

THUNDER MOUNTAIN GOLD INC
Form 10-Q
May 21, 2012

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

FORM 10-Q

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended March 31, 2012

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)

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Nevada
(State or other jurisdiction of incorporation or organization)

91-1031015
(IRS identification No.)

5248 W. Chinden Blvd
Boise, Idaho
(Address of Principal Executive Offices)

83714
(Zip Code)

(208) 658-1037
(Registrant's Telephone Number, including Area Code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark 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 (§232.405 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 check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act)

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

Number of shares of issuer's common stock outstanding at May 17, 2012: 30,067,549

THUNDER MOUNTAIN GOLD INC.

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PART I Financial Information**Item 1. Financial Statements****Thunder Mountain Gold, Inc.***(An Exploration Stage Company)***Consolidated Balance Sheets***March 31, 2012 and December 31, 2011*

	(Unaudited) March 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,504	\$ 83
Prepaid expenses and other assets	24,277	20,389
Deferred financing costs	91,283	91,283
Total current assets	127,064	111,755
Property, equipment and mining claims:		
South Mountain Mines property	357,497	357,497
Equipment, net of accumulated depreciation	8,444	10,851
Mining leaseholds	112,200	86,080
Total property, equipment and mining claims	478,141	454,428
Other assets:		
Deferred financing costs, net of accumulated amortization	31,391	47,087
Total assets	\$ 636,596	\$ 613,270
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 140,191	\$ 155,125
Deferred payroll	167,743	120,744
Convertible note payable - related party, net of discount	147,359	139,786
Conversion option liability - related party	33,445	48,231
Total current liabilities	488,738	463,886
Derivative warrant liabilities	323,983	510,893

Total liabilities	812,721	974,779
Commitments (See Note 3)		
Stockholders' equity (deficit):		
Preferred stock; \$0.001 par value, 5,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock; \$0.001 par value; 200,000,000 shares authorized; 30,067,549 and 28,717,549 shares issued and outstanding, respectively	30,068	28,718
Additional paid-in capital	3,253,716	3,095,066
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	(3,222,916)	(3,248,300)
Total stockholders' equity (deficit)	(176,125)	(361,509)
Total liabilities and stockholders' equity (deficit)	\$ 636,596	\$ 613,270

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

Thunder Mountain Gold, Inc.*(An Exploration Stage Company)***Consolidated Statements of Operations and Comprehensive Income (Loss)***(Unaudited)*

	Three Months Ended March 31,		During Exploration Stage 1991 Through March 31, 2012
	2012	2011	
Revenue:			
Royalties, net	\$ -	\$ -	\$ 328,500
Gain on sale of property and mining claims	-	-	2,576,112
Total revenue	-	-	2,904,612
Operating expenses:			
Exploration expenses	41,640	53,836	2,040,526
Legal and accounting	29,595	28,678	946,851
Management and administrative	79,544	124,982	3,035,836
Directors' fees and professional services	-	-	923,055
Depreciation and depletion	2,407	3,064	139,399
Total operating expenses	153,186	210,560	7,085,667
Other income (expense):			
Interest and dividend income	-	47	283,980
Interest expense	(24,495)	(15,805)	(295,184)
Gain on change in fair value of warrant liability	186,910	477,955	1,479,294
Gain on change in fair value of conversion option liability	16,155	-	90,954
Loss on common stock and warrants	-	-	(271,587)
Financing expense	-	-	(17,945)
Gain on sale of securities	-	-	166,116
Impairment of investments	-	-	(52,299)
Total other income	178,570	462,197	1,383,329
Net income (loss) before income taxes	25,384	251,637	(2,797,726)
(Provision) for income taxes	-	-	(151,496)
Net income (loss)	25,384	251,637	(2,949,222)
Treasury stock cancelled	-	-	(273,694)
Comprehensive income (loss)	\$ 25,384	\$ 251,637	\$(3,222,916)
Net income (loss) per common share-basic and diluted	Nil	\$ 0.01	\$ (0.20)

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Weighted average common shares outstanding-basic and diluted	29,343,373	27,001,740	16,432,369
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The accompanying notes are an integral part of these consolidated financial statements.

Thunder Mountain Gold, Inc.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,		During Exploration Stage 1991 Through March 31, 2012
	2012	2011	
Cash flows from operating activities:			
Net income (loss)	\$ 25,384	\$ 251,637	\$ (2,949,222)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and depletion	2,407	3,064	139,399
Common stock, warrants and options issued for services	10,000	-	815,266
Adjustment for anti-dilution provisions	-	-	86,084
Amortization of directors' fees prepaid with common stock	-	-	53,400
Amortization of deferred financing costs	15,696	15,696	108,341
Amortization of loan discount	3,941	-	103,813
Compensation expense for stock issued	-	-	76,500
Gain on sale of mining claims and other assets	-	-	(2,736,553)
Impairment loss on securities	-	-	52,335
Gain on change in fair value of warrant liability	(186,910)	(477,955)	(1,479,294)
Loss on common stock and warrants	-	-	271,587
Gain on change in fair value of conversion option liability	(16,155)	-	(90,954)
Financing expense	-	-	17,945
Change in:			
Prepaid expenses and other assets	(3,887)	(309)	(24,278)
Receivables	-	-	124,955
Accounts payable and other liabilities	(11,934)	(86,333)	149,624
Deferred payroll	43,999	65,747	164,743
Net cash used by operating activities	(117,459)	(228,453)	(5,116,309)
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 leaseholds	(26,120)	-	(112,200)
Purchase of equipment	-	-	(168,577)
Proceeds from disposition of investments	-	-	642,645
Proceeds from disposition of equipment	-	-	49,310

