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

# FORM 10-Q

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

For the quarterly period ended March 31, 2023

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

For the transition period from __________ to __________

Commission File Number: 001-08429

# THUNDER MOUNTAIN GOLD, INC.

(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| **Nevada** | **91-1031015** |
| (State or other jurisdiction of incorporation or organization) | (IRS identification No.) |
| **11770 W President Dr. STE F<br>Boise, Idaho** | **83713-8986** |
| (Address of Principal Executive Offices) | (Zip Code) |

**(208) 658-1037**

(Registrant's Telephone Number, including Area Code)

Securities registered pursuant to Section 12(g) of the Act:

| Title of Each Class | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|---|---|---|
| Common Stock, $0.001 par value | THMG<br>THM | OTCQB<br>TSX-V |

(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 file, ☒ a non-accelerated filer, ☒ a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act) or ☐ an emerging growth company

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 April 21, 2023: 60,855,579

## PART I – FINANCIAL INFORMATION

### Item 1 – Financial Statements

**Thunder Mountain Gold, Inc.**
**Consolidated Balance Sheets (Unaudited)**
*March 31, 2023 and December 31, 2022*

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 464,225 | $ 682,718 |
| Investment in BeMetals, at fair value (Note 4) | 591,184 | 738,612 |
| Prepaid expenses and other assets | 42,859 | 20,113 |
| **Total current assets** | 1,098,268 | 1,441,443 |
| Property and Equipment: | | |
| Land | 280,333 | 280,333 |
| Deposit | 10,000 | - |
| Equipment, net of accumulated depreciation of $182,384 and $182,053, respectively | 221 | 552 |
| Total property and equipment | 290,554 | 280,885 |
| Right to use asset (Note 9) | 35,675 | - |
| **Total assets** | **$ 1,424,497** | **$ 1,722,328** |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable and other accrued liabilities | $ 64,356 | $ 27,599 |
| Accrued related party liability (Note 6) | 141,685 | 146,685 |
| Operating lease liability – current (Note 9) | 16,750 | - |
| Advance from BeMetals (Note 3) | - | 5,433 |
| Deferred officer compensation (Note 6) | 1,041,500 | 1,041,500 |
| **Total current liabilities** | 1,264,291 | 1,221,217 |
| Operating lease liability – long-term (Note 9) | 18,925 | - |
| Accrued reclamation costs | 81,250 | 81,250 |
| **Total liabilities** | 1,364,466 | 1,302,467 |
| Commitments and Contingencies (Notes 2 and 3) | | |
| Stockholders' equity: | | |
| Preferred stock; $0.0001 par value, 5,000,000 shares authorized; no shares issued or outstanding | - | - |
| Common stock; $0.001 par value; 200,000,000 shares authorized, 60,855,579 shares issued and outstanding | 60,856 | 60,856 |
| Additional paid-in capital | 6,564,947 | 6,564,947 |
| Less: 11,700 shares of treasury stock, at cost | (24,200) | (24,200) |
| Accumulated deficit | (6,711,211) | (6,351,381) |
| **Total Thunder Mountain Gold, Inc stockholders' equity** | (109,608) | 250,222 |
| Noncontrolling interest in Owyhee Gold Trust (Note 3) | 169,639 | 169,639 |
| **Total stockholders' equity** | 60,031 | 419,861 |
| **Total liabilities and stockholders' equity** | **$ 1,424,497** | **$ 1,722,328** |

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

**Thunder Mountain Gold, Inc.**
**Consolidated Statements of Operations (Unaudited)**

| | Three Months Ended March 31, 2023 | Three Months Ended March 31, 2022 |
|---|---|---|
| Revenues: | | |
| Management service income | $ - | $ 75,000 |
| Total revenues | - | 75,000 |
| Operating expenses: | | |
| Exploration | 18,431 | 1,165 |
| Legal and accounting | 64,816 | 70,547 |
| Management and administrative | 129,554 | 275,492 |
| Depreciation | 331 | 559 |
| Total operating expenses | 213,132 | 347,763 |
| Net operating income (loss) | (213,132) | (272,763) |
| Other income (expense): | | |
| Unrealized loss on investment | (147,428) | (239,064) |
| Other | 730 | 98 |
| Total other (expense) | (146,698) | (238,966) |
| **Net income (loss)** | (359,830) | (511,729) |
| Net income – noncontrolling interest in Owyhee Gold Trust | - | - |
| Net (loss) – Thunder Mountain Gold, Inc. | $ (359,830) | $ (511,729) |
| Net income (loss) per common share-basic and diluted | $ (0.01) | $ (0.01) |
| Weighted average common shares outstanding-basic and diluted | 60,855,579 | 60,855,579 |

