

THUNDER MOUNTAIN GOLD INC
Form 10-K
March 30, 2017

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

FORM 10-K

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

For the fiscal year ended December 31, 2016

OR

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

For the transition period from _____ to _____

Commission file number: 001-08429

Thunder Mountain Gold, Inc.

(Exact Name of Registrant as Specified in its Charter)

Nevada
(State of other jurisdiction of incorporation or
organization)
11770 W. President Dr., Ste. F
Boise, Idaho
(Address of Principal Executive Offices)

91-1031015
(I.R.S. Employer Identification No.)
83713
(Zip Code)

(208) 658-1037

(Registrant's Telephone Number, including Area Code)

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

None

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

Common stock, Par Value \$0.001

(Title of Class)

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

Yes No

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

Yes No

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

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

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

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter: \$ 4,599,851 as of June 30, 2016.

The number of shares of the Registrant’s Common Stock outstanding as of March 13, 2017, was 54,680,579

Documents Incorporated by Reference: Form 8-K, filed November 14, 2016

THUNDER MOUNTAIN GOLD, INC.

Form 10-K

December 31, 2016

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PART I

Cautionary Statement about Forward-Looking Statements

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

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

The timing of exploration activities, and;

Business strategies and development of our Operational Plans.

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

Management's Discussion and Analysis is intended to be read in conjunction with the Company's financial statements and the integral notes (Notes) thereto for the fiscal year ending December 31, 2016. The following statements may be forward looking in nature and actual results may differ materially.

ITEM 1 - DESCRIPTION OF BUSINESS

Company History

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

Change in Situs and Authorized Capital

The Company moved its situs from Idaho to Nevada, but maintains its corporate offices at 11770 W. President Drive, Ste. F, Boise, Idaho. On December 10, 2007, articles of incorporation were filed with the Secretary of State in Nevada for Thunder Mountain Gold, Inc., a Nevada Corporation. The Directors of Thunder Mountain Gold, Inc. (Nevada) were the same as for Thunder Mountain Gold, Inc. (Idaho).

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

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

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

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

Subsidiary Companies

On May 21, 2007, the Company filed Articles of Incorporation with the Secretary of State in Nevada for Thunder Mountain Resources, Inc., a wholly-owned subsidiary of Thunder Mountain Gold, Inc. The financial information for the new subsidiary is included in the consolidated financial statements.

On September 27, 2007, Thunder Mountain Resources, Inc., a wholly-owned subsidiary of Thunder Mountain Gold, Inc., completed the purchase of all the outstanding stock of South Mountain Mines, Inc., an Idaho corporation. On November 8, 2012, South Mountain Mines, Inc., (SMMI) a wholly owned subsidiary of Thunder Mountain Resources, Inc., which in turn is a wholly owned subsidiary of the Company, and Idaho State Gold Company II LLC (ISGC) formed Owyhee Gold Territory LLC (OGT) (aka Owyhee Gold Trust, LLC) a limited liability company (LLC). The details of this transaction were recorded on Form 8K at the time.

On November 4, 2016, the Company entered into a Settlement Agreement between ISGC II and, SMMI. This Settlement was judicially-ratified on November 9, 2016. These developments have been previously filed and reported to the Securities Exchange Commission on November 14, 2016, per the Company's 8(k). SMMI is the Manager, and has 75% ownership in the OGT, with ISGC II retaining 25% ownership, capped at \$5 million, and no management control.

The land package at South Mountain consists of a total of approximately 1,518 acres, consisting of (i) 17 patented claims (326 acres) and 360 acres of private land; (ii) lease on private ranch land (542 acres); and, (iii) 21 unpatented lode mining claims on BLM managed land (290 acres). All holdings are located in the South Mountain Mining District, Owyhee County, Idaho.

Current Operations

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

Reports to Security Holders

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

ITEM 1A - RISK FACTORS

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

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

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

We have no proven reserves.

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

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

At December 31, 2016, we had current assets of \$142,087. We are planning to raise additional funds in 2017 to meet our current operating and capital requirements for the next 12 months and beyond. However, we have based this estimate on assumptions that may prove to be wrong, and we cannot assure that estimates and assumptions will remain unchanged. For the year ended December 31, 2016 net cash used for operating activities was \$555,459. Our future liquidity and capital requirements will depend on many factors, including timing, cost and progress of our exploration efforts, our evaluation of, and decisions with respect to, our strategic alternatives, and costs associated with the regulatory approvals. If it turns out that we do not have enough money to complete our exploration programs, we will try to raise additional funds from public offerings, private placements or loans.

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

We believe that there is substantial doubt about our ability to continue as a going concern

We have never generated net income from our exploration efforts and we have incurred significant net losses in each year since inception. Our accumulated deficit as of December 31, 2016, was \$5,484,806. We expect to continue to incur substantial additional losses for the foreseeable future, and we may never become profitable. Our ability to achieve and maintain profitability and positive cash flow is dependent upon our ability to locate and ultimately extract our proven or probable precious metals reserves, if any, our ability to generate positive net revenues and our ability to reduce our operating costs.

Based upon current plans, we expect to incur operating losses in future periods. This will happen because we will incur exploration costs and do not expect to generate revenue. Continued failure to generate revenues could cause us to go out of business.

Our financial statements, for the year ended December 31, 2016, were audited by our independent registered public accountants, whose report includes an explanatory paragraph stating that the financial statements have been prepared assuming we will continue as a going concern and that we have incurred operating losses since inception that raise substantial doubt about our ability to continue as a going concern.

We believe that there is substantial doubt about our ability to continue as a going concern due to our total accumulated deficit of \$5,484,806 as of December 31, 2016. Our plans for our continuation as a going concern include financing our operations through sales of unregistered common stock and the exercising of stock options by our officers, directors and originators. If we are not successful with our plans, equity holders could then lose all or a substantial portion of their investment.

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

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

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

Our mineral exploration efforts may not be successful.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has recorded \$65,000 of liabilities in Accrued Reclamation cost regarding the South Mountain Mine project. Various laws and permits require that financial assurances be in place for certain environmental and reclamation obligations and other potential liabilities. Once we undertake any trenching or drilling activities, a reclamation bond and a permit will be required under applicable laws. Currently, we have no obligations for financial assurances of any kind, and are unable to undertake any trenching, drilling, or development on any of our properties until we obtain financial assurances pursuant to applicable regulations to cover potential liabilities.

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

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (Section 404), we are required to perform an evaluation of our internal controls over financial reporting. We have prepared an internal plan of action for compliance with the requirements of Section 404, and have completed our effectiveness evaluation. We have reported that our internal controls over financial reporting are ineffective. Continuing compliance with the requirements of Section 404 is

expected to be expensive and time-consuming. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

ITEM 1B - UNRESOLVED STAFF COMMENTS

Not required for smaller reporting companies.

ITEM 2 - DESCRIPTION OF PROPERTIES

The Company, including its subsidiaries, owns rights to claims and properties in the mining areas of Nevada and Idaho, which includes its South Mountain Property in Idaho, and its Trout Creek Property in Nevada.

The Company owns 100% of the outstanding stock of Thunder Mountain Resources, Inc., a Nevada Corporation. Thunder Mountain Resources, Inc. owns 100% of the outstanding stock of South Mountain Mines, Inc. (SMMI), an Idaho Corporation., Inc. Thunder Mountain Resources, Inc. completed the direct purchase of 100% ownership of South Mountain Mines, Inc. on September 27, 2007, which consisted of 17 patented mining claims (approximately 327 acres) located in Owyhee County in southwestern Idaho. Subsequent to the purchase, Thunder Mountain Resources staked 21 unpatented mining claims and obtained mineral leases on 545 acres of adjoining private ranch land.

On November 8, 2012, SMMI and Idaho State Gold Company II LLC (ISGC) formed Owyhee Gold Trust, LLC, (OGT) a limited liability corporation. The name was later changed to Owyhee Gold Territory LLC. As a result of the Settlement of litigation involving the foregoing parties, SMMI is the Manager, and has 75% ownership in the OGT, with ISGC II retaining 25% ownership, capped at \$5 million with no management control. Concurrent with the Settlement, the hard assets were moved out of OGT and into SMMI through industry standard agreements. The

material terms of the Settlement Agreement are as follows: (i) SMMI will manage and retain 75% ownership in the OGT, with ISGC II retaining 25% ownership, which is capped at \$5 million, and no management control for ISGC II; (ii) OGT will be managed by SMMI under a new operating agreement signed by both parties, and will exist as a holding company, with the real property assets (and certain delineated personal property) taken out and advanced by SMMI under an industry standard Mining Lease with Option to Purchase Agreement; (iii) OGT will retain a capped five-million dollar (\$5,000,000) Net Returns Royalty, paid quarterly at 5% of the net profits of the project when it begins producing, which is credited to ISGC II; (iv) there is also a \$5,000 per year lease payment due to OGT. The lease purchase option is triggered, and ISGC II's 25% interest in OGT sunsets, upon the payment of \$5,000,000 to OGT.

The land package at South Mountain consists of a total of approximately 1,518 acres, consisting of (i) 17 patented claims (326 acres) and 360 acres of private land; (ii) lease on private ranch land (542 acres); and, (iii) 21 unpatented lode mining claims on BLM managed land (290 acres). All holdings are located in the South Mountain Mining District, Owyhee County, Idaho.

The Company's plan of operation for the next twelve months, subject to business conditions, will be to continue to advance the South Mountain Project, including continued baseline environmental and engineering work necessary to complete the Feasibility Study, and work on the Trout Creek Project, with the following work planned:

o

Prepare to drill a pre-defined drill target on that were previously identified with Newmont Mining.

o

Analyze the drill data, and prepare for further exploration in the 2016/2017 seasons.

o

Continue geophysical interpretation of the valley area. Define potential drill targets and develop additional drill targets for remaining field season in 2017 and beyond, depending upon the results.

