |               |        |           |
|----------------------------|------|-------------------------|--------|---------|----------------------|--------------|---------------|---------------|--------|-----------|
|                            |      | Non-Equity              |        |         | Pension Value<br>And |              |               | Non-Qualified |        |           |
|                            |      | Incentive               |        | Plan    |                      | Deferred     |               | All Other     |        |           |
|                            |      | Stock                   | Option | Compen- | Compensation         | Compensation | Compensation/ | Directors Fee | Total  |           |
|                            |      | Salary                  | Bonus  | Awards  | Awards               | sation       | Earnings      | Directors Fee | Total  |           |
|                            |      | (US\$)                  | (US\$) | (US\$)  | (US\$)               | (US\$)       | (US\$)        | (US\$)        | (US\$) | (US\$)    |
| <b>Jim Collord,</b>        | 2009 | \$12,000                | \$0    | \$0     | \$0                  | \$0          | \$0           | \$0           | \$0    | \$12,000  |
| President &<br>CEO         | 2008 | \$40,500                | \$0    | \$0     | \$0                  | \$0          | \$0           | \$0           | \$0    | \$40,500  |
| <b>Eric T. Jones,</b>      | 2009 | \$60,270                | \$0    | \$0     | \$0                  | \$0          | \$0           | \$0           | \$0    | \$60,270  |
| CFO,<br>Sec/Treasurer      | 2008 | \$67,067 <sup>(1)</sup> | \$0    | \$0     | \$0                  | \$0          | \$0           | \$0           | \$0    | \$67,067  |
| <b>Pete Parsley,</b>       | 2009 | \$103,000               | \$0    | \$0     | \$0                  | \$0          | \$0           | \$0           | \$0    | \$103,000 |
| V.P. &<br>Director         | 2008 | \$100,500               | \$0    | \$0     | \$0                  | \$0          | \$0           | \$0           | \$0    | \$100,500 |
| <b>Doug Glaspey</b>        | 2009 | \$0                     | \$0    | \$0     | \$0                  | \$0          | \$0           | \$0           | \$0    | \$0       |
| Director                   | 2008 | \$0                     | \$0    | \$0     | \$0                  | \$0          | \$0           | \$0           | \$0    | \$0       |
| <b>Robin S.<br/>McRae,</b> | 2009 | \$0                     | \$0    | \$0     | \$0                  | \$0          | \$0           | \$0           | \$0    | \$0       |
| Director                   | 2008 | \$0                     | \$0    | \$0     | \$0                  | \$0          | \$0           | \$0           | \$0    | \$0       |
| <b>Edward Field,</b>       | 2009 | \$0                     | \$0    | \$0     | \$0                  | \$0          | \$0           | \$0           | \$0    | \$0       |
| Director                   | 2008 | \$0                     | \$0    | \$0     | \$0                  | \$0          | \$0           | \$0           | \$0    | \$0       |
| <b>R. Llee<br/>Chapman</b> | 2009 | n/a                     | n/a    | n/a     | n/a                  | n/a          | n/a           | n/a           | n/a    | n/a       |

<sup>(1)</sup> Salary for the period from February, 2008 December, 2008.



No grants of options and/or Stock Appreciation Rights were given during the fiscal year ended December 31, 2009. There are no compensatory plans or arrangements for compensation of any Director in the event of his termination of office, resignation or retirement.

Exercise of Options:

The Company issued 283,889 shares of its common stock for 155,000 options exercised. Accordingly, the Company recognized share-based compensation for an officer and nonemployee director of \$8,000 and \$17,550, respectively, in Management and administration expense representing the fair value of stock calculated by comparing the fair value of the options pre and post modification to determine the incremental value as a result of the anti-dilution provision. The income tax effect of anti-dilution compensation is immaterial. The Company received \$15,550 in cash from the options exercised in 2009.

Long-term Incentives:

The Company has no Long-Term Incentive Plan.