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Net cash provided (used) by investing activities	(26,120)	-	2,275,263
Cash flows from financing activities:			
Proceeds from sale of common stock and warrants, net	150,000	-	2,400,406
Proceeds from exercise of stock options and warrants	-	-	508,600
Acquisition of treasury stock	-	-	(376,755)
Borrowing on related party note payable	5,000	-	576,500
Payments on related party note payable	-	-	(422,000)
Borrowing on notes payable	-	-	50,000
Payments on note payable	-	-	(50,000)
Net cash provided by financing activities	155,000	-	2,686,751
Net increase (decrease) in cash and cash equivalents	11,421	(228,453)	(154,295)
Cash and cash equivalents, beginning of period	83	298,232	165,799
Cash and cash equivalents, end of period	\$ 11,504	\$ 69,779	\$ 11,504

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

Thunder Mountain Gold, Inc.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows (continued)
(Unaudited)

	Three Months Ended March 31,			During Exploration Stage 1991 Through March 31, 2012
	2012	2011		
Stock issued to acquire equipment from related party	\$ -	\$ -	\$	11,850
Stock issued for mining contract	\$ -	\$ -	\$	50,000
Stock issued for payment of accounts payable	\$ -	\$ -	\$	29,250
Stock issued for payments on related party note payable	\$ -	\$ -	\$	4,500
Fair value of warrants issued in private placement classified as liabilities	\$ -	\$ -	\$	1,795,587
Note proceeds allocated to conversion option at inception	\$ 1,368	\$ -	\$	123,031
Stock issued for deferred compensation	\$ -	\$ -	\$	21,000

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

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 today.

Basis of Presentation

The unaudited financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, as well as the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of the Company s management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation of the interim financial statements have been included. Operating results for the three months ended March 31, 2012, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2012.

For further information, refer to the financial statements and footnotes thereto in the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

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 March 31, 2012 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.

Thunder Mountain Gold, Inc.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

1.

Summary of Significant Accounting Policies and Business Operations, continued

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 (deficit).

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.

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

	Balance	Balance	Input
	March 31, 2012	December 31, 2011	Hierarchy level
Recurring:			
Cash and cash	\$ 11,504	\$ 83	Level 1
equivalents			
Derivative warrant	\$ (323,983)	\$ (510,893)	Level 2
liabilities			
Conversion option	\$ (33,445)	\$ (48,231)	Level 2
liability			

Thunder Mountain Gold, Inc.*(An Exploration Stage Company)***Notes to Consolidated Financial Statements****1.****Summary of Significant Accounting Policies and Business Operations, continued**

For the warrant liabilities which are measured at fair value on a recurring basis, the Company uses the Black-Scholes valuation model with the following inputs as of March 31, 2012 and December 31, 2011:

	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Stock price	\$0.08	\$0.10
Exercise price	\$0.20 - \$0.27	\$0.19 - \$.26
Expected term	0.675 - 1.88 yrs	0.84 - 1.82 yrs
Estimated volatility	218% - 243%	218% - 250%
Risk-Free interest rate	0.19% - 0.33%	0.12% - 0.25%
Expected dividend yield	-	-

For the conversion option which is measured at fair value, the Company uses the Black-Scholes valuation model with inputs set forth in note 5 below.

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. Management estimates their effective tax rate for the year ended December 31, 2012 will be 0%.

Net Income (Loss) Per Share

The Company is required to have dual presentation of basic earnings per share (EPS) and diluted EPS. Basic EPS is computed as net income divided by the weighted average number of common shares outstanding for the period. Diluted EPS is calculated based on the weighted average number of common shares outstanding during the period plus the effect of potentially dilutive common stock equivalents, including warrants to purchase the Company's common stock.

As of March 31, 2012 and 2011, the remaining potentially dilutive common stock equivalents not included in the calculation of diluted earnings per share as their effect would have been anti-dilutive are:

<u>For periods ended</u>	March 31, 2012	March 31, 2011
Convertible note - related party	1,672,241	-
Stock options	2,000,000	-
Warrants	8,616,271	7,313,271
Total possible dilution	12,288,512	7,313,271

Accordingly, only basic EPS is presented.

Thunder Mountain Gold, Inc.*(An Exploration Stage Company)***Notes to Consolidated Financial Statements****2.****Stockholders Equity**

On January 2, 2012, the Company entered into a subscription agreements with certain individual whereby the Company will sell up to 4,000,000 units at US\$0.12 per unit. Each unit consists of one share of common stock, and one-half warrant exercisable for 2 years at \$0.20. As of March 31, 2012, the Company has issued 1,250,000 shares under this agreement.

The following is a summary of warrants as of March 31, 2012:

	Share Equivalent Warrants	Exercise Price	Expiration Date
Warrants:			
Warrants issued September 24, 2010	6,683,271	\$ 0.24	September 30, 2013
Warrants issued June 26, 2011	1,000,000	0.19	June 26, 2013
Warrants issued September 30, 2011	200,000	0.19	September 30, 2013
Warrants issued October 28, 2011	108,000	0.20	October 28, 2013
Warrants issued February 17, 2012	625,000	0.20	February 17, 2014
Total warrants outstanding at March 31, 2012	8,616,271	\$ 0.23	

3.**Commitments**

On November 30, 2011, (Effective Date) Thunder Mountain Resources, Inc., entered into a mining lease with option to purchase with Richard C and Carol Ann Fox for the exclusive rights to conduct exploration, feasibility work, development, mining and processing of minerals on certain mining claims in Lemhi County, Idaho. The initial term is for thirty years and the lease grants successive, additional fifteen year terms so long as the Company is in compliance

with the lease. The Company is obligated to pay advance minimum royalty payments, the first of which was in the amount of \$25,000 and was paid upon execution of the lease. An additional payment of \$25,000 was made in the quarter ended March 31, 2012 in accordance with the lease terms. Additional payments are due as follows:

<u>Amount</u>	<u>Due Date</u>
\$ 50,000	On or before the 1 st anniversary of the Effective Date
75,000	On or before the 2 nd anniversary of the Effective Date
100,000	On or before the 3 rd anniversary of the Effective Date
100,000	On or before the 4 th anniversary of the Effective Date and each anniversary date thereafter

All advance minimum royalties paid will be credited against any production royalties that accrue. If no minerals are produced from the premises, the lessor has no obligation to refund the advance minimum royalties.