South Mountain Project, Owyhee County, Idaho

The land package at South Mountain consists of a total of approximately 1,518 acres, consisting of (i) 17 patented claims (326 acres) and 360 acres of private land; (ii) lease on private ranch land (542 acres); and, (iii) 21 unpatented lode mining claims on BLM managed land (290 acres). 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 from the Boise area 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 historic mine site. The last 4 miles up the South Mountain Mine road are unimproved 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. 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.

Property History

The limited historic production peaked during World War II when, based 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.

Metal	Grade	Total Metal
Gold	0.058 opt	3,120 oz
Silver	10.6 opt	566,440 oz
Copper	1.4%	1,485,200 lbs
Lead	2.4%	2,562,300 lbs
Zinc	14.5%	15,593,100 lbs

Crude Ore Shipments: 1941-1953 Total Tons: 53,653

South Mountain Mines Inc. 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 down-dip 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 South Mountain Mines Inc. completed 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, 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's calculations provided a potential resource number that is consistent with South Mountain Mines (Bowes 1985) reserve model.

Late in 2009, the Company contracted with Northwestern Groundwater & Geology to incorporate all the new drill and sampling data into an NI 43-101 Technical Report. This report was completed as part of the Company's dual listing on the TSX Venture Exchange in 2010. The NI 43-101 can be reviewed on the Company's website at www.thundermountaingold.com, or on www.SEDAR.com.

Qualified Person Edward D. Fields is the Qualified Person as defined by National Instrument 43-101 responsible for the technical data reported in this news release.

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 Project, Lander County, Nevada

The Trout Creek gold exploration project is a pediment target located along the western flank of the Shoshone Mountain Range in the Reese River Valley in Lander County, Nevada. The claim package consists of 78 unpatented mining claims (approximately 1560 acres) that are situated along a recognizable structural zone in the Eureka-Battle Mountain mineralized gold trend. Thunder Mountain had a joint venture agreement with Newmont Mining on some of their adjoining mineral rights sections, but on October 27, 2016 the Company terminated the exploration agreement with Newmont Mining Corporation in order to concentrate their efforts on the South Mountain Project. The Company retained the 78 claim package by paying annual fees to BLM of \$3,255 and Lander County \$940 fees.

The Project 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. The project is generally accessible year round and there are no improvements on the property.

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 generally 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.

An extensive data package on the area was made available by Newmont to Thunder Mountain Gold during the joint venture period (2011-2016) that significantly enhanced the target area. This, along with fieldwork consisting of mapping and sampling the altered and mineralized structures that can be followed through the Shoshone Range. Of importance is that these structures align with the Cortez-Pipeline deposits and the Phoenix deposit (part of the Eureka-Battle Mountain-Getchell Trend).

In addition to the geologic fieldwork, Wright Geophysics conducted a ground gravity survey and CSMAT over the pediment target area and this provided insight into the gravel-bedrock contact as well as defining the favorable structural setting within the buried bedrock. An untested drill target was identified under the gravel pediment along these structures, and the geophysics showed that the bedrock was within a reasonable depth for exploration drilling and potential mining if a significant mineralization is encountered.

The Company hopes to conduct further exploration in the future on this attractive pediment target.

Name of Claim	Lander Co. Doc. No.	BLM NMC No.
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
TC-56	0248732	965707
TC-57	0248733	965708
TC-58	0248734	965709

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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

Name of Claim	Lander Co. Doc. No.	BLM NMC No.
TC-73	0251590	988960
TC-74	0251591	988961
TC-76	0251593	988963
TC-77	0251594	988964
TC-78	0251595	988965
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 Company anticipates that funding will be available during the 2017 season and one or two reverse circulation holes can test the bedrock beneath the gravel along the mineralized structures.

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.

Competition

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

Employees

At December 31, 2016, SMMI has accrued payroll of \$568,500. These salaries were earned in accordance with the OGT LLC operating agreement and have been recorded on SMMI's books. OGT Management includes SMMI's Eric Jones, Jim Collord, and Larry Thackery as CFO. These salaries will continue to be deferred until a later date.

ITEM 3 - LEGAL PROCEEDINGS

The Company was named in a Complaint filed in Ada County District Court, State of Idaho, styled *Idaho State Gold Co. II, LLC, an Idaho limited liability company; and, Owyhee Gold Territory, LLC, an Idaho limited liability company v. Thunder Mountain Gold, Inc. a Nevada corporation, et al.*, Case No. CV OC 1510506 (the Lawsuit). The Complaint also named as defendants South Mountain Mines, Inc. and Thunder Mountain Resources, both of which are Nevada corporations, wholly-owned by THMG.

On November 4, 2016, the Company entered into a Settlement Agreement with *Idaho State Gold Co. II (ISGC II or ISGC), LLC, an Idaho limited liability company; and, Owyhee Gold Territory, LLC (OGT), an Idaho limited liability company*. The material terms of the Settlement Agreement were as follows: (i) SMMI will manage and retain 75% ownership in the OGT, with ISGC II retaining 25% ownership, capped at \$5 million, but no management control; (ii) OGT will be managed by SMMI under a new operating agreement signed by both parties, and will exist as a holding company, with the real assets taken out and advanced by SMMI under an industry standard Mining Lease with Option to Purchase Agreement; (iii) OGT will retain a capped five-million dollar (\$5,000,000) Net Returns Royalty, paid quarterly at 5% of the net profits of the project when it begins producing; (iv) There is also a \$5,000 per year lease payment due to OGT. The lease purchase and ISGC II's 25% interest in OGT sunsets upon the payment of \$5,000,000 to OGT.

On November 4, 2016, a stipulation was filed in Fourth District Court of Idaho dismissing the previously mentioned Lawsuit, together with a release of any and all Claims the Parties may have against each other. The Court dismissed with prejudice the Lawsuit, and the Company has no other litigation pending.

ITEM 4 MINE SAFETY DISCLOSURES

None.

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

Our common stock is traded on the over-the-counter bulletin board (OTCBB) market operated by the Financial Industry Regulatory Authority (FINRA) under the symbol THMG.OB. The OTCBB quotations do not reflect inter-dealer prices, retail mark-ups, commissions or actual transactions.

On September 24, 2010, the Company's common stock also began trading on the TSX Venture Exchange (TSX-V) in Canada and is quoted under the trading symbol THM

The following table illustrates the average high/low price of our common stock for both the OTCBB and TSX-V for the last two (2) fiscal years 2016 and 2015:

PERIOD⁽²⁾	OTCQB (US\$)		TSX-V(Cdn\$)⁽¹⁾	
	HIGH	LOW	HIGH	LOW
2016				
First Quarter	\$ 0.05	\$ 0.05	\$ 0.09	\$ 0.09
Second Quarter	\$ 0.13	\$ 0.13	\$ 0.15	\$ 0.15
Third Quarter	\$ 0.15	\$ 0.15	\$ 0.16	\$ 0.16
Fourth Quarter	\$ 0.08	\$ 0.08	\$ 0.14	\$ 0.14
2015				
First Quarter	\$ 0.07	\$ 0.07	\$ 0.05	\$ 0.05

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Second Quarter	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05
Third Quarter	\$ 0.04	\$ 0.04	\$ 0.11	\$ 0.11
Fourth Quarter	\$ 0.05	\$ 0.05	\$ 0.12	\$ 0.12

At December 31, 2016, the price per share quoted on the OTCQB was \$0.05 and Cdn\$0.12 on the TSX-V.

(1) Our common stock began trading on the TSX-V on September 24, 2010.

(2) Quarters indicate calendar year quarters.

Holders:

As of December 31, 2016 there were approximately 1,548 shareholders of record of the Company's common stock with an unknown number of additional shareholders who hold shares through brokerage firms.

Transfer Agent:

Our independent stock transfer agent in the United States is Computershare Shareholder Services, located at 8742 Lucent Blvd., Suite 225, Highlands Ranch, CO 80129. In Canada, our Agent is Computershare, TORU - Toronto, University Ave, 100 University Ave, 8th Floor, Toronto, ON M5J 2Y1, CANADA

Dividends:

No dividends were paid by the Registrant in 2016 or 2015, and the Company has no plans to pay a dividend in the foreseeable future. Dividends undertaken by the Company are solely at the discretion of the Board of Directors.

Securities Authorized for Issuance under Equity Compensation Plans:

On July 17, 2011, the Company Shareholders approved the Company's Stock Incentive Plan (SIP), and subsequently a grant of 2.0 million options under the SIP to Directors, Executive Officers and other non-employee consultants. These options were unanimously approved for issuance by the Board on August 24, 2010, subject to Shareholder approval of its SIP. The options have a strike price of \$0.27. The option certificates will reflect the actual date of the SIP by shareholders, which was July 17, 2011.

The SIP has a fixed maximum percentage of 10% of the Company's outstanding shares that are eligible for the plan pool, whereby the number of Shares under the SIP increase automatically with increases in the total number of shares. This Evergreen provision permits the reloading of shares that make up the available pool for the SIP, once the options granted have been exercised. The number of shares available for issuance under the SIP automatically increases as the total number of shares outstanding increase, including those shares issued upon exercise of options granted under the SIP, which become re-available for grant subsequent to exercise of option grants. The number of shares subject to the SIP and any outstanding awards under the SIP will be adjusted appropriately by the Board of Directors if the Company's common stock is affected through a reorganization, merger, consolidation, recapitalization, restructuring, reclassification, dividend (other than quarterly cash dividends) or other distribution, stock split, spin-off or sale of substantially all of the Company's assets.

