

THUNDER MOUNTAIN GOLD INC
Form 10-Q
August 20, 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 June 30, 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 June 30, 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***June 30, 2012 and December 31, 2011*

| | (Unaudited) June 30, 2012 | December 31, 2011 |
|---|---------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 634,667 | \$ 83 |
| Prepaid expenses and other assets | 15,244 | 20,389 |
| Deferred financing costs | - | 91,283 |
| Total current assets | 649,911 | 111,755 |
| Property, equipment and mining claims: | | |
| South Mountain Mines property | 357,497 | 357,497 |
| Equipment, net of accumulated depreciation | 6,572 | 10,851 |
| Mining leaseholds | 114,460 | 86,080 |
| Total property, equipment and mining claims | 478,529 | 454,428 |
| Other assets: | | |
| Deferred financing costs, net of accumulated amortization | - | 47,087 |
| Total assets | \$,128,440 | \$ 613,270 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Current liabilities: | | |
| Accounts payable and other accrued liabilities | \$ 94,394 | \$ 155,125 |
| Deferred payroll | 177,907 | 120,744 |
| Note payable - related party | 5,000 | 139,786 |
| Conversion option liability | - | 48,231 |
| Convertible Note Payable | 1,000,000 | |
| Total current liabilities | 1,277,301 | 463,886 |
| Derivative warrant liabilities | 703,213 | 510,893 |
| Total liabilities | 1,980,514 | 974,779 |

Commitments (See Note 4)

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; 30,167,549 and 28,717,549 shares issued and outstanding, respectively | 30,168 | 28,718 |
| Additional paid-in capital | 3,643,616 | 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 | (4,288,865) | (3,248,300) |
| Total stockholders' equity (deficit) | (852,074) | (361,509) |
| Total liabilities and stockholders' equity (deficit) | \$ 1,128,440 | \$ 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 June 30, | | Six Months Ended June 30, | | During Exploration Stage 1991 Through June 30, 2012 |
|--|--------------------------------|----------|------------------------------|----------|---|
| | 2012 | 2011 | 2012 | 2011 | |
| Revenue: | | | | | |
| Royalties, net | \$ - | \$ - | \$ - | \$ - | \$ 328,500 |
| Gain on sale of property and mining claims | - | - | - | - | 2,576,112 |
| Total revenue | - | - | - | - | 2,904,612 |
| Expenses: | | | | | |
| Exploration expenses | 55,185 | 66,901 | 96,825 | 120,737 | 2,095,712 |
| Legal and accounting Management and administrative | 58,321 | 51,692 | 87,916 | 80,370 | 1,005,171 |
| Directors' fees and professional services | 72,342 | 189,484 | 151,886 | 314,465 | 3,108,178 |
| Depreciation and depletion | - | - | - | - | 923,055 |
| Total expenses | 1,872 | 3,065 | 4,279 | 6,129 | 141,271 |
| | 187,720 | 311,142 | 340,906 | 521,701 | 7,273,387 |
| Other income (expense): | | | | | |
| Interest and dividend income | - | 6 | 0 | 53 | 283,980 |
| Interest expense | (517,442) | (17,212) | (541,937) | (33,017) | (812,627) |
| Gain (loss) on fair value of warrant liability | (379,230) | 517,065 | (192,320) | 995,020 | 1,100,064 |
| Loss on common stock and warrants | - | (7,926) | - | (7,926) | (271,587) |
| Gain (Loss) on change in fair value of conversion option liability | 18,444 | - | 34,599 | - | 109,399 |
| Financing expense | - | - | - | - | (17,945) |
| Gain on foreign currency translation | - | - | - | - | - |
| Gain on sale of securities | - | - | - | - | 166,116 |