Thunder Mountain Gold, Inc.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

3.

Commitments, continued:

On March 21, 2011, the Company signed an exploration agreement with Newmont Mining Corporation on the Trout Creek Project that significantly expands the Trout Creek target area. Newmont's private mineral package added to the Project surrounds the Company's claim group and consists of about 9,565 acres within a thirty-square mile Area of Influence defined in the agreement. Under the terms of the agreement, the Company is responsible for conducting the exploration program and is obligated to expend a minimum of \$150,000 over the ensuing two years, with additional expenditures possible in future years. The Company has expended \$13,270 on this project to date.

On November 9, 2011, the Board of Directors ratified a Letter of Intent, dated November 7, 2011, by and among Thunder Mountain Gold, Inc., a Nevada Corporation, Green River Energy Corporation, a Nevada Corporation (GREC) and the Hess Group, the Controlling Shareholder Group of GREC.

The Letter of Intent contemplates that the Company would acquire Green River in an all stock transaction with the following material terms:

The Hess Group who beneficially owns or controls a majority of GREC - will assist the Company to complete a private placement offering to European investors for proceeds of \$1,000,000 prior to the completion of the Acquisition (the **Company Private Placement**). 150,000 shares at US\$.20 have been purchased under this private placement as of December 31, 2011. Additionally, the Hess Group will pursue a private placement offering of Green River shares to European investors for proceeds of a minimum of \$4,000,000 (the **Green River Private Placement**),

the proceeds of the Green River Private Placement will be held in escrow pending completion of the Acquisition and available to the Company upon completion of the Acquisition,

.
the Company Private Placement and the Green River Private Placement would be completed by January 31, 2012, (had not been completed as of May 17, 2012)

.
completion of the Green River Private Placement would be a condition to the Company's completion of the Acquisition,

.
the Company will issue shares of the Company to the shareholders of Green River based on an exchange ratio that will result in pre-Acquisition shareholders of the Company owning 25% and shareholders of Green River owning 75% of the Company following completion of the Acquisition,

.
the Company will change its name to Thunder Mountain Resources, Inc. upon completion of the Acquisition,

.
the Company will pursue both the exploration and development of the Company's existing mineral properties and the Green River oil and gas properties following completion of the Acquisition.

Thunder Mountain Gold, Inc.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements**3.****Commitments, continued:**

The Acquisition would be subject to receipt of all required approvals, including approval of the TSX Venture Exchange and the shareholders of the Company. Completion of the Acquisition will be subject to negotiation and execution of a definitive agreement with Green River and the Hess Group. The parties will work together to structure and complete the Acquisition in a manner that addresses applicable tax, corporate and securities laws. The Company anticipates that approval of its shareholders will be required should a definitive agreement be concluded, and that it would prepare and circulate to its shareholders a proxy circular that would be prepared in accordance with the requirements of both the Securities and Exchange Commission and the TSX Venture Exchange. The Acquisition will be subject to receipt of all required regulatory approvals, including approval of the TSX Venture Exchange and the shareholders of the Company.

4.**Related Party Transactions**

At various times throughout the 2011 and January 2012 as approved under Board resolution dated July 11, 2011 (the Resolution), Mr. Collord, the Company's Vice-President and chief operations officer, made loans of various amounts to the Company totaling \$155,000 to fund the operational needs of the Company, \$5,000 of which has been repaid, leaving a discounted loan balance of \$147,359 as of March 31, 2012. The Resolution specifies a maturity date of January 7, 2012, subsequently amended to May 31, 2012, and allows the conversion of any portion of the note at any time into shares of common stock at a price equal to the lower of the last private placement, or the previous 30-day rolling average of the closing price of the stock.

Management determined that the conversion option requires separate valuation and bifurcation, and determined fair value using a Black-Scholes valuation model with inputs as per the following table. The total initial fair value of the conversion options was \$126,151. At initial recording it was determined that one of the loans' conversion options had a fair value which exceeded the loan amount by \$17,945. The excess was charged to the statement of operations in 2011 as a financing expense from conversion option.

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The conversion option derivative liability has been revalued to fair value as of March 31, 2012 using a Black-Scholes valuation model with inputs per the following table. As a result of this revaluation, a gain on change in the fair value of the conversion option derivative liability has been recorded on the statement of operations and comprehensive income (loss) of \$16,155 for the period ended March 31, 2012.

Below is detail of the conversion option liability balance at March 31, 2012 and December 31, 2011.

		March 31, 2012	December 31, 2011
Beginning balance		\$ 48,231	\$ -
	Initial fair value of conversion option liability	1,369	123,031
	Net change in fair value of conversion option liability	(16,155)	(74,800)
Ending balance		\$ 33,445	\$ 48,231
Common shares relating to the conversion options		1,672,241	1,268,591
	Period end weighted average per unit value	0.02	0.038
Ending balance		\$ 33,445	\$ 48,231

Thunder Mountain Gold, Inc.*(An Exploration Stage Company)***Notes to Consolidated Financial Statements****4.****Related Party Transactions, continued**

Black-Scholes Inputs:

	<u>At March 31, 2012</u>
Market price	\$0.08
Effective price	\$0.0897
Expected term (years)	0.167
Estimated volatility	149.65%
Risk-Free interest rate	.07%
Expected dividend yield	-

If the loans are not paid in full by the due date, the Company will deed the surface estate of the Tennessee patented mining claim, and transfer the title of a vehicle to the Collords. Interest accrues at the rate of one percent (1%) per month and the Company has incurred \$4,361 in interest expense related to the loans for the three months ended March 31, 2012.