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

**Thunder Mountain Gold, Inc.**
**Consolidated Statements of Cash Flows (Unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Cash flows from operating activities: | | |
| Net (loss) | $ (359,830) | $ (511,729) |
| Adjustments to reconcile net (loss) to net cash used by operating activities: | | |
| Depreciation | 331 | 559 |
| Stock based compensation | - | 158,341 |
| Unrealized loss on investment | 147,428 | 239,064 |
| Change in: | | |
| Prepaid expenses and other assets | (22,746) | 15,306 |
| Accounts payable and other accrued liabilities | 36,757 | 14,810 |
| Accrued related party liability | (5,000) | - |
| Advance from BeMetals | (5,433) | 28,331 |
| Net cash used by operating activities | (208,493) | (55,318) |
| Cash flows from investing activities: | | |
| Deposit on Land Purchase | (10,000) | - |
| Net cash used by investing activities | (10,000) | - |
| Cash flows from financing activities: | | |
| Net cash used by financing activities | - | - |
| Net increase (decrease) in cash and cash equivalents | (218,493) | (55,318) |
| Cash and cash equivalents, beginning of period | 682,718 | 1,156,622 |
| **Cash and cash equivalents, end of period** | **$ 464,225** | **$ 1,101,304** |
| **Noncash financing and investing activities:** | | |
| Operating lease liability arising from obtaining right to use asset (Note 9) | $ 38,701 | $ - |

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

**Thunder Mountain Gold, Inc.**
**Consolidated Statements of Changes in Stockholders' Equity (Unaudited)**
*For the three months ended March 31, 2023 and 2022*

| | Common Stock Shares | Common Stock Amount | Additional Paid-In Capital | Treasury Stock | Accumulated Deficit | Non-Controlling Interest in OGT | Total |
|---|---|---|---|---|---|---|---|
| Balances at January 1, 2022 | 60,855,579 | $ 60,856 | $ 6,406,606 | $(24,200) | $ (5,106,642) | $ 173,702 | $ 1,510,322 |
| Stock Options Issued for Services | - | - | 158,341 | - | - | - | 158,341 |
| Net income (loss) | - | - | - | - | (511,729) | - | (511,729) |
| Balances at March 31, 2022 | 60,855,579 | $ 60,856 | $ 6,564,947 | $(24,200) | $ (5,618,371) | $ 173,702 | $ 1,156,934 |
| Balances at January 1, 2023 | 60,855,579 | $ 60,856 | $ 6,564,947 | $(24,200) | $ (6,351,381) | $ 169,639 | $ 419,861 |
| Net income (loss) | - | - | - | - | (359,830) | - | (359,830) |
| Balances at March 31, 2023 | 60,855,579 | $ 60,856 | $ 6,564,947 | $(24,200) | $ (6,711,211) | $ 169,639 | $ 60,031 |

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

## 1. Summary of Significant Accounting Policies and Business Operations

Business Operations

Thunder Mountain Gold, Inc. ("Thunder Mountain", "THMG", 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.

On December 30, 2022, Thunder Mountain Gold, Inc. by and through its subsidiaries Thunder Mountain Resources, Inc., a Nevada Corporation, and South Mountain Mines, Inc., an Idaho Corporation ("SMMI") (collectively the "Company", "THMG", or "We", "Our" or "Us") agreed to terminate an Option Agreement, (the "BeMetals Option Agreement") with BeMetals Corporation, a British Columbia corporation, and BeMetals USA Corporation, a Delaware corporation ("BeMetals BMET").