The SIP also has terms and limitations, including without limitation that the exercise price for stock options and stock appreciation rights granted under the SIP must equal the stock's fair market value, based on the closing price per share of common stock, at the time the stock option or stock appreciation right is granted. The SIP is also subject to other limitation including; a limited exception for certain stock options assumed in corporate transactions; stock options and stock appreciation rights granted under the SIP may not be re-priced without shareholder approval; stock-based awards under the SIP are subject to either three-year or one-year minimum vesting requirements, subject to exceptions for death, disability or termination of employment of an employee or upon a change of control; and shareholder approval is required for certain types of amendments to the SIP.

On November 29, 2012 the Board approved a grant of 990,000 options under the SIP to Directors, Executive Officers and other non-employee consultants. Shareholder approval for the award was granted on April 30, 2013. The options immediately vested. Management valued the options as of the date of grant using a Black-Scholes option pricing model resulting in \$89,038 expense being recorded.

On February 6, 2015, the Board approved a grant of one million options under the SIP to Directors, Executive Officers and other non-employees consultants. The options have a strike price of \$0.06. The option certificates will reflect the actual date of the issuance of February 6, 2015. The SIP was approved by shareholder during the January 20, 2015 annual shareholder meeting.

In July 2016, the Company granted 2,525,000 stock options to directors, officers, employees and consultants of the Company and its affiliates to purchase common shares of the Company. The options are exercisable on or before July 20, 2021 at a price of \$0.10 per share. After this grant, the Company has 4,765,000 outstanding stock options that represent 8.7% of the issued and outstanding shares of common stock.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities:

On October 3, 2013, the Board of Directors approved a Private Placement financing of up to 5,000,000 units of the Company (Unit) at a price of \$0.05 per Unit for gross proceeds of up to \$250,000. Each Unit consists of one share of the Company s common stock and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional share of common stock of the Company at a price of \$0.15 for a period of 18 months.

Pursuant to a Selling Agreement, the Selling Agent was entitled to compensation in the following form: (a) a cash commission equal to 10% of the price of the Units sold. At December 31, 2014, \$1,500 in commissions was accrued based on the sale of 300,000 shares; (b) an additional cash commission of 10% of gross proceeds received from the

exercise of Warrants issued as part of such Units or any other equity investment made by investors introduced by the Agent within a 24-month period following closing; and (c) non-transferable broker warrants to purchase a number of additional Units equal to 5% of Units sold by the Agent in the initial offering. The Agent Warrants will have the same exercise price and otherwise be on the same terms as the Warrants. At December 31, 2014, 15,000 agent warrants were issued.

As of December 31, 2014, the Company received \$460,000 in gross proceeds from the Private Placement, issuing a total 9,240,000 in common stock and 4,620,000 warrants.

On December 1, 2013, the Company converted a note payable to Rolf Hess in the amount of \$20,000 for a total of 400,000 shares of common stock and 200,000 warrants.

On February 28, 2015, the Company entered into a subscription agreement with two individuals whereby the Company sold 4,000,000 shares at US \$0.05 per share. There were no warrants associated with the subscriptions. As of March 15, 2015, the Company has issued the 4,000,000 shares under this agreement, and the placement is closed.

On January 18, 2016, Thunder Mountain Gold, Inc. initiated a private offering to sell, in the aggregate, 6,700,000 shares of common stock. There was no minimum offering. The minimum individual subscription was \$25,000 for non-insiders. Participation was limited to six people, most of whom were officers and directors, and two accredited investors. There was no placement agent fee paid in the offering, and no accountable or unaccountable expense allowance. The closing date for the financing was January 22, 2016, and the Company received \$335,000 in total proceeds.

Purchases of Equity Securities by the Company and Affiliated Purchasers

During the fiscal year ended December 31, 2016, the Company had no purchases of common stock. However, several insiders purchased shares as affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common stock, the only class of our equity securities registered pursuant to section 12 of the Exchange Act.

ITEM 6 - SELECTED FINANCIAL DATA

Not required for smaller reporting companies.

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

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

Plan of Operation:

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.

The Company's financial position remained unchanged during the year of 2016, as metals commodity markets have improved dramatically during 2016. Equity markets may strengthen periodically in response to favorable price movements in certain metals during 2017, providing some companies with the opportunity to take advantage of short periods of positive sentiment in the market. However, until metal price momentum across the board becomes bullish, equity financing in the mining industry will remain challenging. Analyst estimates for the remainder of 2017 are for stabilizing precious metals markets, and improving prices for zinc.

On March 5, 2017, Mr. Paul Beckman was added to the Board of Directors of the Company. Mr. Beckman is a valued shareholder, and energetic supporter of the Company.

Due to Failures and defaults regarding of ISGC II's management of the South Mountain Project, SMMI was officially inserted as Manager of the OGT LLC by Court Order, ratified on March 1, 2016. On November 4, 2016, the Company entered a Settlement Agreement between ISGC II and, SMMI. This Settlement was judicially-ratified on November 9, 2016. These developments have been previously filed and reported to the Securities Exchange Commission on November 14, 2016, per the Company's 8K.

The material terms of the Settlement Agreement are as follows: (i) SMMI will manage and retain 75% ownership in the OGT, with ISGC II retaining 25% ownership, capped at \$5 million, but no management control; (ii) OGT will be managed by SMMI under a new operating agreement signed by both parties, and will exist as a holding company, with the real property assets (and certain delineated personal property) taken out and advanced by SMMI.

The Company continued to operate on a limited budget during 2016 while funding the maintenance of the South Mountain Project during which additional financing is being sought for the Project. The Company's plan of operation for the next twelve months, subject to business conditions, will be to continue to develop the South Mountain Project and complete an industry standard Feasibility Study.

Work on the Trout Creek Project will continue in 2017, although the South Mountain Project will still remain the focus. At the Trout Creek Project, the following is planned:

.

Drill pre-defined drill targets that were established during the Joint Exploration Agreement with Newmont Mining.

.

Analyze the drill data, and prepare for further exploration in the 2017/2018 season.

.

Continue geophysical interpretation of the valley area. Define and develop additional drill targets for remaining field season of 2017.

Results of Operations:

As part of this Settlement Agreement there is a \$5,000 per year lease payment due to OGT. The Company had no revenues and no production for 2016 or 2015. Total expenses for 2016 increased from the prior year by \$142,599, up 16.15% in total expenses of \$1,025,832. Exploration expenses for the year ended December 31, 2016, increased by \$32,252, when compared to year end 2015. Legal and accounting decreased from 2015 by the amount of \$26,016 for a total of legal and accounting expenses of \$316,966. Management and administrative expense increased \$121,316 or 32.44%, for a total expense of \$495,292.

The increase of \$85,315 in total expenses is due to the grant of 2,525,000 stock options to purchase shares of common stock under the Stock Incentive Program (SIP) to Directors, Executive Officers and other non-employees consultants. This resulted in a \$175,199 expense to Management and administrative.

On November 6, 2016, the Company entered a Settlement Agreement between ISGC II and, SMMI, regarding the Owyhee Gold Territory LLC (OGT). Under the terms of this agreement equipment assets were transferred to SMMI resulting in the Company recognizing two months of depreciation of \$15,047 for the year ending December 31, 2016. The increase in expenses is due to ongoing maintenance with the South Mountain Mine project. During 2015 and through the settlement date (November, 6, 2016), the Company managed the South Mountain mineral interests and recognized expenses as Company expenses. For the year ending December 31, 2016 and 2015, the Company incurred expenses of \$637,075 and \$693,592, respectively, relating to the South Mountain Project.

Liquidity and Capital Resources:

The consolidated financial statements for the period ending December 31, 2016, disclose a going concern qualification to our ability to continue in business. The consolidated financial statements for the period then ended have been prepared under the assumption that we will continue as a going concern. Such assumption contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the consolidated financial statements for the period ended December 31, 2016, we did not have sufficient cash reserves to cover normal operating expenditures for the following 12 months. These factors raise substantial doubt about our ability to continue

as a going concern. The consolidated financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern.

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

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

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

.

At March 7, 2017, we had \$32,991 cash in our bank accounts.

.

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

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

For the period ended December 31, 2016, net cash used for operating activities was \$555,459, consisting of net loss of \$1,038,317 for the period ended December 31, 2016, reduced by non-cash expenses and net cash provided by changes in current assets and current liabilities. Cash provided by financing activities for period ended December 31, 2016 totaled \$651,500

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

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

Private Placement

On February 28, 2015, the Company entered into a subscription agreement with two individuals whereby the company sold 4,000,000 shares, at US\$0.05 per share. There were no warrants associated with the subscriptions. As of March 15, 2015, the Company has issued the 4,000,000 shares under this agreement, and the placement is closed.

On January 18, 2016, Thunder Mountain Gold, Inc. initiated a private offering to purchase, in the aggregate, 6,700,000 shares of common stock. There was no minimum offering. The minimum individual subscription was \$25,000 for non-insiders. Participation was limited to six people, most of whom were officers and directors, and two accredited investors. There was no placement agent fee paid in the offering, and no accountable or unaccountable expense

allowance. The closing date for the financing was January 22, 2016, and the Company received \$285,000 in cash proceeds and \$50,000 as a reduction of related party notes payable.

The offering was believed exempt from registration pursuant to the exemption for transactions by an issuer not involving any public offering under Section 4(6) the Securities Act of 1933, as amended. The securities offered, sold, and issued in connection with the private placement have not been or are not registered under the Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States absent registration with the Securities and Exchange Commission or an applicable exemption from the registration requirements.

Subsequent Events

On March 21, 2017, the Board of Directors Compensation Committee awarded three Directors with Stock Options in accordance with the Company's Stock Incentive Plan. 400,000 options were issued to two Directors at \$0.09 per share, and 200,000 options were issued to another Director at \$0.10 per share.