Employment Contracts:

At the end of 2009, there were three paid Company employees, Pete Parsley, Eric Jones and Jim Collord. They were employed per resolution of the Board and other than a monthly salary, plus normal burden, there are no other contractual understandings in the resolutions. Each is reimbursed for the use of personal office equipment and phones, and Jim and Eric are reimbursed for health insurance and related costs up to a set maximum amount. A salary service located in Elko, Nevada was used to pay employee's salary and ensuring all appropriate taxes and employment-related state insurance was collected and paid.



2009 Share-Based Payments:

No shares were granted to any of the Officers or Directors of the Company during 2009.

No retirement benefit, bonus, stock option or other remuneration plans are in effect with respect to the Company's officers and directors.

Employment Contracts and Termination of Employment or Change of Control

We have no plans or arrangements in respect of remuneration received or that may be received by our executive officers to compensate such officers in the event of termination of employment (as a result of resignation or retirement) or change of control transaction.

**ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth certain information regarding the beneficial ownership of shares of the Company's common stock as of December 31, 2009 by:

.

the Company's named executive officers;

.

the Company's directors at December 31, 2009;

.

all of the Company's executive officers and directors as a group; and,

each person who is known to beneficially own more than 5% of the Company's issued and outstanding shares of common stock.



| <b>Name of Shareholder</b>                              | <b>Amount and Nature<br/>of Beneficial</b> |                         |
|---------------------------------------------------------|--------------------------------------------|-------------------------|
|                                                         | <b>Ownership</b>                           | <b>Percent of Class</b> |
| <b>Directors and Executive Officers</b>                 |                                            |                         |
| E. James Collord                                        | 1,603,200(2)(3)                            | 8.4%                    |
| Eric T. Jones                                           | 1,830,677(2)                               | 9.9%                    |
| Robin S. McRae                                          | 389,307(2)                                 | 2.1%                    |
| Pete Parsley                                            | 481,962(2)                                 | 2.6%                    |
| Edward Fields                                           | 92,393(2)                                  | 0.5%                    |
| Doug Glaspey                                            | 100,000                                    | 0.5%                    |
| R. Llee Chapman                                         | 100,000                                    | 0.5%                    |
| All current executive officers and directors as a group | 4,597,539                                  | 24.8%                   |
| <b>5% or greater shareholders</b>                       |                                            |                         |
| Donald J. Nelson                                        | 1,020,000                                  | 5.4%                    |

(1) Based on 18,892,880 shares of common stock issued and outstanding as of December 31, 2009.

(2) Sole voting and investment power.

(3) Includes 50,000 shares held in trust for Mr. Collord's son, Jerritt Collord.

**Changes in Control:**

The Board of Directors is aware of no circumstances which may result in a change of control of the Company.

**ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

Transactions with Management and Others:

During the year ended December 31, 2009, we had the following transactions with related parties:

On June 1, 2009, the Board unanimously approved a resolution authorizing a voluntary temporary reduction in salary for Eric Jones, the Company's CFO and a director, from \$75,000 to \$12,000 per year in order to facilitate this season's exploration goals and growth of the Company. As of December 31, 2009 the Company had recorded \$21,000 in deferred salaries in relation to the temporary reduction in salary for Eric Jones.

On June 26, 2009, the Board unanimously approved a resolution authorizing a bridge loan from E. James Collord, the Company's CEO and a director, and his wife Leta Mae Collord in the amount of \$40,000 for operational capital to meet the Company's day to day operational needs. The entire balance of the loan including interest at 12% is due in full no later than February 28, 2010. As of December 31, 2009 the Company had borrowed \$40,000 against the bridge loan and repaid \$3,200 in cash and \$4,500 in stock (Valued at \$0 per share), resulting in a balance owing of \$32,300 with interest payments paid through December 2009.