The "BeMetals Option Agreement was entered into on February 27, 2019, the original terms of the Option Agreement, BeMetals provided the funding to SMMI for project expenses including Management Services Income. The Company has 8 million common shares of BMET USA with a market value of $591,184, and the Company had cash and cash equivalents of $464,225 for the three months ended March 31, 2023. See Note 3 for further information.

Basis of Presentation and Going Concern

The accompanying consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern. The Company has historically incurred losses, however, the Company has cash reserves and available for sale securities sufficient to cover normal operating expenses for the following 12 months. If necessary, the Company continues to have the ability to raise additional capital in order to fund its future exploration and working capital requirements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company; its wholly owned subsidiaries, Thunder Mountain Resources, Inc. ("TMRI") and South Mountain Mines, Inc. ("SMMI"); and a company in which the Company owns 75% and has majority control, Owyhee Gold Trust, LLC ("OGT"). The Company's consolidated financial statements reflect the other investor's 25% non-controlling, capped interest in OGT. Intercompany accounts are eliminated in consolidation.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions include the carrying value of properties and mineral interests, environmental remediation liabilities, deferred tax assets, and stock-based compensation. Management's estimates and assumptions are based on historical experience and other assumptions believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Revenue Recognition

Management service revenue is recognized when the Company has satisfied its performance obligation required under its management contract with BeMetals. Such an obligation is satisfied over time as work is performed and the Company has a contractual right to payment.

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.

Cash and Cash Equivalents

For the purposes of the balance sheet and statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be a cash equivalent.

Fair Value Measurements

When required to measure assets or liabilities at fair value, the Company uses a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used. The Company determines the level within the fair value hierarchy in which the fair value measurements in their entirety fall. The categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Level 1 uses quoted prices in active markets for identical assets or liabilities, Level 2 uses significant other observable inputs, and Level 3 uses significant unobservable inputs. The amount of the total gains or losses for the period are included in earnings that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date. At March 31, 2023, the Company has one financial asset, investment in equity security, that is adjusted to fair value on a recurring basis for which the fair value is determined based on Level 1 inputs as the equity security is traded on a stock exchange. The Company has no financial liabilities that are adjusted to fair value on a recurring basis.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, and the investment in BeMetal's equity securities, the carrying value of which approximates fair value based on the nature of those instruments.

Investments

The Company determines the appropriate classification of investments at the time of acquisition and re-evaluates such determinations at each reporting date. Equity securities that have a readily determined fair value are carried at fair value determined using Level 1 fair value measurement inputs with the change in fair value recognized as unrealized gain (loss) in the consolidated statement of operations each reporting period. Gains and losses on the sale of securities are recognized on a specific identification basis.

Mineral Interests

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

If a mineral interest is abandoned or sold, its capitalized costs are charged to operations. Consideration received by the Company pursuant to joint ventures or purchase option agreements is applied against the carrying value of the related mineral interest. When and if payments received exceed the carrying value, the excess amount is recognized as a gain in the consolidated statement of operations in the period the consideration is received.

Leases

Arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the consolidated balance sheet as both a right-of-use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term. For finance leases, interest on the lease liability and the amortization of the right-of-use asset results in front-loaded expense over the lease term. Variable lease expenses are recorded when incurred.

<u>Investments in Joint Ventures</u>

For companies and joint ventures where the Company holds more than 50% of the voting interests, but less than 100%, and has significant influence, the company or joint venture is consolidated, and other investor interests are presented as noncontrolling. See Note 3 regarding the Company's investment in Owyhee Gold Trust. Joint ventures in which the Company has the ability to exercise significant influence, but does not control, are accounted for under the equity method of accounting.

<u>Reclamation and Remediation</u>

The Company's operations have been, and are subject to, standards for mine reclamation that have been established by various governmental agencies. The Company would record the fair value of an asset retirement obligation as a liability in the period in which the Company incurred a legal obligation for the retirement of tangible long-lived assets. A corresponding asset would also be recorded and depreciated over the life of the asset.