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| | | | | | |
|-----------------------------|----------------------|-------------------|--------------------|-------------------|----------------------|
| Impairment of investments | - | - | - | (52,299) | |
| Total other income | | | | | |
| (expense) | (878,228) | - | 491,933 | (699,658) | 954,130 |
| Net income (loss) before | | | | | |
| income taxes | (1,065,948) | 180,791 | (1,040,564) | 432,429 | (3,863,674) |
| (Provision) for income | | | | | |
| taxes | - | - | - | - | (151,496) |
| Net income (loss) | (1,065,948) | 180,791 | (1,040,564) | 432,429 | (4,015,170) |
| Treasury stock cancelled | - | - | - | - | (273,694) |
| Comprehensive income | | | | | |
| (loss) | \$(1,065,948) | \$ 180,791 | (1,040,564) | \$ 432,429 | \$(4,288,864) |
| Net income (loss) per | | | | | |
| common | | | | | |
| share-basic and diluted | \$ (0.04) | \$ 0.01 | \$ (0.03) | \$ 0.02 | \$ (0.26) |
| Weighted average common | | | | | |
| shares outstanding-basic | | | | | |
| and diluted | 30,154,750 | 27,256,499 | 29,743,212 | 27,124,006 | 16,629,292 |

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)*

| | Six Months Ended June 30, | | During Exploration Stage 1991 Through June 30, 2012 |
|---|------------------------------|------------|--|
| | 2012 | 2011 | |
| Cash flows from operating activities: | | | |
| Net income (loss) | \$(1,040,564) | \$ 432,429 | \$ (4,015,170) |
| Adjustments to reconcile net income (loss) to net cash | | | |
| used in operating activities: | | | |
| Depreciation and depletion | 4,279 | 6,129 | 141,271 |
| Common stock, warrants and options issued for services | 10,000 | 72,000 | 815,266 |
| Adjustment for anti-dilution provisions | - | - | 86,084 |
| Amortization of directors' fees prepaid with common stock | - | - | 53,400 |
| Amortization of deferred financing costs | 138,370 | 31,391 | 259,515 |
| Amortization of loan discount | 395,214 | | 495,086 |
| 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 | 192,320 | (995,020) | (1,100,064) |
| Loss on common stock and warrants | - | 7,926 | 271,587 |
| Gain on change in fair value of conversion option liability | (48,231) | | (123,031) |
| Financing expense | - | | 17,945 |
| Change in: | 5,144 | 5,660 | (15,246) |

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| | | | |
|--|-------------------|------------------|-------------------|
| Prepaid expenses and other assets | | | |
| Receivables | - | | 124,955 |
| Deferred financing costs | | | (28,500) |
| Accounts payable and other liabilities | (3,568) | 46,137 | 278,734 |
| Net cash used by operating activities | (347,036) | (393,348) | (5,345,886) |
| 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 | (28,380) | (3,380) | (114,460) |
| Purchase of equipment | - | - | (168,577) |
| Proceeds from disposition of investments | - | - | 642,645 |
| Proceeds from disposition of equipment | - | - | 49,310 |
| Net cash provided (used) by investing activities | (28,380) | (3,380) | 2,273,003 |
| 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 | 110,000 | 576,500 |
| Payments on related party note payable | (145,000) | - | (567,000) |
| Borrowing on notes payable | 1,000,000 | - | 1,050,000 |
| Payments on note payable | - | - | (50,000) |
| Net cash provided by financing activities | 1,010,000 | 110,000 | 3,541,751 |
| Net increase (decrease) in cash and cash equivalents | 634,584 | (286,728) | 468,868 |
| Cash and cash equivalents, beginning of period | 83 | 298,232 | 165,799 |
| Cash and cash equivalents, end of period | \$ 634,667 | \$ 11,504 | \$ 634,667 |

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)*

| | Six Months Ended June 30, | | During Exploration Stage 1991 Through June 30, 2012 |
|--|------------------------------|------------|---|
| | 2012 | 2011 | |
| Supplemental disclosures of cash flow information: | | | |
| Non-cash investing and financing activities: | | | |
| 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 | \$ - | \$ 178,813 | \$ 1,795,587 |
| Note proceeds allocated to conversion option at inception | \$ - | \$ - | \$ 123,031 |
| Stock issued for deferred compensation | \$ - | \$ - | \$ 21,000 |

| | | | |
|---|------------|------|------------|
| Beneficial conversion feature in note payable | \$ 375,000 | \$ - | \$ 375,000 |
|---|------------|------|------------|

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 six months ended June 30, 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 June 30, 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).

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%.