Of the 380,000 shares of stock issued in connection with the August 7, 2009 placement, the following shares were issued to related parties:

| Name                 | Relationship to Company | Units   | Amount   |
|----------------------|-------------------------|---------|----------|
| Kay Meier            | Sister of CEO           | 75,000  | \$13,750 |
| Charles A. Cleveland | Legal Counsel           | 55,000  | \$9,500  |
| E. James Collord     | CEO                     | 130,000 | \$24,500 |
| Eric T. Jones        | CFO                     | 50,000  | \$8,750  |

On August 10, 2009, the Board unanimously approved a resolution authorizing a second bridge loan from E. James Collord, the Company's CEO and a director, and his wife Leta Mae Collord in the amount of \$50,000 for operational capital to meet the Company's day to day operational needs. The entire balance of the loan including interest at 12% was due upon receipt of the IRS refund. As of December 31, 2009 the loan, together with all interest, had been paid in full.

On October 9, 2009, Jim Collord converted 30,000 of warrants purchased in the private placement which closed August 7, 2009 to 30,000 shares of common stock at the re-priced rate of \$0.15 per share for a total cost of \$4,500 which was used to reduce the amount of his and Leta Mae's \$50,000 bridge loan.

On October 27, 2009, Jerritt Collord, the son of the Company's President Jim Collord, performed consulting services for data compilation and manipulation for the South Mountain Breccia Target for fees of \$1,000.

As of December 31, 2009, the Company owed \$11,436 in legal fees to Charles Cleveland and \$1,000 in professional fees to Jerritt Collord for a total of \$12,436 in accounts payable to related parties. Charles Cleveland, P.S. has been utilized by the Company as corporate counsel.

#### Certain Business Relationships:

There have been no unusual business relationships during the last fiscal year of the Registrant between the Registrant and affiliates as described in Item 404 (b) (1-6) of the Regulation S-K.

#### Indebtedness of Management:

No Director or executive officer or nominee for Director, or any member of the immediate family of such has been indebted to the Company during the past year.

Directors Stock Purchases

Certain Directors of the Company purchased common stock in 2009. Mr. Collord participated in private placements of the Company's common stock, receiving a total of 80,000 units at \$0.20 per unit, each unit consisting of one common share and one warrant to purchase a share of common stock. He subsequently exercised 50,000 warrants at \$0.15 per share in cash and exercised 30,000 warrants at \$0.15 per share to satisfy a portion of a related party note payable to him, receiving a total of 80,000 shares for warrant exercises. Mr. Jones participated in a private placement of the Company's common stock, receiving 25,000 units at \$0.20 per unit, each unit consisting of one common share and one warrant to purchase a share of common stock. He subsequently exercised those warrants for \$0.15 per share and purchased an additional 38,500 shares on the open market at various prices. He also exercised stock options for 91,577 shares of common stock. Stock transactions for directors and officers are reported on Form 4 and are available on the SEC website.

Director Independence

Douglas Glaspey, Edward Fields, and R. Llee Chapman are independent non-employee members of the Board of Directors, as defined in the FINRA Marketplace Rule 4200.

## ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES

### Audit and Non-Audit Fees

The following table presents fees billed to the Company relating to the audit of the Financial Statements at December 31, 2009, as provided by DeCoria, Maichel and Teague, P.S. We expect that DeCoria, Maichel and Teague, P.S. will serve as our auditors for fiscal year 2010.

| Year Ended             | December 31, 2009 | December 31, 2008 |
|------------------------|-------------------|-------------------|
| Audit fees (1)         | \$37,390          | \$43,575          |
| Audit-related fees (2) | -                 | -                 |
| Tax fees (3)           | -                 | -                 |
| All other fees (4)     | -                 | -                 |
| Total Fees             | \$37,390          | \$43,575          |

(1) Audit fees consist of fees billed for professional services provided in

connection with the audit of the Company's financial statements, and assistance

with reviews of documents filed with the SEC.