For non-operating properties, the Company accrues costs associated with environmental remediation obligations when it is probable that such costs will be incurred, and they are reasonably estimable. Such costs are based on management's estimate of amounts expected to be incurred when the remediation work is performed. The Company had accrued $81,250 at March 31, 2023 and December 31, 2022, respectively, on its consolidated balance sheets relating to estimated mine closure and reclamation costs on its South Mountain Mines property.

<u>Share-Based Compensation</u>

Share-based payments to employees and directors, including grants of employee stock options, are measured at fair value and expensed in the consolidated statements of operations over the vesting period.

<u>Recent Accounting Pronouncements</u>

*Accounting Standards Updates Adopted*

In June 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2022-03 *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Resale Restrictions*. This update is to clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. This update is effective for fiscal year beginning after December 15, 2023 with early adoption permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-*06 Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The update is to address issues identified because of the complexity associated with applying generally accepted accounting principles for certain financial instruments with characteristics of liabilities and equity. The update is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years and with early adoption permitted. The adoption of this standard did not impact the Company's consolidated financial statements.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

Net Income (Loss) Per Share

The Company is required to have dual presentation of basic earnings per share ("EPS") and diluted EPS. The Company calculates basic earnings (loss) per share by dividing net income or loss available to common stockholders by the weighted average number of common shares outstanding. Diluted earnings per share reflect potentially dilutive common stock equivalents, including options and warrants that could share in our earnings through the conversion to common shares, except where their inclusion would be anti-dilutive. For the periods ended March 31, 2023 and December 31, 2022 Outstanding common stock equivalents were excluded from the calculation of diluted earnings per share as their effect would have been anti-dilutive due to the net loss for the period.

## 2. Mineral Interest Commitments

On January 31, 2023, the Company's Board of Directors approved a resolution to purchase 56 acres of private land for $50,000. This is contiguous on the south end of the existing patented and lode claims at the South Mountain Project. A real estate purchase and sale agreement was signed on February 07, 2023. Under terms of the agreement $10,000 was paid and recorded as a deposit for the period ending March 31, 2023. The balance of $40,000 is due by December 29, 2023. Failure to make the payment forfeits the deposit of $10,000 and cancels the agreement.

The Company has two lease arrangements with landowners that own land parcels adjacent to the Company's South Mountain patented and unpatented mining claims. The leases were originally for a seven-year period, with annual payments of $20 per acre. The leases were renewed for an additional 10 years at $30 per acre paid annually, Acree Lease renewed on June 19, 2014, and the Lowry Lease was on October 23, 2014; committed payments are listed in the table below. The leases have no work requirements.

| | **Annual Payment** |
|---|---|
| Acree Lease (June) | $ 3,390 |
| Lowry Lease (October) | 11,280 |
| **Total** | **$ 14,670** |

The Company has 26 unpatented claims (533 acres) in the Trout Creek area and 21 unpatented claims in the South Mountain area.

The claim fees are paid on these unpatented claims annually as follows:

| **Target Area** | **2023** |
|---|---|
| Trout Creek -State of Nevada | $ 4,290 |
| Trout Creek -Lander County, Nevada | 324 |
| South Mountain-State of Idaho | 3.465 |
| **Total** | **$ 8,079** |

## 3. South Mountain Project

BeMetals Option Agreement:

On December 30, 2022, the Company agreed to terminate the Option Agreement, with BeMetals Corporation. The BeMetals Option Agreement ("the Option Agreement") was entered into on February 27, 2019, under the original terms of the Option Agreement, BeMetals provided the funding to SMMI for project expenses including management services.

According to the terms of the Option Agreement BMET USA and SMMI entered a management contract whereby BeMetals paid $25,000 monthly to SMMI for management services to enable BMET to perform exploration and development work with respect to the South Mountain Project. Management service income of $75,000 was recognized during the three month period ended March 31, 2022.

On February 7, 2023, the Company entered into a Mutual Release (the "Release") with BeMetals Corp. whereby the Company acknowledged and agreed that BeMetals had completed all of its obligations under the Option Agreement in consideration of a final payment of $33,530, which includes payment of all expenditures incurred through the date of termination. The Company also agreed that BeMetals shall not be obligated to make any additional payments or share issuances of further expenditures. The release discharges both parties from any and all claims arising in connection with the Option Agreement.