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 |
|--------------------------------|---------------|-------------------|-----------------|
| | June 30, 2012 | December 31, 2011 | Hierarchy level |
| Recurring: | | | |
| Cash and cash equivalents | \$ 634,667 | \$ 83 | Level 1 |
| Derivative warrant liabilities | \$ (703,213) | \$ (510,893) | Level 2 |
| Conversion option liability | \$ - | \$ (48,231) | Level 2 |

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

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 June 30, 2012 and December 31, 2011:

| | June 30, 2012 | December 31, 2011 |
|-------------------------|------------------|-------------------|
| Stock price | \$0.16 | \$0.10 |
| Exercise price | \$0.16 - \$0.195 | \$0.19 - \$.26 |
| Expected term | 0.41 - 1.4 yrs | 0.84 - 1.82 yrs |
| Estimated volatility | 216% - 248% | 218% - 250% |
| Risk-Free interest rate | 0.21% - 0.33% | 0.12% - 0.25% |
| Expected dividend yield | - | - |

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 June 30, 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> | June 30, 2012 | June 30, 2011 |
|--------------------------------|--------------------------|--------------------------|
| Convertible debt | 12,500,000 | - |
| Stock options | 2,000,000 | - |
| Warrants | 8,616,271 | 8,313,271 |
| Total possible dilution | 23,116,271 | 8,313,271 |

Accordingly, only basic EPS is presented.

2.

Note Payable

On April 30, 2012 the Company executed a convertible promissory note payable to Idaho State Gold Company, LLC (ISGC) in the principal amount of \$1,000,000. The note bears interest at the rate of eight percent (8%) per annum. The due date of the note was the earlier of June 30, 2012 or the date that is fourteen business days following the date on which the parties mutually agree to not enter into a joint venture agreement. Prior to maturity, the parties verbally agreed to an additional extension of the maturity date. As of the date of the release of these financial statements, the note is not considered to be in default.

Thunder Mountain Gold, Inc.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

2.

Note Payable, continued

Under the terms of the note, if ISGC and Company do not negotiate and execute a definitive joint venture agreement and complete their respective initial contributions prior to the maturity date of the Convertible Note, then at the election of ISGC, all or any portion of the outstanding principal and accrued interest can be converted into shares of the Company's common stock at the conversion price of \$.08 USD per share. Any balance not so converted would be immediately due and payable. The convertible note required that the Company grant ISGC a first priority security interest over all of the Company's assets

The Company has recognized interest expense related to this note in the amount of \$13,370 during the six months ended June 30, 2012.

The price for the Company's common stock exceeded the \$0.08 conversion price stated in the loan on the day funds were advanced under the loan. Management determined that the favorable exercise price represents a beneficial conversion feature. Using the intrinsic value method at the loan date a total discount of \$375,000 was recognized on the loan. As the initial loan maturity date was June 30, 2012, as of that date the full amount of the discount has been amortized as interest expense.

3.

Stockholders' Equity

The Company's common stock is at \$0.001 par value with 200,000,000 shares authorized. The Company also has 5,000,000 authorized shares of preferred stock with a par value of \$0.001. No preferred shares have been issued.

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 June 30, 2012, the Company has issued 1,250,000 shares under this agreement.

The following is a summary of warrants as of June 30, 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 June 30, 2012 | 8,616,271 | \$ 0.23 | |

Thunder Mountain Gold, Inc.*(An Exploration Stage Company)***Notes to Consolidated Financial Statements****4.****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 six months ended June 30, 2012 in accordance with the lease terms. Additional payments are due as follows:

| Amount | Due Date |
|-----------|---|
| \$ 50,000 | On or before the 1st anniversary of the Effective Date |
| 75,000 | On or before the 2nd anniversary of the Effective Date |
| 100,000 | On or before the 3rd anniversary of the Effective Date |
| 100,000 | On or before the 4th 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.

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.

5.

Related Party Transactions

At various times throughout 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, \$150,000 of which has been repaid, leaving a loan balance of \$5,000 as of June 30, 2012. The Resolution specifies a maturity date of January 7, 2012, subsequently amended to May 31, 2012, and allowed 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 has determined that the conversion option requires separate valuation and bifurcation under ASC 815, and determined fair value using a Black-Scholes valuation model. The total initial fair value of the conversion options was \$126,151 and was separated from the debt host. 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.

Thunder Mountain Gold, Inc.*(An Exploration Stage Company)***Notes to Consolidated Financial Statements****5.****Related Party Transactions, continued**

On May 31, 2012, the notes were paid in full. Accordingly, the conversion option derivative liability was first marked to fair value at that date using a Black-Scholes valuation model with inputs as per the following table. As such, a gain on the change in fair value of \$18,444 was recorded. The remaining liability was then eliminated with a charge of \$15,000 to additional paid-in capital.