Off Balance-Sheet Arrangements:

During the 12 months ended December 31, 2016 and 2015, the Company had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Contractual Obligations

During 2008 and 2009, three lease arrangements were made with land owners that own land parcels adjacent to the Company's South Mountain patented and unpatented mining claims. The leases were for a seven-year period, with options to renew, with annual payments (based on \$20 per acre) listed in the following table. The leases have no work requirements.

Contractual obligations

Payments due by period

	Total*	Less than 1 year	2-3 years	4-5 years	More than 5 years
Acree Lease (yearly, June)(1)	\$27,120	\$3,390	\$6,780	\$6,780	\$10,170
Lowry Lease (yearly, October)(1)(2)	\$90,240	\$11,280	\$22,560	\$22,560	\$33,840
Herman Lease (yearly, April) (1)	\$ 15,120	\$1,680	\$3,360	\$3,360	\$6,720
OGT LLC ⁽³⁾	\$50,000	\$5,000	\$10,000	\$10,000	\$25,000
Total	\$182,480	\$21,350	\$42,700	\$42,700	\$75,730

(1)

Amounts shown are for the lease periods years 4 through 7, a total of 1 years that remains after 2013, the second year of the lease period. Lease was extended an additional 10 years at \$30/acre.

(2)

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

(3) OGT LLC, managed by the Companies wholly-owned subsidiary SMMI, receives a \$5,000 per year payment for up to 10 years, or until a \$5 million capped NPI Royalty is paid.

Critical Accounting Policies

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

a)

Estimates. Our management routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increase, these judgments become even more subjective and complex. Although we believe that

our estimates and assumptions are reasonable, actual results may differ significantly from these estimates. Changes in estimates and assumptions based upon actual results may have a material impact on our results of operation and/or financial condition.

b)

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

c)

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

d)

Investments. In a joint venture where the Company holds more than 50% of the voting interest and has significant influence, the joint venture is consolidated with the presentation of non-controlling interest. In determining whether significant influences exist, the Company considers its participation in policy-making decisions and its representation on the venture's management committee.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Thunder Mountain Gold, Inc.

We have audited the accompanying consolidated balance sheets of Thunder Mountain Gold, Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Thunder Mountain Gold, Inc. as of December 31, 2016 and 2015, and the results of its consolidated operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has incurred substantial losses, has no recurring source of revenue, and has an accumulated deficit at December 31, 2016. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

DeCoria, Maichel & Teague, P.S.

Spokane, Washington

March 23, 2017

Thunder Mountain Gold, Inc.
Consolidated Balance Sheets

December 31, 2016 and December 31, 2015

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 108,184	\$ 12,143
Prepaid expenses and other assets	33,903	27,556
Total current assets	142,087	39,699
Property and Equipment:		
Land	280,333	-
Equipment, net of accumulated depreciation of \$15,047	218,918	-
Total property and equipment	499,251	-
Investment in Owyhee Gold Trust LLC (Note 3)		479,477
Mineral interests (Note 3)	479,477	-
Total assets	\$ 1,120,815	\$ 519,176
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 86,813	\$ 178,786
Accrued related party liability (Note 5)	181,313	123,038
Accrued interest payable to related parties (Note 4)	17,723	-
Deferred payroll (Note 3)	568,500	274,000
Related party notes payable (Note 4)	126,576	171,076
Total current liabilities	980,925	746,900
Accrued reclamation costs (Note 3)	65,000	
Total liabilities	1,045,925	746,900
Commitments and Contingencies (Notes 2, 3 and 9)		
Stockholders' equity (deficit):		
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	54,681	44,168

authorized, 54,680,579 and 44,167,549, respectively
shares issued

and outstanding		
Additional paid-in capital	5,350,513	4,193,797
Less: 11,700 shares of treasury stock, at cost	(24,200)	(24,200)
Accumulated deficit	(5,484,806)	(4,441,489)
Total Thunder Mountain Gold, Inc stockholders' equity (deficit)	(103,812)	(227,724)
Noncontrolling interest in Owyhee Gold Trust (Note 3)	178,702	-
Total stockholders' equity (deficit)	74,890	(227,724)
Total liabilities and stockholders' equity (deficit)	\$ 1,120,815	\$ 519,176

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

Thunder Mountain Gold, Inc.**Consolidated Statements of Operations**

	Years Ended December 31,	
	2016	2015
Operating expenses:		
Exploration	\$ 198,527	\$ 166,275
Legal and accounting	316,966	342,982
Management and administrative	495,292	373,976
Depreciation	15,047	-
Total operating expenses	1,025,832	883,233
Other income (expense):		
Interest expense, related parties	(17,723)	(71,337)
Loss on modification of debt (Note 5)	-	(68,726)
Foreign exchange gain	5,238	5,661
Total other income (expense)	(12,485)	(134,402)
Net Loss	(1,038,317)	(1,017,635)
Net Income noncontrolling interest in Owyhee Gold Trust	5,000	-
Net Loss Thunder Mountain Gold, Inc.	\$ (1,043,317)	\$ (1,017,635)
Net Loss per common share-basic and diluted	\$ (0.02)	\$ (0.02)
Weighted average common shares outstanding-basic and diluted	51,375,312	43,488,097

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

Thunder Mountain Gold, Inc.
Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2016	2015
Cash flows from operating activities:		
Net loss	\$ (1,038,317)	\$ (1,017,635)
Adjustments to reconcile net loss to net cash used by		
operating activities:		
Depreciation	15,047	
Loss on modification of debt	-	68,726
Stock options issued for services	175,199	60,000
Amortization of related party notes payable discount	-	11,565
Change in:		
Prepaid expenses and other assets	(6,347)	(11,630)
Accounts payable and other accrued liabilities	(71,539)	164,627
Accrued related party liability	58,275	123,038
Accrued interest payable to related parties	17,723	-
Deferred payroll	294,500	274,000
Net cash used by operating activities	(555,459)	(327,309)
Cash flows from financing activities:		
Proceeds from sale of common stock	285,000	200,000
Received on stock subscription	-	50,000
Proceeds from common stock from exercise of warrants	359,000	
Borrowing on related parties notes payable	25,000	57,460
Payments on related parties notes payable	(17,500)	-
Net cash provided by financing activities	651,500	307,460
Net increase (decrease) in cash and cash equivalents	96,041	(19,849)
Cash and cash equivalents, beginning of year	12,143	31,992
Cash and cash equivalents, end of year	\$ 108,184	\$ 12,143
Noncash financing and investing activities:		
Accrued interest payable converted to related parties notes payable	\$ -	\$ 63,616
Common stock issued for settlement of accounts payable	20,434	
	52,000	

Common stock issued for payment of related parties notes payable	
Net assets acquired in Owyhee Gold Trust settlement (Note 3)	449,298

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

Thunder Mountain Gold, Inc.
Consolidated Statements of Changes in
Stockholders Equity (Deficit)

*For the years ended December 31,
2016 and 2015*

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Stock Subscription Receivable	Accumulated Deficit	Non-Controlling Interest in OGT	Total
Balances at December 31, 2014	44,167,549	\$ 40,168	\$ 3,869,071	\$(24,200)	\$ (50,000)	\$(3,423,854)		\$ 411,185
Received on stock subscription					50,000			50,000
Sale of shares of common stock	4,000,000	4,000	196,000					200,000
Stock options issued for services			60,000					60,000
Conversion option associated with debt modification			68,726					68,726
Net loss						(1,017,635)		(1,017,635)
Balances at December 31, 2015	44,167,549	44,168	4,193,797	(24,200)	-	(4,441,489)		(227,724)
Sale of shares of common stock	9,290,000	9,290	634,710					644,000
Common stock issued for payments on related parties notes payable	1,020,000 203,030	1,020 203	50,980 20,231					52,000 20,434

Common stock issued for payments on accounts payable					
Stock options issued for services		175,199			175,199
Net assets acquired in Owyhee Gold Trust settlement (Note 3)		275,596		\$ 173,702	449,298
Net income (loss)			(1,043,317)	5,000	(1,038,317)
Balances at December 31, 2016	54,680,579	\$ 54,681	\$ 5,350,513	\$(24,200)	\$ (5,484,806)
				\$ 178,702	\$ 74,890

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 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 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 is an exploration stage company and has historically incurred losses and does not have sufficient cash at December 31, 2016 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.

Reclassifications

Certain reclassifications have been made to conform prior year's data to the current presentation. These reclassifications have no effect on previously reported operations, stockholders' equity (deficit) or cash flows.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company; its wholly owned subsidiaries, Thunder Mountain Resources, Inc. and South Mountain Mines, Inc.; and, effective November 6, 2016, a company in which the Company has majority control, Owyhee Gold Trust, LLC (OGT). Intercompany accounts are eliminated in consolidation.

The Company has established 75% ownership and full management of OGT. Thus, OGT's financial information is included 100% in the Company's consolidated financial statements as of December 31, 2016. The Company's consolidated financial statements reflect the other investor's 25% non-controlling, capped interest in OGT. Due to the status of the Company's investment both before and after the Settlement Agreement, management determined that the settlement should be accounted for as a transaction between companies under common control. See Note 3 for further information.

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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, stock based compensation and the fair value of financial and derivative instruments. 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.

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.

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.

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. The Company has no financial assets or liabilities that are adjusted to fair value on a recurring basis.

Financial Instruments

The Company's financial instruments include cash and cash equivalents and related party notes payable the carrying value of which approximates fair value based on the nature of those instruments.

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 on the basis of periodic estimates of ore reserves. Mineral properties are periodically assessed for impairment of value and any subsequent losses are charged to operations at the time of impairment. If a property is abandoned or sold, its capitalized costs are charged to operations.

Investments in Joint Venture

The Company's accounting policy for joint ventures is as follows:

1.

The Company uses the cost method when it does not have joint control or significant influence in a joint venture. Under the cost method, these investments are carried at cost. If other than temporary impairment in value is determined, it would then be charged to current net income or loss.