5.**Subsequent Events**

On March 20, 2012, the Company signed a non-binding Letter of Intent (LOI) with Idaho State Gold Company, LLC (ISGC), Idaho, to advance and develop the South Mountain project through a Joint Venture arrangement. The LOI was approved by the Company's Board. Under the initial terms of the LOI, ISGC will commit to spending up to eighteen million dollars (\$18,000,000), in stages, to move the Company's South Mountain Project through feasibility and into production. The final agreement has not yet been signed.

On April 30, 2012 the Company executed a convertible promissory note in the amount of \$1,000,000. Pursuant to section 3 of the Joint Venture Proposal, the Company issued a Convertible Promissory Note (the Convertible Note)

ISGC is also a shareholder of the Company, and G. Peter Parsley, a director on the Company's board and shareholder of the Company, and is employed by ISGC. The Company received \$1,000,000 at Closing on May 1, 2012. The issuance and sale of the Convertible Note is subject to the approval of the Toronto Stock Exchange Venture Listing. Other stipulations are as follows:

Pursuant to the Joint Venture Proposal, ISGC purchased a Convertible Note in the principal amount of US\$1,000,000. The Convertible Note bears interest at eight percent (8%) per annum, and matures at the earlier of the following dates: (i) June 30, 2012; or (ii) 14 business days after the date the Company and ISGC have agreed not to enter into a Joint Venture Agreement. The Company may prepay the Convertible Note only with the consent of ISGC.

If ISGC and Company negotiate and execute a definitive joint venture agreement and complete their respective initial contributions prior to the maturity date of the Convertible Note, then the outstanding principal and accrued interest is deemed a capital contribution by ISGC to the new Joint Venture.

Thunder Mountain Gold, Inc.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

5.

Subsequent Events, continued

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If ISGC and the Company do not execute a definitive joint venture agreement and complete their respective initial contributions prior to the maturity date of the Convertible Note, then (i) at the election of the ISGC, all or any portion of the outstanding principal and accrued interest under the Convertible Note can be converted into shares of the Company's Common Stock at the Conversion Price of \$0.08 per share; and (ii) any balance owed under the Convertible Note that is not converted by ISGC will then become immediately due and payable. There are no registration rights granted to ISGC under the terms and conditions of the Convertible Note.

.

The entire unpaid principal sum of this Note, together with all accrued and unpaid interest thereon, shall become immediately due and payable upon the occurrence of: (i) bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings or relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Company; or (ii) the Company shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business; or such a receiver or trustee shall otherwise be appointed. The Convertible Note requires that the Company grant ISGC a first priority security interest over all of the Company's assets.

Item 2. Management's Discussion and Analysis or Plan of Operation

FORWARD LOOKING STATEMENTS: The following discussion may contain forward-looking statements that involve a number of risks and uncertainties. Factors that could cause actual results to differ materially include the following: inability to locate property with mineralization, lack of financing for exploration efforts, competition to acquire mining properties; risks inherent in the mining industry, and risk factors that are listed in the Company's reports and registration statements filed with the Securities and Exchange Commission.

Management's discussion and analysis is intended to be read in conjunction with the Company's unaudited financial statements and the integral notes thereto for the quarter ending March 31, 2012. The following statements may be forward-looking in nature and actual results may differ materially.

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.

The Company employed three full-time budgeted salaried management during the quarter, and was able to meet its immediate financial obligations. The Company maintains its office in the Boise, Idaho area in Garden City. This is the primary headquarters for the South Mountain Project and is utilized by Pete Parsley and Eric Jones. Jim Collord has been working from the Boise, Idaho office on a part-time basis and living in a temporary residence in Boise Idaho at no additional charge to the Company. He will continue to work from his home office in Elko, Nevada and will work out of the Boise office as needed. In order to conserve operational funds, both Jim Collord and Eric Jones chose to reduce their pay to \$1.00 per month during the quarter until new funds will be sufficient to allow for all or a portion of back pay.

South Mountain Project, Owyhee County, Idaho (South Mountain Mines, Inc.)

The Company's land package at South Mountain consists of a total of approximately 1,158 acres, consisting of (i) 17 patented claims (326 acres) the Company owns outright; (ii) lease on private ranch land (542 acres); and, (iii) 21 unpatented lode mining claims on BLM managed land (290 acres). The Company is negotiating for additional private land surrounding the existing land package. We also have applied for leases on Idaho State Lands for approximately

3,100 acres, expected to be finalized during 2012. All holdings are located in the South Mountain Mining District, Owyhee County, Idaho.

The property is located approximately 70 air miles southwest of Boise, Idaho and approximately 24 miles southeast of Jordan Valley, Oregon. It is accessible by highway 95 driving south to Jordan Valley Oregon, then by traveling southeast approximately 22 miles back into Idaho, via Owyhee County road that is dirt and improved to within 4 miles of the base camp. The last 4 miles up the South Mountain Mine road are unimproved county dirt road. The property is accessible year-round to within 4 miles of the property, where the property is accessible from May thru October without plowing snow. There is power to within 4 miles of the site as well. Power generation by generator is required at this time. The climate is considered high desert. The Company has water rights on the property, and there is a potable spring on the property that once supplied water to the main camp.