Inputs to the Black-Scholes valuation model as of May 31, 2012:

| | |
|-------------------------|--------------|
| Stock price | \$0.07 |
| Exercise price | \$0.10 |
| Expected term | 0.0897 (yrs) |
| Estimated volatility | 281.48% |
| Risk-free interest rate | 0.07% |
| Expected dividend yield | - |

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 June 30, 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 two 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.

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
Michigan
New York
Tennessee
Oregon**

**Massachusetts
Washington
Maine
Idaho
Vermont**

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

Texas
Florida
Alabama

Virginia
Mississippi

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

Queen

Kentucky

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 |
| 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.

| | Gold | Silver | | | |
|------------------|-----------------|-----------------|------|--------|------|
| Interval | Fire Assay | Fire Assay | Zinc | Copper | Lead |
| Weighted Average | (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 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 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. |

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| | | | | |
|------|-----|--------|--------|--|
| 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.

During June 2012 a 189 station ground gravity survey was completed by Magee Geophysical Services LLC over the eastern portion of the Trout Creek joint venture area. Jim Wright of Wright Geophysical, Inc. interpreted the survey data and formalized it in the accompanying report. This interpretive report incorporated the relevant geophysical data supplied to Thunder Mountain Gold by Newmont

The purpose of the survey was to assist in determining the depth to bedrock in the target area, and to see if there is any indication of the paleo-channel patterns in the bedrock that would mimic the mineralized trend evident in the lower slopes of the east side of the Shoshone Range. Both goals were achieved and the target within Section 14 was enhanced significantly. The Wright report details these findings and makes recommendations.

Initial drill targets can be placed based on the findings of this survey with the goal of testing the bedrock below the estimated 150m of valley-fill gravel along the trend of the mineralized structure at or near the previously identified major structural intersection in the pediment.

The survey covered a portion of public land Section 24 lode claims controlled by Barrick Gold; permission was granted to conduct the survey by Kevin Creel of Barrick and the raw data covering their claims will be provided to them.

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 June 30, 2012 and 2011. Expenses for the three months ended June 30, 2012 decreased by \$123,422 or 39%, compared with \$311,142 for the three months ended June 30, 2011. The decrease is a result of lower management and administrative expenses while the company focused on financing and joint venture activities. Exploration expense for the quarter decreased to \$55,185, as management focused on financing, and the completion of the South Mountain Joint Venture with Idaho State Gold. This exploration expense was mainly attributable to the geophysical study completed at Trout Creek, Nevada. Management and administrative expenses decreased by \$117,142 or 62% to \$72,342 for the quarter. There were no directors fees during the quarter. The Company experienced professional fees during the quarter (legal and accounting) of \$58,321, which is approximately the same as they were one year ago for the quarter ended June 30, 2011.

Total other expense for the three months ended June 30, 2012 was \$878,228, a reduction of \$1,370,161 or 278% from total other income of \$491,933 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, and interest expense during the third quarter of 2012.

Liquidity and Capital Resources:

On June 30, 2012, the Company had total current liabilities of \$1,277,301. Current liabilities increased by \$813,415 compared to year end December 31, 2011 primarily due to the promissory note related to the South Mountain Joint Venture, which is due to convert to cash once the South Mountain JV is finalized.

Total liabilities increased during the quarter due to an increase from the promissory note above, and 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 \$703,213 related to the warrants at the date of issuance and has recognized a loss of \$192,320 on the warrants during the six months ended June 30, 2012, as a result of a decrease in fair value of the warrants between December 31, 2011, and the end of the first half of 2012.

For the six month period ended June 30, 2012, net cash used by operating activities was \$347,036, consisting of our year to date net loss of \$1,040,564, 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 \$393,348 used by operating activities for the six months ended June 30, 2011. Cash flows from investing activities used \$28,380 related to the purchase of mining claims, and \$1,010,000 was provided by financing activities for the six month period ended June 30, 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 August 15, 2012, the Company currently has \$490,523 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 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 June 30, 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). Jones

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

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. Jones

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. Chapman

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The following financial information from our Quarterly Report on Form 10-Q for the quarter ended June 30, 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

*

To be filed by amendment.

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: August 20, 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: August 20, 2012