Subsequent to the receipt of the Release payment, the Company made payments of $6,035 related to expenses attributable to the Option Agreement and covered under the Release. The remaining balance of $27,495 was recognized in other accrued liabilities for the period ended March 31, 2023 to cover any additional expenses associated with the Option Agreement.

SMMI Joint Venture – OGT, LLC

The Company's wholly owned subsidiary SMMI is the sole manager of the South Mountain Project in its entirety through a separate Mining Lease with Option to Purchase ("Lease Option") with the Company's majority-owned subsidiary OGT. SMMI has an option to purchase the South Mountain mineral interest for a capped $5 million less net returns royalties paid through the date of exercise. The Lease Option expires in November 2026. If SMMI exercises the option, the option payment of $5 million less advance royalties will be distributed 100% by OGT to OGT's minority member, and OGT will cease to exist. Under the Lease Option, SMMI pays an advance of $5,000 net returns royalty to OGT annually on November 4 which is distributed to OGT's minority member.

## 4. Investment in BeMetals Corp.

In June 2019 in connection with the BeMetals Option Agreement (see Note 3), the Company received 10,000,000 shares of BeMetals Corp. common stock that had a fair value of $1,883,875.

The Company had an unrealized loss on the change in fair value of the investment of $147,428 for the period ended March 31, 2023, compared to an unrealized loss of $239,064 for the period ended March 31, 2022. The remaining 8 million shares of BeMetals stock held by the Company are considered available for sale.

## 5. Property and Equipment

The Company's property and equipment are as follows:

| | | March 31 2023 | December 31, 2022 |
|---|---|---|---|
| Vehicles | $ | 22,441 | 22,441 |
| Buildings | | 65,071 | 65,071 |
| Construction Equipment | | 36,447 | 36,447 |
| Mining Equipment | | 58,646 | 58,646 |
| | | 182,605 | 182,605 |
| Accumulated Depreciation | | (182,384) | (182,053) |
| | | 221 | 552 |
| Land | | 280,333 | 280,333 |
| Deposit | | 10,000 | - |
| Total Property and Equipment | $ | 290,554 | 280,885 |

## 6. Related Party Transactions

Board of Directors Compensation

On March 16, 2022, the Company's Compensation Committee recommended that the Company's Board of Directors receive nominal compensation for their service. The Company's Board of Directors passed the resolution for Board members compensation on March 21, 2022. During the quarter ended March 31, 2023, the amount of cash compensation paid to the Board of Directors was $3,000.

Deferred Officer Compensation

Three of the Company's officers began deferring compensation for services on April 1, 2015. On July 31, 2018, the Company stopped expensing and deferring compensation for the three Company officers in the interest of marketing the SMMI project. As part of the BeMetals agreement (Note 3), the Company resumed compensation for these officers on May 15, 2019. The officers deferred compensation balances at March 31, 2023 represent the balances deferred prior to the BeMetals agreement and are as follows: Eric Jones, President and Chief Executive Officer - $420,000; Jim Collord, Vice President and Chief Operating Officer - $420,000; and Larry Thackery, Chief Financial Officer - $201,500, for a total of $1,041,500.

Accrued Related Party Liability

From 2015 to 2018 the Company engaged Baird Hanson LLP ("Baird"), a company owned by one of the Company's former directors, to provide legal services. The Company's director Joseph Baird retired from the Board of Directors of Thunder Mountain Gold, Inc., and from all other positions or offices with the Company effective April 11, 2022. Baird received $5,000 in payments during the period ended March 31, 2023. At March 31, 2023, and December 31, 2022, the balance due to Baird for prior years' legal services was $141,685 and $146,685, respectfully.

On May 10, 2022, the Company agreed to facilitate the sale of 1,000,000 shares of the Company's common stock held by Joseph Baird, one of the Company's former directors and a shareholder. In anticipation of the sale, the Company received $10,000 for the sale of shares that had not yet transferred to the purchasers. The Company held those funds in prepaid expenses, deposits, and other assets with a corresponding liability due to Mr. Baird of $10,000. Mr. Baird decided not to sell 1,000,000 shares of the Company's common stock, the funds were returned to the perspective buyer on February 2, 2023 and the associated liability was relieved.