(2) Audit-related fees consist of assurance and related services that include, but

are not limited to, internal control reviews, attest services not required by statute

or regulation and consultation concerning financial accounting and reporting

standards.

(3) Tax fees consist of the aggregate fees billed for professional services for tax

compliance, tax advice, and tax planning. These services include preparation of

federal income tax returns.

(4) All other fees consist of fees billed for products and services other than the

services reported above.

The Company's Board of Directors reviewed the audit services rendered by DeCoria, Maichel and Teague, P.S. and concluded that such services were compatible with maintaining the auditors' independence. All audit, non-audit, tax services, and other services performed by the independent accountants are pre-approved by the Board of Directors to assure that such services do not impair the auditors' independence from the Company. The Company does not use DeCoria, Maichel and Teague, P.S. for financial information system design and implementation. We do not engage DeCoria, Maichel and Teague, P.S. to provide compliance outsourcing services.



## **PART IV**

### **ITEM 15 EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

#### **Documents filed as part of this report on Form 10-K or incorporated by reference:**

(1)

Our financial statements can be found in Item 8 of this report.

(2)

Financial Statement Schedules (omitted because they are either not required, are not applicable, or the required information is disclosed in the notes to the financial statements or related notes).

(3)

The following exhibits are filed with this Annual Report on Form 10-K or incorporated by reference:

### **EXHIBITS**

| <b>Exhibit<br/>Number</b> | <b>Description of Exhibits</b> |
|---------------------------|--------------------------------|
|---------------------------|--------------------------------|

|      |                                                                                   |
|------|-----------------------------------------------------------------------------------|
| 3.1* | Articles of Incorporation of Montgomery Mines Inc, October 30, 1935               |
| 3.2* | Articles of Amendment, Montgomery Mines Inc., April 12, 1948                      |
| 3.3* | Articles of Amendment, Montgomery Mines Inc., February 6, 1970                    |
| 3.4* | Articles of Amendment, Montgomery Mines Inc., April 10, 1978                      |
| 3.5* | Articles of Amendment, Thunder Mountain Gold, August 26, 1985                     |
| 3.6* | Articles of Amendment, Thunder Mountain Gold, October 17, 1985                    |
| 3.7* | Articles of Incorporation, Thunder Mountain Gold Inc. (Nevada), December 11, 2007 |
| 3.8* | Bylaws, Montgomery Mines Inc.                                                     |
| 3.9* | Bylaws, Thunder Mountain Gold Inc. (Nevada)                                       |

- 10.1\* Agreement and Plan of Merger, Thunder Mountain Gold (Nevada)
- 22.1\*\* Subsidiaries of the Registrant
- 31.1\*\* Certification of Chief Executive Officer of Periodic Report pursuant to Rule 13a-14(a) and Rule 15d-14(a)(Section 302 of the Sarbanes- Oxley Act of 2002).
- 31.2\*\* Certification of Chief Financial Officer of Periodic Report pursuant to Rule 13a-14(a) and Rule 15d-14(a)(Section 302 of the Sarbanes- Oxley Act of 2002).
- 32.1\*\* Certificate of Principal Executive Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
- 32.2\*\* Certificate of Principal Financial Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).

\* Previously filed as an exhibit to Form 10-KSB, filed on April 16, 2008, SEC File No. 001-08429.

\*\* Filed herewith.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

None

## **SIGNATURES**

Pursuant to the requirements of Section 143 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf of the undersigned, thereunto duly authorized.

THUNDER MOUNTAIN GOLD, INC.

/s/ E. James Collord

By \_\_\_\_\_

E. James Collord

President, Director and Chief Executive Officer

Date: March 30, 2010

Pursuant to the requirements of the Securities Act of 1934 this report signed below by the following person on behalf of the Registrant and in the capacities on the date indicated.

/s/ Eric T. Jones

By \_\_\_\_\_

Eric T. Jones

Secretary/Treasurer and Director and Chief Financial Accounting Officer

Date: March 30, 2010