A detailed list of the claims is as follows:

Patented land owned by Thunder Mountain Gold. Seventeen (17) patented mining claims totaling 326 acres:

Patent No. 32995 dated September 17, 1900 (Mineral Survey No. 1446)

Illinois	Massachusetts
Michigan	Washington
New York	Maine
Tennessee	Idaho
Oregon	Vermont

Patent No. 32996 dated September 17, 1900 (Mineral Survey No. 1447)

Texas	Virginia
Florida	Mississippi
Alabama	

Patent No. 1237144 dated October 27, 1964 (Mineral Survey No. 3400)

Queen	Kentucky
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Unpatented Ground 100% controlled by Thunder Mountain Gold. Twenty one (21) unpatented mining claims totaling 290 acres:

Claim Name	Owyhee County Instrument No.	BLM: IMC Serial No.
SM-1	262582	192661
SM-2	262578	192662
SM-3	262581	192666

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SM-4	262579	192665
SM-5	262580	192669
SM-6	262577	192664
SM-7	262576	192663
SM-8	262575	192670
SM-9	262574	192671
SM-10	262573	192668
SM-11	262572	192672
SM-12	262571	192667
SM-13	262570	192673
SM-14	262569	192674
SM-15	266241	196559
SM-16	266242	196560
SM-17	266243	196561
SM-18	266244	196562
SM-19	266245	196563
SM-20	266246	196564
SM-21	266247	196565

The claim maintenance fees and assessment for these claims is financed by the Company through sales of unregistered common stock .

The leased private land also includes all surface rights. There is a 3% net smelter return royalty payable to the landowners. The parcels are leased for 20 years with the right to renew and the option to purchase outright. Annual expenses for the leases and claims are as follows:

Owner	Agreement Date	Amount	Acres
Lowry	October 10, 2008	\$20/acre	376
		\$30/acre starting in 7th year	
Acree	June 20, 2008	\$20/acre	113
		\$30/acre starting in 7th year	
Herman	April 23, 2009	\$20/acre	56
		\$30/acre starting in 7th year	

The historic production peaked during World War II when, base on smelter receipts, the production of direct shipped ore totaled 53,653 tons containing 3,118 ounces of gold, 566,439 ounces of silver, 13,932 pounds of copper, 2,562,318 pounds of lead and 15,593,061 pounds of zinc. In addition to the direct-ship ore, a flotation mill was constructed and operated during the late-1940s and early-1950s. There is no production information available on the tons, grade and concentrate associated with that phase of the operation, but it is estimated that between 30,000 and 40,000 tons of ore were mined and process based on the estimated tonnage of mill tailings.

South Mountain Mines controlled the patented claims from 1975 to the time the Company purchased the entity in 2007. They conducted extensive exploration work including extending the Sonneman Level by approximately 1,500 feet to intercept the downdip extension of the Texas sulfide mineralization mined on the Laxey Level some 300 feet above the Sonneman. High grade sulfide mineralization was intercepted on the Sonneman Extension. In 1985 they did a feasibility study based on polygonal ore blocks exposed in the underground workings and drilling. This resulted in a historic resource of approximately 470,000 tons containing 23,500 ounces of gold, 3,530,000 ounces of silver, 8,339,000 pounds of copper, 13,157,000 pounds of lead and 91,817,000 lbs of zinc. Although they determined positive economics, the project was shut down and placed into care and maintenance.

In 2008, the Company engaged Kleinfelder West, Inc., a nationwide engineering and consulting firm, to complete 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
	Fire Assay	Fire Assay			
Weighted Average 657 - 669.5	(ounce per ton)	(ounce per ton)	(%)	(%)	(%)
(12.5 feet) 687 - 704.5	0.066	1.46	7.76	0.276	0.306
(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 an NI 43-101 Technical Report. This report was needed as part of the Company's efforts to obtain a listing on the TSX Venture Exchange in 2010. The NI 43-101 can be reviewed on the Company's website at www.thundermountaingold.com, or on www.SEDAR.com.

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 2010 drilling focused primarily the breccia gold zone. Centra Consulting completed the storm water plan needed for the exploration road construction on private land, and it was accepted by the Environmental Protection Agency. Road construction started on August 1, 2010 by Warner Construction and a total of 3.2 miles of access and drill site roads were completed through the end of September.

A campaign of road cut sampling was undertaken on the new roads as they were completed. Three sets of samples were obtained along the cut bank of the road. Channel samples were taken on 25-foot, 50-foot or 100-foot intervals, depending upon the nature of the material cut by the road with the shorter spaced intervals being taken in areas of bedrock. A total of 197 samples were collected and sent to ALS Chemex labs in Elko, Nevada. A majority of the samples contained anomalous gold values and in addition to confirming the three anomalies identified by soils sampling, the road cuts added a fourth target that yielded a 350-foot long zone that averaged 378 parts per billion gold (0.011 ounce per ton). Follow up sampling on a road immediately adjacent to this zone yielded a 100-foot sample interval that ran 5.91 parts per million gold (0.173 ounce per ton).

Drilling on the intrusive breccia target commenced on October 1, 2010 with a Schramm reverse circulation rig contracted through Drill Tech of Winnemucca, Nevada. Five widely-spaced holes on the four significant gold anomalies in the intrusive breccia target were completed with the following results:

Intrusive Breccia 2010 Drill Results

Hole Number	Depth (ft)	Average Gold Value (opt) Entire Hole	Highest Grade 5 ft Interval (opt)	Comments
LO-1	625	0.0034	0.015	All 5 foot intervals had detectable gold. Discovery outcrop area highly altered intrusive breccia with sulfides.
LO-2	845	0.001	0.016	95% of the intervals had detectable gold. Highly altered intrusive breccia with sulfides.
LO-3	940	0.0033	0.038	95% of the intervals had detectable gold. Mixed altered intrusive breccia and skarn; abundant sulfides (15 to 20% locally). West end of anomaly.
LO-4	500	0.002	0.0086	Entire hole had detectable gold. Altered intrusive breccia with sulfides. East end of anomaly.
LO-5	620	0.0037	0.036	Entire hole had detectable gold. Altered intrusive breccia with sulfides. East end of anomaly.