2.

If the Company enters into a joint venture in which there is joint control between the parties or the Company has significant influence, the equity method is utilized whereby the Company's share of the ventures' earnings and losses is included in the statement of operations as earnings in joint ventures and its investments therein are adjusted by a similar amount. If other than temporary impairment in value is determined, it would then be charged to current net income or loss.

3.

In a joint venture where the Company holds more than 50% of the voting interest and has significant influence, the joint venture is typically consolidated with the presentation of non-controlling interest. In determining whether significant influences exist, the Company considers its participation in policy-making decisions and its representation on the venture's management committee. See Note 3 regarding the Company's accounting for its investment in Owyhee Gold Trust, LLC,

Reclamation and Remediation

The Company's operations have been, and are subject to, standards for mine reclamation that have been established by various governmental agencies. The Company 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.

After the initial measurement of the asset retirement obligation, the liability is adjusted at the end of each reporting period to reflect changes in the estimated future cash flows underlying the obligation.

Determination of any amounts recognized upon adoption is based upon numerous estimates and assumptions, including future retirement costs, future inflation rates and the credit-adjusted risk-free interest rates.

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

Share-Based Compensation

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

Recent Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2015-17 Income Taxes - Balance Sheet Classification of Deferred Taxes (Topic 740). The update is designed to reduce complexity of reporting deferred income tax liabilities and assets into current and non-current amounts in a statement of financial position. ASU No. 2015-17 requires the presentation of deferred income taxes, changes to deferred tax liabilities and assets be classified as non-current in the statement of financial position. The update is effective for fiscal years beginning after December 15, 2016. The Company is currently evaluating the impact of implementing this update on the consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09 Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The update simplifies the accounting for stock-based compensation, including income tax consequences and balance sheet and cash flow statement classification of awards. The update is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the impact of implementing this update on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The update provides guidance on classification for cash receipts and payments related to eight specific issues. The update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of implementing this update on the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01 Business Combinations (Topic 805): Clarifying the Definition of a Business. The update clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company will apply the provisions of the update to potential future acquisitions occurring after the effective date.

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 consolidated financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its financial condition, results of operations, cash flows or disclosures.

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 options and warrants to purchase the Company's common stock. As of December, 2016 and 2015, 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 year ended December 31,</u>	2016	2015
Stock options	4,515,000	3,990,000
Warrants	-	4,365,000
Total possible dilution	4,515,000	8,355,000

2.

Commitments

During 2008 and 2009, three lease arrangements were made with land owners that own land parcels adjacent to the Company's South Mountain patented and unpatented mining claims. The leases were originally for a seven-year period, with annual payments based on \$20 per acre. The leases were renewed for an additional 10 years at \$30 per acre paid annually, these payments are listed in the table below. The lease payments have no work requirements.

	Annual Payment
Acree Lease (yearly, June)	\$ 3,390
Lowry Lease (yearly, October)	11,280
Herman Lease (yearly, April)	1,680
Total	\$16,350

On March 21, 2011, the Company signed an exploration agreement with Newmont Mining Corporation (Newmont) 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 South Mountain 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.

On October 1, 2015, the Company signed an Amendment with Newmont USA Limited that modifies and extends the original Trout Creek Joint Exploration Agreement. The extension allows the Company modified work commitments on the project reducing the annual amount to \$150,000 of work obligations by October 31, 2016.

On October 27, 2016, the Company decided to terminate the exploration agreement with Newmont in order to concentrate on the Company's finances. The Company still retains 78 unpatented claims (1,600 acres) in Trout Creek of the target area. The Company pays annual fees to BLM of \$3,255 and Lander County \$940 fees in maintaining the project.

See Note 3 regarding royalty requirements for the South Mountain Project.

3.

South Mountain Project

On November 8, 2012, the Company, through its wholly-owned subsidiary South Mountain Mines, Inc., (SMMI), and Idaho State Gold Company II, LLC (ISGC II) formed the Owyhee Gold Trust, LLC, (OGT) a limited liability company. The Company's initial contribution in accordance with the Operating Agreement, was the non-cash contribution of its South Mountain Mine property and related mining claims located in southwestern Idaho in Owyhee County which had a carrying value of \$479,477 at the date of contribution, but for purposes of the Operating Agreement, valued at \$6.725 Million. As its initial contribution to OGT, ISGC II agreed to fund operations totaling \$18 million; or \$8 million if the Company exercises its option to participate pro-rata after ISGC II expends \$8 million and completes work commitments including a Feasibility Study, and a certain amount of required underground core drilling. ISGC II was the initial manager of OGT LLC. Upon payment of \$1 million, and a work commitment of \$2 million in pre-determined qualifying expenditures not later than December 31, 2014, ISGC II was to receive 2,000 units representing a vested 25% ownership. As of December 31, 2014, none of those ownership units were issued to ISGC II.

In 2015 and through November 2016, disagreements between SMMI and ISGC II resulted in litigation about the status of OGT. In November 2016, the parties entered into a Settlement Agreement and Release (Settlement Agreement) with the following key terms:

.
SMMI and ISGC II have 75% and 25% ownership, respectively, in the OGT;

.
Equipment owned by OGT was transferred to SMMI and ISGC II based upon an agreed-upon equipment schedule;

.
OGT retained the South Mountain mineral interests and land;

.
Under a new OGT operating agreement, SMMI is the sole manager and all expenses for exploration of the property are to be paid by SMMI;

SMMI and OGT also entered into a separate Mining Lease with Option to Purchase (Lease Option) under which SMMI has an option to purchase the South Mountain mineral interest for a capped \$5 million less royalties paid through the date of exercise. The option expires in November 2026. If SMMI exercises the option, the option payment \$5 million less advance royalties will be distributed 100% to ISGC II.

The Lease Option requires SMMI to pay OGT an annual advanced royalty of \$5,000. Once in production, SMMI will pay OGT 5% of net smelter returns. Upon exercise of the option, all royalty payments terminate. The royalty payments received by OGT from SMMI are to be distributed 100% to ISGC II. SMMI will not share the royalty income.

The OGT operating agreement provides that during the lease period when the aggregate amount of distributions to ISGC II for royalties and capped option payment equals \$5,000,000, ISGC II s membership interest in OGT is to be completely and fully liquidated.

Prior to 2015, the Company accounted for its investment in OGT using the cost method because it did not have significant influence over OGT s management and operations. Its investment had a carrying value of \$479,477 which represented the carrying value of the South Mountain mineral interests that the Company contributed as its initial investment in OGT in 2012.

During 2015 and through the settlement date (November, 6, 2016), the Company managed the South Mountain mineral interests and recognized expenses as Company expenses. For the year ending December 31, 2016 and 2015, the Company incurred expenses of \$637,075 and \$693,592, respectively, relating to the South Mountain project. Included in these amounts are compensation expense for services performed relating to the operation of OGT was \$294,500 and \$274,000 in 2016 and 2015, respectively. The compensation was earned by three of the Company s officers whose balances at December 31, 2016 are as follows: Eric Jones, President and Chief Executive Officer - \$230,000 (2015 - \$110,000), James Collord, Vice President and Chief Operating Officer - \$230,000 (2015 - \$110,000), and Larry Thackery, Chief Financial Officer - \$108,500 (2015 - \$54,000).

With the Settlement Agreement signed on November 6, 2016, the Company has established 75% ownership and full management of the property. Thus, OGT s financial information is included 100% in the Company s consolidated financial statements as of December 31, 2016. The Company s consolidated financial statements reflect ISGC II s 25% non-controlling, and capped interest in OGT.

Due to the status of the Company's investment both before and after the Settlement Agreement, management determined that the settlement should be accounted for as a transaction between companies under common control.

As a result, the assets of OGT have been recognized in the consolidated financial statements at their net book value.

For accounting purposes, OGT was not considered to be a business at the time of settlement thus prior period financial statements have not been recast to consolidate OGT.

On the date of the settlement, OGT assets included land, mineral interests, and equipment. Upon gaining control, the original carrying value of the mineral interests of \$479,477 before the establishment of OGT in 2012 was deemed to be OGT's carrying value in accordance with accounting guidance. The equipment had a net book value of \$601,040 of which \$233,965 was transferred to SMMI and the remainder was transferred to ISGC II under the terms of the settlement agreement. Thus OGT had no equipment on the settlement date. Management identified future reclamation costs at the South Mountain site of \$65,000 as part of OGT's net assets on settlement date.

The carrying value of OGT's net assets consisted of the following on the settlement date after the transfer of equipment:

	Net Asset Value on Settlement Date	SMMI at 75%	ISGC II at 25%
Land	\$ 280,333	\$ 210,250	\$ 70,083
Mineral Interest	479,477	359,608	119,869
Accrued Reclamation	(65,000)	(48,750)	(16,250)
Net Assets	694,810	521,108	173,702
OGT equipment transferred to SMMI	233,965	233,965	
Investment in OGT eliminated in consolidation with OGT	(479,477)	(479,477)	
	\$ 449,298	\$ 275,596	\$ 173,702

The total net asset value of \$449,298 was recognized as an increase in additional paid in capital.

4. Property and Equipment

The Company's property and equipment at December 31, 2016 are as follows:

Vehicles	\$	22,441
Buildings		65,072
Construction Equipment		87,806
Mining Equipment		58,646
		233,965
Accumulated Depreciation		(15,047)
		218,918
Land		280,333
Total Property and Equipment	\$	499,251

The Company had no property and equipment at December 31, 2015. The increase in property in 2016 is due to the OGT settlement (See Note 3).

5. Related Parties Notes Payable

On December 9, 2014, the Company executed two promissory notes payable to directors, Eric Jones and Jim Collord. The amount of the notes was \$25,000 each for a total of \$50,000, and identical in terms. The interest rate on these notes is 10% per month of the principal balance. The notes were due in full no later than July 1, 2015 and had a minimum amount due of 5 months of interest if the notes are paid back earlier.