## 7. Stockholders' Equity

The Company's common stock has a par value of $0.001 with 200,000,000 shares authorized. The Company also has 5,000,000 authorized shares of preferred stock with a par value of $0.0001.

## 8. Stock Options

The Company has a Stock Incentive Plan (the "SIP"), authorize the granting of stock options up to 10 percent of the total number of issued and outstanding shares of common stock, that provides for the grant of stock options, incentive stock options, stock appreciation rights, restricted stock awards, and incentive awards to eligible individuals including directors, executive officers and advisors that have furnished bona fide services to the Company not related to the sale of securities in a capital-raising transaction. On July 12, 2022, the Company's shareholders, at their Annual Meeting, ratified and reapproved the Stock Option Plan.

On March 21, 2022, the Company granted 1,820,000 stock options to officers and directors of the Company. The fair value of the options was determined to be $158,341 using the Black Scholes model and included share-based payment awards to nonemployees of $13,920. The Company has elected to recognize the effect of forfeitures in compensation cost when they occur. Previously recognized compensation cost for a nonemployee share-based payment award shall be reversed in the period that the award is forfeited. The options are exercisable on or before March 21, 2027, and have an exercise price of $0.09. The options were fully vested upon grant and the entire fair value was recognized as compensation expense during the quarter ended March 31, 2022.

The fair value of each option award was estimated on the date of the grant using the assumptions noted in the following table:

| | March 21, 2022 |
|---|---|
| Stock price | $0.088 |
| Exercise price | $0.09 |
| Expected volatility | 188.9% |
| Expected dividends | - |
| Expected terms (in years) | 5.0 |
| Risk-free rate | 2.39% |

For the quarter ended March 31, 2023, no options were granted, and no options expired.

The following is a summary of the Company's options issued and outstanding under the SIP:

| | Shares | Weighted Average Exercise Price |
|---|---|---|
| Outstanding and exercisable at December 31, 2021 | 3,355,000 | $ 0.10 |
| Granted | 1,820,000 | 0.09 |
| Expired | (400,000) | 0.09 |
| Outstanding and exercisable at December 31, 2022 | 4,775,000 | 0.10 |
| Outstanding and exercisable at March 31, 2023 | 4,775,000 | $ 0.093 |

The average remaining contractual term of the options outstanding and exercisable at March 31, 2023 was 2.47 years. On March 31, 2023, options outstanding and exercisable had an aggregate intrinsic value of $12,580 based on the Company's stock price of $0.094 on March 31, 2023.

## 9. Leases

The Company accounts for its leases under ASC 842, *Leases*. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the consolidated balance sheet as both a right-of-use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term. For finance leases, interest on the lease liability and the amortization of the right-of-use asset results in front-loaded expense over the lease term. Variable lease expenses are recorded when incurred.

The Company renewed its office operating lease on February 1, 2023, for 24 months. The Company entered into a two-year operating lease for its corporate office space for a total lease payment of $41,625, and as a result a liability and right-of-use asset of $38,701 was recognized on the lease inception date, February 1, 2023. To calculate the liability and right of use asset, the Company utilized a 7.0% incremental borrowing rate to discount the future rent payments of approximately $1,734 per month over the two-year lease term.

| Right of Use (ROU) asset balance as of March 31, 2023 | Total Amount |
|---|---|
| Lease Present Value | $ 38,701 |
| Average Expense | (3,468) |
| Rent Expense Paid | 3,375 |
| Lease Liability | (2,933) |
| Balance Amount | $ 35,675 |

The Company’s ROU asset decreased by the net amount of $3,026 for a total amount of $35,675, for the period ending March 31, 2023. The lease contains no renewal option.

**10. Subsequent Events**

On April 12, 2023, the Company received a notice of Complaint filed in the fourth judicial district court of the State of Idaho by a law firm representing a former mining contractor who had worked on the South Mountain Mine project in the Fall of 2020. The Complaint alleges the Company owes the contractor $44,903 for past services related to the BeMetals Option Agreement. The Company has contested the amount owing and expects the action to be settled without a material impact on the Company’s financial position.