Management believes that the first-pass drill results from the intrusive breccia target proves the existence of a significant gold system in an intrusive package that is related to the polymetallic mineralization in the carbonate in the historic mine area. Additional work is planned for 2011, including a draped aeromagnetic, resistivity and IP surveys to isolate potential feeder structures and to evaluate the contact between the metasediments and the gold-bearing intrusive.

In addition to the drilling completed in on the Intrusive Breccia target, two reverse circulation drill holes were completed targeting the down dip extension of the polymetallic zones in an effort to confirm continuity of the ore zones to a greater depth. Vertical drill hole LO 6 was placed to intercept the down dip extension of the DMEA 2 ore shoot exposed on both the Laxey and Sonneman levels of the underground workings, as well as the 2008 core hole drilled by the Company that extended the zone 300 feet down dip of the Sonneman level. Drillhole LO 6 cut a thick zone of skarn alteration and polymetallic mineralization at 760 feet to 790 feet. The intercept contained 30 feet of 3.55% zinc, 1.87 ounce per ton silver, and 0.271% copper. Internal to this zone was 15 feet of 0.060 OPT gold and 20 feet of 0.21% lead. Importantly, this intercept proves the continuity of the ore zone an additional 115 feet down dip of the 2008 drill hole, or 415 feet below the Sonneman level. It remains open at depth.

Drill hole LO-7 was placed to test the down dip extension of the Laxey ore zone, the zone that produced a majority of the silver, zinc, copper, lead and gold during the World War II period. A portion of the ore zone was intercepted approximately 180 feet below the bottom of the Laxey Shaft which mined the zone over an 800-foot length. This hole intercepted 25 feet (600-625 feet) of 8.56% zinc and 1.15 ounce per ton (opt) silver. This intercept proves the extension of the Laxey ore zone approximately 120 feet below the maximum depth previously mined when over 51,000 tons of sulfide ore were mined and direct shipped to the Anaconda smelter in Utah. The grade of this ore mined over the 800 feet of shaft and stope mining was 15% zinc, 10 opt silver, 0.06 opt gold, 2.3% lead and 0.7% copper.

Management is encouraged by both of these intercepts as they prove the continuation of the replacement sulfide mineralized ore shoots at depth. Detailed follow-up core drilling will be needed to better define the potential of the ore shoots at depth. The ongoing exploration field work is financed by the Company through sales of unregistered

common stock . Future work will be funded in the same manner, or through a strategic partnership with another mining company.

This property is without known reserves and the proposed program is exploratory in nature according to Instruction 3 to paragraph (b)(5) of Industry Guide 7. There are currently no permits required for conducting exploration in accordance with the Company`s current board approved exploration plan.

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.

All those certain unpatented lode claims situated in Lander County, Nevada, more particularly described as follows below:

<u>Name of Claim</u>	<u>Lander Co. Doc. No.</u>	<u>BLM NMC No.</u>
TC-1	0248677	965652
TC-2	0248678	965653
TC-3	0248679	965654
TC-4	0248680	965655
TC-5	0248681	965656
TC-6	0248682	965657
TC-7	0248683	965658
TC-8	0248684	965659
TC-9	0248685	965660
TC-10	0248686	965661
TC-11	0248687	965662
TC-12	0248688	965663
TC-31	0248707	965682
TC-32	0248708	965683
TC-51	0248727	965702
TC-52	0248728	965703
TC-53	0248729	965704
TC-54	0248730	965705
TC-55	0248731	965706

<u>Name of Claim</u>	<u>Lander Co. Doc. No.</u>	<u>BLM NMC No.</u>
TC-56	0248732	965707
TC-57	0248733	965708
TC-58	0248734	965709
TC-59	0251576	988946
TC-60	0251577	988947
TC-61	0251578	988948
TC-62	0251579	988949
TC-63	0251580	988950
TC-64	0251581	988951
TC-65	0251582	988952
TC-66	0251583	988953
TC-67	0251584	988954
TC-68	0251585	988955
TC-69	0251586	988956
TC-70	0251587	988957
TC-71	0251588	988958
TC-72	0251589	988959
TC-73	0251590	988960
TC-74	0251591	988961
TC-75	0251592	988962
TC-76	0251593	988963
TC-77	0251594	988964
TC-78	0251595	988965

Name of Claim	Lander Co. Doc. No.	BLM NMC No.
TC-79	0251596	988966
TC-80	0251597	988967
TC-81	0251598	988968
TC-82	0251599	988969
TC-83	0251600	988970
TC-84	0251601	988971
TC-85	0251602	988972
TC-86	0251603	988973
TC-87	0251604	988974
TC-88	0251605	988975
TC-89	0251606	988976
TC-90	0251607	988977
TC-91	0251608	988978
TC-92	0251609	988979
TC-93	0251610	988980
TC-94	0251611	988981
TC-95	0251612	988982
TC-96	0251613	988983

The Trout Creek property is located approximately 155 air miles northeast of Reno, Nevada, or approximately 20 miles SW of Battle Mountain, Nevada, in Sections 10, 11, 14, 16, 21, 22, 27; T.29N.; R.44E. Mount Diablo Baseline & Meridian, Lander County, Nevada. Latitude: 40 23 36 North, Longitude: 117 00 58 West. The property is accessible by traveling south from Battle Mountain Nevada on state highway 305, which is paved. After traveling approximately 20 miles, turn east off the highway on an unimproved public dirt road, and travel approximately 2 miles to the claims. The property is generally accessible year round. There is no power, no water other than seasonal surface precipitation, and there are no improvements on the property.