The original notes were convertible and contained a beneficial conversion feature of \$13,492 which was recognized as a discount on the notes on the date of issuance. The discount was amortized over the note term using the straight-line method, which approximates the effective interest method. For the year ended December 31, 2015, the Company recorded \$11,565 in interest expense related to the amortization of the discount.

On July 1, 2015, these notes were extended to December 31, 2015. As part of this extension the outstanding interest payable on the notes of \$33,616 was added to the principal balance of \$50,000 resulting in a new outstanding principal balance of \$83,616. The interest charge remained the same, as per the original notes agreement at \$5,000 per month.

The extension contained a conversion feature. The note holders could convert all of the outstanding principal and interest at 75% of the average closing bid price of the Company for the 20 days prior to the notice of conversion. The fair value of the conversion feature using the Black Scholes model was \$68,726. This amount was determined to be substantial under applicable accounting principles requiring the debt amendment to be accounted for as a debt extinguishment. An expense of \$68,726 was recorded to recognize the loss on modification of debt during the year ended December 31, 2015.

During November and December of 2015, Jim Collord and Eric Jones advanced additional funds of \$30,000 and \$27,460 respectively. On December 31, 2015, the due date, these notes were extended to April 11, 2016. In connection with this extension, the accrued interest balances of \$30,000 was added to the principal balances resulting in a new outstanding principal balance of \$171,076. Additionally, the interest rate was changed to 1% per month and the conversion feature was eliminated. These notes were extended to December 31, 2016.

On January 18, 2016, the Company initiated a private offering for an aggregate 6,700,000 shares of common stock. In connection with this offering, Jim Collord and Eric Jones exchanged \$25,000 each of their related notes payables for a total of 1 million shares. On November 15, 2016, Jim Collord exchanged an additional \$2,000 to exercise warrants and received 20,000 shares of common stock.

On July 8, 2016, the Company executed two new promissory notes payable to Eric Jones and Jim Collord. The amount of the notes was \$15,000 and \$10,000, respectively, for a total of \$25,000. The terms of these note are a 2% interest rate accrued per month for a term of two months.

During the year ended December 31, 2016, the Company paid \$17,500 on Mr. Jones' outstanding note balance.

At December 31, 2016, the notes payable balances were \$56,768 and \$69,808 for Mr. Jones and Mr. Collord, respectively. Also at December 31, 2016, accrued interest payable balances were \$8,516 and \$9,207 for Mr. Jones and Mr. Collord,

respectively. These notes originally had a term of two months but were extended to December 31, 2016, and subsequently extended again to December 31, 2017.

6.

Related Party Transactions:

In addition to the related parties notes payable discussed in Note 5, the Company has engaged Baird Hanson LLP (Baird), a company owned by one of the Company's directors, to provide legal services. Legal expenses of \$99,000 and \$123,038 have been incurred for these services during the year ended December 31, 2016 and December 31, 2015, respectively. During 2016 Baird Hanson LLP received payment on account of \$40,725. At December 31, 2016 and December 31, 2015, the amounts due to Baird are \$181,313 and \$123,038, respectively.

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.

During the year ended December 31, 2015, the Company sold 4,000,000 shares at \$0.05 per share for total proceeds of \$200,000. No warrants were issued with the shares.

In January 2016, the Company sold 5,700,000 shares of common stock at a rate of \$0.05 for \$285,000. In addition, Mr. Jones and Mr. Collord exchanged \$50,000 of their notes outstanding (see Note 5) into 1,000,000 shares of common stock at the same rate of \$0.05 per share. There were no warrants issued with the shares.

On May 12, 2016, the Company extended the expiration 4,365,000 outstanding warrants issued during 2014 for an additional six months to November 24, 2016. The Company also reduced the exercise price from \$0.15 to \$0.10.

In 2016, warrant holders exercised 3,590,000 warrants for shares of common stock at a price of \$0.10 per share for proceeds of \$359,000. In addition, warrants for 203,030 shares of common stock were exercised at \$0.10 in exchange for accounts payable balances totaling \$20,434. As disclosed in Note 5, Jim Collard exercised warrants for 20,000 shares of common stock in exchange for a \$2,000 payment towards his note payable balance.

The following is a summary of the Company's outstanding warrants:

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2014	5,015,000	\$ 0.15
Warrants Expired June 2015	(650,000)	
Outstanding at December 31, 2015	4,365,000	0.15
Exercised for cash	(3,590,000)	
Exercised in exchange for accounts payable	(203,030)	
Exercised in exchange for relate party notes payable	(20,000)	
Warrants expired on November 24, 2016	(551,970)	
Outstanding at December 31, 2016	-	\$ -

8.

Stock Options

The Company has established a Stock Option Incentive Plan (SIP) to authorize the granting of stock options up to 10 percent of the total number of issued and outstanding shares of common stock to employees, directors and consultants. Upon exercise of options, shares are issued from the available authorized shares of the Company.

Option awards are generally granted with an exercise price equal to the fair market value of the Company's stock at the date of grant.

In July 2016, the Company granted 2,525,000 stock options to directors, officers, employees and consultants of the Company and its affiliates to purchase common shares of the Company. The options are exercisable on or before July 20, 2021 at a price of \$0.10 per share. After this grant, the Company has 4,765,000 outstanding stock options that represent 8.7% of the issued and outstanding shares of common stock.

On February 6, 2015, the Board approved a grant of one million options to directors, executive officers and other non-employees consultants to purchase common shares of the Company. The granted options were valued and recorded using the Black Scholes model. The Black Scholes calculation on the 1,000,000 options that were issued was a fair value of \$0.06 per option (\$60,000 in total). The SIP was approved by shareholder vote during the January 20, 2015 annual shareholder meeting.

The fair value of the options was determined to be \$175,199 and \$60,000 in 2016 and 2015, respectively, which was recognized as compensation expense upon the grant date because the options were fully vested. The fair value of each option award was estimated using the Black Scholes model on the date of the grant using the following assumptions:

	2016	2015
Stock price	\$ 0.07	\$ 0.06
Exercise price	\$ 0.10	\$ 0.06
Expected volatility	238.9%	230.1%
Expected dividends	-	-
Expected terms (in years)	5.0	5.0
Risk-free rate	1.15%	1.31%

The following is a summary of the Company's options issued under the Stock Option Incentive Plan:

	Shares	Weighted Average Exercise Price
Outstanding and exercisable at December 31, 2014	2,990,000	\$0.20
Granted	1,000,000	0.06
Outstanding and exercisable at December 31, 2015	3,990,000	0.17
Expired	(2,000,000)	(0.27)
Granted	2,525,000	0.10
Outstanding and exercisable at December 31, 2016	4,515,000	\$ 0.08

The average remaining contractual term of the options outstanding and exercisable at December 31, 2016 was 3.50 years. As of December 31, 2016, options outstanding and exercisable had no aggregate intrinsic value.

9.

Income Taxes

The Company did not recognize a tax provision or benefit for the years ended December 31, 2016 and 2015 due to ongoing net losses. At December 31, 2016 and 2015, the Company had net deferred tax assets which were fully reserved by valuation allowances due to the likelihood of expiration of these deferred tax benefits. The net deferred tax assets were calculated based on an expected blended future tax rate of 33.98% for federal and Idaho state purposes. Significant components of net deferred tax assets at December 31, 2016 and 2015 are as follows:

	2016	2015
Deferred tax assets:		
Net operating loss carryforwards	\$ 2,688,000	\$ 2,304,000
Share-based compensation	64,000	185,000
Deferred salaries	216,000	-
Exploration costs	116,800	144,000
	3,084,800	2,633,000
Deferred tax liabilities:		
Investment in OGT LLC	(250,000)	(197,000)
Net deferred tax assets	2,834,800	2,436,000
Less valuation allowance	(2,834,800)	(2,436,000)
Net deferred tax asset	\$ -	\$ -

As of December 31, 2016 and 2015, the Company has approximately \$6.6 million and \$5.9 million, respectively, of federal and state net operating loss carryforwards that expire in 2028 through 2036.

The income tax benefit shown in the financial statements for the years ended December 31, 2016 and 2015 differs from the federal statutory rate as follows:

	2016		2015	
(Provision) benefit at statutory rates	363,400	35.0%	\$ 351,000	35.0%
State taxes	31,200	3.0%	30,000	3.0%
Financing related adjustments			(31,000)	3.1%
Miscellaneous permanent differences	4,200	0.4%	-	
Adjustment to valuation allowance due to expiration of stock options	(187,500)	(18.1)		
Increase in valuation allowance for increase in net operating losses	(211,300)	(20.3)	(350,000)	34.9%
Total	\$ -	- %	\$ -	- %

The Company has analyzed its filing positions in all jurisdictions where it is required to file income tax returns and found no positions that would require a liability for uncertain income tax benefits to be recognized. The Company is subject to possible tax examinations for the years 2013 through 2016. Prior year tax attributes could be adjusted by taxing authorities. If applicable, the Company will deduct interest and penalties as interest expense on the financial statements.

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

During the year ended December 31, 2016, there were no changes in independent audit firms or consulting firms who provide accounting assistance.

During the year ended December 31, 2016, there were no disagreements between the Company and its independent certified public accountants concerning accounting and financial disclosure.

ITEM 9A - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

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

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of its Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting in accordance with accounting principles generally accepted in the United States of America. Management evaluates the effectiveness of the Company's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013). Management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016 and concluded that it is ineffective in assuring that the financial reports of the Company are free from material errors or misstatements.

Management's Remediation Initiatives.

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

The Company has a CFO that is independent from the Board. This CFO initiates and records transactions. The transactions are reviewed and approved by the Company's President and CEO, and also reviewed by the Company's Audit Committee. Yet, the Company clearly recognizes, and continues to recognize, the importance of implementing and maintaining disclosure controls and procedures and internal controls over financial reporting and is working to implement an effective system of controls. Management is currently evaluating avenues for mitigating our internal controls weaknesses, but mitigating controls that are practical and cost effective may not be found based on the size, structure, and future existence of our organization.

Changes in internal controls over financial reporting

During the quarter ended December 31, 2016, 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

ITEM 9B - OTHER INFORMATION

None.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

This section sets forth certain information with respect to the Company's current directors and executive officers, as well as information about appointments subsequent to the fiscal year ended December 31, 2016.

Directors and Executive Officers:

Name	Age	Office with the Company	Appointed to Office
Eric T. Jones	54	President, Chief Executive Officer, Director	Since March, 2006
E. James Collord	70	Vice-President, Chief Operating Officer	Since 1978
Ralph Noyes	69	Director	Since May 2016
Douglas J. Glaspey	64	Director	Since June 2008
Joseph H. Baird	62	Director	Since January, 2014
Larry D. Kornze	66	Director	Since January 2013
James A. Sabala	62	Director	Since October 2016
Larry Thackery	58	CFO	January 2013

Background and experience:

Eric T. Jones has over 25 years of mining, and financial experience, with a B.S. in Geological Engineering from the University of Idaho. Mr. Jones joined the Board of Thunder Mountain Gold in 2006, and the Board appointed him to the position of Secretary/Treasurer in 2007. In February 2008, Mr. Jones joined the management of Thunder Mountain Gold, Inc. as Chief Financial Officer, and Vice President of Investor Relations. In 2011 Mr. Jones was appointed President and Chief Executive Officer. Mr. Jones was General Mine Manager at Dakota Mining's Stibnite Mine gold heap leach operation in central Idaho. He has held management positions for Hecla Mining at their Yellow Pine Mine, Stibnite, Idaho, and Environmental Manager at their Rosebud Mine, Lovelock, Nevada. Prior to working with Hecla, Eric was the mine engineer at the Cactus Gold Mine in southern California, and has worked throughout the western U.S. in both precious metals and oil and gas exploration.

Larry Thackery has a Bachelor's of Science in Accountancy from Weber State University, and over thirty years experience of a progressive accounting/operations career. On January 8, 2013, the Company appointed Larry Thackery as its Chief Financial Officer. Mr. Thackery brings a wide array of experience/knowledge from different industries, including work in retail with Mrs. Fields Cookies and Snug Co, to distribution with Idacold, and manufacturing with Baseline Inc., Nxedge Inc., and Levelution. Mr. Thackery has a background in corporate planning, financial analysis, and financial reporting. He is an experienced accounting controller and operations manager with strong analytical skills, computer experience, and proven successful operations development. Hands on experience with the overall operations process, inventory system, variance reporting, budgeting, and forecasting financial analysis of multimillion-dollar corporations. Mr. Thackery brings knowledge with several ERP, MRP, packages, and statistical analysis. Strong P&L track record with functional management experience developing and managing operating budgets.

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

Douglas J. Glaspey is currently President, Chief Operating Officer and a Director of U.S. Geothermal Inc. Mr. Glaspey has 38 years of operating and management experience with experience in production management, planning and directing resource exploration programs, preparing feasibility studies and environmental permitting. He was Sinter Plant Superintendent for ASARCO at the Glover Lead Smelter in Missouri, Chief Metallurgist at Earth Resources Company at the DeLamar Silver Mine in Idaho, Chief Metallurgist for Asamera Minerals at the Cannon Gold Mine in Washington, Project Manager for Atlanta Gold Corporation at the Atlanta Project in Idaho and Ramrod Gold Corporation in Nevada. He formed and served as an executive officer of several private resources companies in the U.S., including Drumlummon Gold Mines Corporation and Black Diamond Corporation. He founded U.S. Cobalt Inc. in 1998 and took the company public on the TSX Venture Exchange in March 2000. In December 2003, he led a Reverse Take Over and transformed the company to U.S. Geothermal Inc. changing the business from mineral exploration to geothermal development. US Geothermal is now traded on the NYSE MKT exchange. He holds a BS degree in Mineral Processing Engineering and an Associate of Science in Engineering Science.

Larry D. Kornze, B.Sc. joined the Board in January 2013, and is geological engineer with over 45-years experience in the precious metals industry. Mr. Kornze was the General Manager of Exploration and U.S. Exploration Manager for Barrick Gold Corporation (NYSE: ABX) from 1987 to 2001, on projects ranging from the Americas to International projects, including Mexico, Central America, China, Philippines, Myanmar, Ethiopia, Uzbekistan, Kyrgyzstan, Indonesia, Peru, Bolivia, Ecuador, Venezuela, and Dominican Republic. Mr. Kornze directed mine site exploration activities for the Barrick Goldstrike Mine, and the Betze, Meikle, Deepstar, Screamer, and Rodeo deposits. He managed the Betze/Deep Post reserve development drilling and reserve estimation, along with general U.S. exploration. Mr. Kornze was Chief Geologist for Operations and New Projects at Barrick Mercur Gold Mines, Inc. from 1985 - 1986. Prior to working for Barrick, Mr. Kornze was Chief Geologist for Newmont Mines Ltd., Similkameen Division, B.C., and Newmont Mining Corporation (NYSE: NEM) of Canada from 1968 to 1981. Mr. Kornze has a B.Sc. Geological Engineering, Colorado School of Mines, and is a Professional Engineer of the Province of British Columbia. He also serves as a director of other Toronto Stock Exchange Venture listed mining companies.

Joseph H. Baird was appointed as Director on January 9, 2014. Mr. Baird brings over 30 years of mineral law experience to Thunder Mountain Gold. Mr. Baird is currently a partner in the Boise, Idaho law firm of Baird Hanson LLP, which firm has been lead counsel for permitting more mining projects in Idaho than any other law firm. Mr. Baird has provided environmental and mining counsel to a wide variety of New York Stock Exchange, Toronto Stock Exchange and venture capital mineral companies, including base and precious metal production companies, industrial mineral producers, exploration and mineral land management companies. He currently sits on the Board of the American CuMo Mining Corporation, which is advancing the largest un-mined molybdenum deposit in the world in Boise County, Idaho. Mr. Baird was President of the Northwest Mining Association (now the American Exploration & Mining Association) in 2011, which during his tenure, he represented the Mining Industry before the United States Congress regarding U.S. Critical Materials production and Environmental regulation. In 2013, Mr. Baird was awarded the 120-year-old American Exploration & Mining Association highest individual honor, the Life Member Award for lifetime achievement. Mr. Baird's experience includes positions with the Law Departments of American Mining Congress in Washington, D.C., Exxon Minerals Company, USA in Houston, Texas, and Union Pacific Resources in Denver, Colorado. Mr.

Baird was also an Environmental Protection Scientist for the United States Environmental Protection Agency in Washington, D.C. Mr. Baird has been a frequent author of publications on mining and environmental protection over his illustrious career.

Ralph Noyes was appointed as Director on April 10, 2015. Mr. Noyes brings over 40 years of experience in exploration, mine and project management, executive management, junior mining company boards, and including 15 years in investment portfolio management with Salomon Smith Barney, then Wells Fargo Advisors. Ralph has a wealth of operational experience, most notably Manager of Mines and Vice President of Metal Mining with Hecla Mining Company. Ralph oversaw all of Hecla's operating mines in Idaho, Washington, Alaska, Utah, Nevada, and Mexico. Mr. Noyes took a temporary leave from the Company's Board on February 17, 2016 due to a conflict that was brought to his attention by a previous employer. He was reinstated on the Board in May of 2016.

James A. Sabala was appointed as Director on October 27, 2016. Mr. Sabala brings 38 years of financial mining experience, graduated from the University of Idaho with a B.S. Business, Summa Cum Laude in 1978, and currently resides near Coeur d'Alene, Idaho. Prior to his retirement in May, 2016, Mr. Sabala was Senior Vice President and Chief Financial Officer of Hecla Mining Company, a silver, gold, lead and zinc mining company with operations throughout North America and Mexico. Mr. Sabala was appointed Chief Financial Officer in May 2008 and Senior Vice President in March 2008. Prior to his employment with Hecla Mining Company, Mr. Sabala was Executive Vice President Chief Financial Officer of Coeur Mining from 2003 to February 2008. Mr. Sabala also served as Vice President-Chief Financial Officer of Stillwater Mining Company from 1998 to 2002. Mr. Sabala has served as a director of Arch Coal (NYSE:ACI) since February, 2015 and currently serves as a director of Dolly Varden Silver (TSX-V: DV).

Directorships in reporting companies:

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

Significant Employees:

The Company started recognizing accrued salaries in April of 2015 with an ending balance of \$568,500 on December 31, 2016. These deferred costs are for management's annual salaries of SMMI, Eric Jones (Chief Executive Officer) \$110,000, Jim Collord (Chief Operating Officer) \$110,000, and Larry Thackery (Chief Financial Officer) \$72,000. Payment of the salaries has been deferred until a later date.

Family Relationships:

None.

Involvement in Certain Legal Proceedings:

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

Section 16(a) Beneficial Ownership Reporting Compliance:

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers and persons who beneficially owns more than ten percent of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of change in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent shareholders are required by

SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. To our knowledge, no persons failed to file on a timely basis, the identified reports required by Section 16(a) of the Exchange Act during fiscal year ended December 31, 2015.