The 60 unpatented claims are 100% owned by Thunder Mountain Gold, and 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 an 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.

The ongoing exploration field work, including claim maintenance and assessment, is financed by the Company through sales of unregistered common stock funded by the Company through private placements with accredited investors. Future work will be funded in the same manner, or through a strategic partnership with another mining company. The Company is attempting to consolidate the land package to cover a larger area of the positive geophysical target in the pediment by acquiring and/or joint venturing adjoining mineral property. There are currently no environmental permits required for the planned exploration work on the property. In the future, a notice of intent may be required with the Bureau of Land Management. This property is without known reserves and the proposed program is exploratory in nature according to Instruction 3 to paragraph (b)(5) of Industry Guide 7.

Clover Mountain Claim Group, Owyhee County, Idaho

The Company's Clover Mountain property is located approximately 60 air miles SW of Boise, Idaho and approximately 30 miles SW of Grandview, Idaho in Sections 24, 25; T.8S.; R.1W. , and Sections 19, 30; T.8S.; R.1E. Boise Meridian, Owyhee County, Idaho. Latitude: 42 42 34 North Longitude: 116 24 10 West

Access to the property is by traveling one mile southeast on paved state highway 78. Take the Mud Flat road to the south, and travel approximately 25 miles on improved dirt road to the property. The property is on the west next to the Mud Flat Road. The landscape is high desert, with sagebrush and no trees. There is no power, no water other than seasonal surface precipitation, and there are no improvements on the property.

LIST of UNPATENTED MINING CLAIMS at Clover Mountain

CLAIM	OWYHEE COUNTY INSTRUMENT #	BLM# / (IMC)
PC-1	259673	190708
PC-2	259672	190709
PC-3	259671	190710
PC-4	259670	190711
PC-5	259669	190712
PC-6	259668	190713
PC-7	259667	190714
PC-8	259666	190715
PC-9	259665	190716
PC-10	259664	190717
PC-11	259663	190718
PC-12	259662	190719
PC-13	259661	190720

CLAIM	OWYHEE COUNTY INSTRUMENT #	BLM# / (IMC)
PC-14	259660	190721
PC-15	259659	190722
PC-16	259658	190723
PC-17	259657	190724
PC-18	259656	190725
PC-19	259655	190726
PC-20	259654	190727
PC-21	259653	190728
PC-22	259652	190729
PC-23	259651	190730
PC-24	259650	190731
PC-25	259649	190732
PC-26	259648	190733
PC-27	259647	190734
PC-28	259646	190735
PC-29	259645	190736
PC-30	259644	190737
PC-31	259643	190738
PC-32	259642	190739
PC-33	259641	190740
PC-34	259640	190741
PC-35	259639	190742
PC-36	259638	190743
PC-37	259637	190744
PC-38	259636	190745
PC-39	259635	190746
PC-40	259634	190747

These Claims are 100% owned by Thunder Mountain Gold Inc.

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 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 significant work was completed on the claim group in 2010, 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.

During brief field work in 2010, the presence of visible free gold was noted by panning in the area of the strong soil anomaly. The ongoing exploration field work, including claim maintenance and assessment fees, is funded

by the Company through private placements with accredited investors. Future work will be funded in the same manner, or through a strategic partnership with another mining company.

There are currently no environmental permits required for the planned exploration work on the property. In the future, a notice of intent or plan of operations may be required with the Bureau of Land Management. This property is without known reserves and the proposed program is exploratory in nature according to Instruction 3 to paragraph (b)(5) of Industry Guide 7.

Results of Operations:

The Company had no revenues and no production for the three months ended March 31, 2012 and 2011. Expenses for the three months ended March 31, 2012 decreased by \$57,374 or 27%, compared with \$210,560 for the three months ended March 31, 2011. The decrease is a result of lower management and administrative expenses while the company focused on financing activities. Exploration expense for the quarter held steady at \$41,640, as management focused on financing, and the completion of the South Mountain Joint Venture with Idaho State Gold. Management and administrative expenses decreased by \$45,438 or 36% to \$79,544 for the quarter. There were no director's fees during the quarter. The Board decreased the salaries of Jim Collord and Eric Jones to \$1.00 per month during June of 2011 until financial conditions of the company improve. The Company experienced professional fees during the quarter (legal and accounting) of \$29,529, which is approximately the same as they were one year ago for the quarter ended March 31, 2011.

Total other income for the three months ended March 31, 2012 was \$178,570, a reduction of \$283,627 or 61% from total other income of \$462,197 over the same period as last year. The decrease in other income is primarily due to the lower gain recognized on the fair value of the warrant liability recorded on the balance sheet. The Company also experienced a slight decrease in interest expense during the quarter due to the decreased borrowing from a related party during the third quarter of 2011.

Liquidity and Capital Resources:

On March 31, 2012, the Company had total current liabilities of \$488,738. Current liabilities increased by \$24,852 compared to year end December 31, 2011 primarily due to the increase in deferred payroll, and short term convertible note payable to a related party.

Total liabilities decreased during the quarter due to a decrease in the fair value of the stock purchase warrants issued in private placements completed during 2010 and 2011. The Company has accounted for the warrants as derivative instruments which have been valued using a Black Scholes fair value model. The Company recognized a long-term liability of \$323,983 related to the warrants at the date of issuance and has recognized a gain of \$186,910 on the warrants during the three months ended March 31, 2012, as a result of a decrease in fair value of the warrants between December 31, 2011, and the end of the first quarter of 2012.

For the three month period ended March 31, 2012, net cash used by operating activities was \$117,459, consisting of our year to date net income of \$25,384, less non non-cash expenses for depreciation, amortization of deferred financing costs, changes in the fair value of the warrant liability and accounts payable and other accrued liabilities. This compares with \$228,453 used by operating activities for the three months ended March 31, 2011. Cash flows from investing activities used \$26,120 related to the purchase of mining claims, and \$155,000 was provided by financing activities for the three month period ended March 31, 2012.

We are an exploration stage company and have incurred losses since our inception. The notes to our financial statements for the year ended December 31, 2011, together with the opinion of our independent auditors included going concern explanatory paragraphs.

Management actions in addressing the going concern :

Management believes that the Company currently has cash sufficient to support an exploration program as outlined in Managements Discussion & Analysis above based on the following:

As of May 15, 2012, the Company currently has \$890,523 of cash in our bank accounts, which is sufficient to fund non-exploration activities and administrative expenses for the next three months while additional financing is put in place.

On July 22, 2011, the Company engaged IBK Capital in Toronto, Ontario Canada, to raise up to Cdn\$3M in an non-brokered private placement. The Company paid \$12,500 in fees. Terms of the placement will be determined after IBK Capital completes their due diligence on the Company, took approximately 60 days. There will be finder s fees associated with any financing IBK Capital completes.

On June 26, 2011, the Company sold 1,000,000 units in a private placement to accredited investors. The units were priced at Cdn \$0.17 per unit, and consisted of one share of common stock, and one full warrant to purchase a full share of common stock at Cdn\$0.20 for two years. If the Company s stock closes above Cdn\$0.25 for a five consecutive days, then the Company has the right to force the holder to exercise the warrants.

On September 30, 2011, the Company sold 200,000 units in a private placement to accredited investors. The units were priced at Cdn \$0.17 per unit, and consisted of one share of common stock, and one full warrant to purchase a full share of common stock at Cdn\$0.20 for two years. If the Company s stock closes above Cdn\$0.25 for a five consecutive days, then the Company has the right to force the holder to exercise the warrants.

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 above.

Management will 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.

Management is committed to proper management and spending restraint such that the Company is believed to be able to weather current disruptions in investment markets and continue to attract investment dollars in coming months and years.

The Company's future liquidity and capital requirements will depend on many factors, including timing, cost and progress of its exploration efforts, evaluation of, and decisions with respect to, its strategic alternatives, and costs associated with the regulatory approvals. Additional financing may be required to meet our exploration and corporate expenses incurred during the next 12 months.

The Company owns outright the South Mountain Mine property in Owyhee County, Idaho that consists of 17 patented mining claims totaling approximately 326 acres, for which Management has recorded the property in the Company's financial statements for \$357,497.

The Company owns outright three 4-wheel drive vehicles that are used for exploration and project work, as well as miscellaneous field equipment and office furniture. It also leases office space in Garden City, Idaho.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required for smaller reporting companies.

Item 4. 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).

Changes in Internal Controls over Financial Reporting

During the quarter covered by this report, 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.

PART II

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

Not required for smaller reporting companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On February 12, 2012, the Company initiated a Non-Brokered Private Placement to accredited investors in Europe, the U.S., and such other jurisdictions as may be agreed to by the Company, for up to 8.3M Units at US\$0.12 per Unit. Each Unit consists of one share of THMG/THM common stock, and one-half share purchase warrant - to purchase the common stock at \$0.20 per share, valid for 12 months after the close of the financing.

The net proceeds of the Offering shall be used primarily to complete the acquisition of the Iron Creek Cobalt Gold project, initiation of the exploration on the Thunder Mountain Gold/Newmont Mining Trout Creek Joint Venture, and general corporate purposes for the completion of the Green River Energy merger.

The Company shall obtain any regulatory approval and any other consents that may be required to permit the Offering, including the approval of the TSX Venture Exchange. The securities offered hereby have not and will not be registered under the United States Securities Act of 1933 (the "1933 Act") and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the 1933 Act) unless the securities have been registered under the 1933 Act, or are otherwise exempt from such registration.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities.

During the quarter ended March 31, 2012, the Company did not have any operating mines and therefore had no such specified health and safety violations, orders or citations, related assessments or legal actions, mining-related fatalities, or similar events in relation to the Company's United States operations requiring disclosure pursuant to Section 1503(a) of the Dodd-Frank Act.

Item 5. Other Information

None.

Item 6. Exhibits

(a)

Documents which are filed as a part of this report:

Exhibits:

31.1 Certification Required by Rule 13a-14(a) or Rule 15d-14(a). Collord

31.2 Certification Required by Rule 13a-14(a) or Rule 15d-14(a). Jones

32.1 Certification required by Rule 13a-14(a) or Rule 15d-14(b) and section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. Collord

32.2 Certification required by Rule 13a-14(a) or Rule 15d-14(b) and section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. Jones

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The following financial information from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 formatted in Extensible Business Reporting Language (XBRL): (i) the Balance Sheets, (ii) the Statements of Operations, (iii) the Statements of Cash Flows, and (v) Notes to Financial Statements

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In accordance with Rule 406T of Regulation S-T, the XBRL information in Exhibit 101 to this quarterly report on Form 10-Q shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(b) of the Securities and 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.

By /s/ Eric T. Jones

Eric T. Jones

President and Chief Executive Officer

Date: May 21, 2012

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.

By /s/ R. Llee Chapman

R. Llee Chapman

Chief Financial Officer

Date: May 21, 2012