Audit Committee:

The Company's Board of Directors is responsible for the oversight and management of the Company. On January 28, 2010, an Audit Committee was designated from members of the Board, and consists of Douglas Glaspey and James Sabala as independent members of the committee. In April of 2015, Ralph Noyes became a member of the Board of Directors of the Company, and joined the Audit committee as its Chairman. Mr. Noyes took a temporary leave from the Company's Board on February 17, 2016 for personal reasons. Mr. Noyes was reinstated as the committee chairman in May of 2016.

Compensation Committee:

The Purpose of the Compensation Committee is to conduct an annual review to determine whether the Company's executive compensation program is meeting the goals and objectives set by the Board of Directors. The Compensation Committee recommends for approval by the Board of Directors the compensation for the Chief Executive Officer and directors, including salaries, incentive compensation levels and stock awards, and reviews and approves compensation proposals made for the other executive officers. During Fiscal 2016, The Compensation Committee consists of the following members: Doug Glaspey and Edward Fields. Mr. Glaspey was appointed as Chair of the Compensation Committee. After Mr. Fields stepped off the Board in October 2016, Mr. Noyes joined Mr. Glaspey in an ad hoc role on the Committee. The Board first appointed the Compensation Committee in May of 2012, and met on one occasion in 2016.

Code of Ethics:

The Board of Directors has formally adopted a Code of Ethics in 2010. This Code of Ethics is published on the Company's website.

Indemnification of Directors and Officers:

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

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

ITEM 11 - EXECUTIVE COMPENSATION

On November 29, 2012 the Board approved a grant of 990,000 options under the SIP to Directors, Executive Officers and other non-employee consultants. Shareholder approval for the award was granted on April 30, 2013. The options immediately vested. Management valued the options as of the date of grant using a Black-Scholes option pricing model resulting in \$89,038 expense being recorded.

On February 6, 2015, the Board approved a grant of one million options under the SIP to Directors, Executive Officers and other non-employee consultants. The options have a strike price of \$0.06. The option certificates will reflect the actual date of the issuance of February 6, 2015. The SIP was approved by shareholder during the January 20, 2015 annual shareholder meeting.

In July 2016, the Company granted 2,525,000 stock options to directors, officers, employees and consultants of the Company and its affiliates to purchase common shares of the Company. The options are exercisable on or before July 20, 2021 at a price of \$0.10 per share. After this grant, the Company has 4,765,000 outstanding stock options that represent 8.7% of the issued and outstanding shares of common stock.

Summary Compensation

Compensation to directors also included reimbursement of out-of-pocket expenses that are incurred in connection with the Directors' duties associated with the Company's business. There are currently no other compensation arrangements for the Company's Directors. The following table provides certain summary information for the fiscal year ended December 31, 2016, 2015, 2014 and 2013 concerning compensation awarded to, earned by or paid to our Chief Executive Officer, Chief Financial Officer and three other highest paid executive officers, including the Directors of the Company:

Name and Position	Year	Salary (\$US)	Bonus (\$US)	Stock Awards (\$US)	Option Awards (\$US)	Incentive Plan Compensation (\$US)	Deferred Compensation Earnings (\$US)	All Other Compensation/ Directors Fee (\$US)	Total (\$US)
Jim Collord,	2016	120,000			50,000				\$ 170,000
V.P./COO	2015	110,000			9,000				\$ 119,000
	2013	36,510	-	18,000	-	-	-	-	\$ 54,510
Eric T. Jones	2016	120,000			50,000				

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									\$
									170,000
President/CEO	2015	110,000		9,000					\$
									119,000
	2013	29,966	-	18,000	-	-	-	-	\$
									47,966
Larry Thackery	2016	72,000		30,000					\$
									102,000
CFO	2015	54,000		2,400					\$
									56,400
Doug Glaspey	2016			20,000					\$
									20,000
Director	2015			5,700					\$
									5,700
	2013	-	-	9,000	-	-	-	-	\$
									9,000
Edward Fields	2016			20,000					\$
									20,000
Director	2015			5,700					\$
									5,700
	2013	-	-	9,000	-	-	-	-	\$
									9,000
Larry Kornze	2016			20,000					\$
									20,000
Director	2015			4,800					\$
									4,800
	2013	-	-	9,000	-	-	-	-	\$
									9,000
Joseph Baird	2016			25,000					\$
									25,000
Director	2015	-	-	-	9,000	-	-	-	\$
									9,000
	2014	-	-	9,000	-	-	-	-	\$
									9,000
Ralph Noyes	2016			15,000					\$
									15,000
Director	2015	-	-	-	6,000	-	-	-	\$
									6,000
James A. Sabala	2016	-	-	-	-	-	-	-	\$
Director									0

There are no compensatory plans or arrangements for compensation of any Director in the event of his termination of office, resignation or retirement.

Exercise of Options:

There were no stock options exercised by executives or directors in 2016.

Long-term Incentives:

On July 17, 2011, the shareholders approved a Stock Incentive Plan (the "SIP"). The SIP was again approved by the Shareholders on January 20, 2015. The SIP will be administered by the Compensation Committee or Board of Directors and 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.

The SIP has a fixed maximum percentage of 10% of the Company's outstanding shares that are eligible for the plan pool, whereby the number of Shares under the SIP increase automatically with increases in the total number of shares. This "Evergreen" provision permits the reloading of shares that make up the available pool for the SIP, once the options granted have been exercised. The number of shares available for issuance under the SIP automatically increases as the total number of shares outstanding increase, including those shares issued upon exercise of options granted under the SIP, which become re-available for grant subsequent to exercise of option grants. The number of shares subject to the SIP and any outstanding awards under the SIP will be adjusted appropriately by the Board of Directors if the Company's common stock is affected through a reorganization, merger, consolidation, recapitalization, restructuring, reclassification, dividend (other than quarterly cash dividends) or other distribution, stock split, spin-off or sale of substantially all of the Company's assets.

The SIP also has terms and limitations, including that the exercise price for stock options and stock appreciation rights granted under the SIP must equal the stock's fair market value, based on the closing price per share of common stock, at the time the stock option or stock appreciation right is granted. The SIP is also subject to other limitation including; a limited exception for certain stock options assumed in corporate transactions; stock options and stock appreciation rights granted under the SIP may not be re-priced without shareholder approval; stock-based awards under the SIP are subject to either three-year or one-year minimum vesting requirements, subject to exceptions for death, disability or termination of employment of an employee or upon a change of control; and shareholder approval is required for certain types of amendments to the SIP.

Employment Contracts:

During 2015, there were three paid Company employees - Eric Jones, Jim Collord, and Larry Thackery. They were employed per resolution of the Board and other than a monthly salary, plus normal burden, there are no other contractual understandings in the resolutions. Each is reimbursed for the use of personal office equipment and phones, and Jim and Eric are reimbursed for health insurance and related costs up to a set maximum amount, when the Company is financially able to cover the reimbursements.

2016 Share-Based Payments:

The Thunder Mountain Gold Inc. shareholders granted 2 million options to officers, directors and Advisors in July 2011. Since the shareholders approved the SIP, the Company will recognize stock compensation expense equal to the fair value of the options granted on the date of approval. No retirement benefit, bonus, stock option or other remuneration plans are in effect with respect to the Company's officers and directors.

On November 29, 2012 the Board approved a grant of 990,000 options under the SIP to Directors, Executive Officers and other non-employee consultants. Shareholder approval for the award was granted on April 30, 2013. The options immediately vested. Management valued the options as of the date of grant using a Black-Scholes option pricing model resulting in \$89,038 expense being recorded.

On February 6, 2015, the Board approved a grant of one million options under the SIP to Directors, Executive Officers and other non-employee consultants. The options have a strike price of \$0.06. The option certificates will reflect the actual date of the issuance of February 6, 2015. The SIP was approved by shareholder during the January 20, 2015 annual shareholder meeting.

In July 2016, the Company granted 2,525,000 stock options to directors, officers, employees and consultants of the Company and its affiliates to purchase common shares of the Company. The options are exercisable on or before July 20, 2021 at a price of \$0.10 per share. After this grant, the Company has 4,765,000 outstanding stock options that represent 8.7% of the issued and outstanding shares of common stock.

Employment Contracts and Termination of Employment or Change of Control

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

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

The following table sets forth certain information regarding the beneficial ownership of shares of the Company's common stock as of December 31, 2016, by:

·
the Company's named executive officers;

·
the Company's directors;

·
all of the Company's executive officers and directors as a group; and each person who is known to beneficially own more than 5% of the Company's issued and outstanding shares of common stock.

Name of Shareholder	Amount and Nature of Beneficial Ownership	Percent of Class(1)
---------------------	---	---------------------

Directors and Executive Officers

E. James Collord VP/COO/Dir	2,223,200 ⁽²⁾⁽³⁾	4.07%
Eric T. Jones President/CEO/Dir	3,122,043 ⁽²⁾	5.71%
Edward Fields - Dir	142,393 ⁽²⁾	0.26%
Doug Glaspey - Dir	150,000 ⁽²⁾	0.27%
Larry D. Kornze - Dir	-	-
James A. Sabala - Dir	-	-
Joseph H. Baird - Dir	2,000,000 ⁽²⁾	3.66%
Ralph Noyes - Dir	-	-
Larry Thackery - CFO	150,000 ⁽²⁾	0.27%
All current executive officers and directors as a group	7,787,636	14.24%
5% or greater shareholders not insiders		
Paul Beckman	9,933,645 ⁽⁴⁾⁽⁵⁾	18.17%

(1) Based on 54,680,579 shares of common stock issued and outstanding as of December 31, 2016.

(2) Sole voting and investment power.

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

(4) Includes 4,000,000 shares held in P & F Development, a Private Company.

(5) As of December 31, 2016, Mr. Beckman was considered a 5% or greater shareholder.

As of December 31, 2016, the number of shares of common stock that can be sold by officers, directors, principal shareholders, and others pursuant to Rule 144 was 5,717,636. As a condition to our listing on the TSX-V in 2010, our officers and directors were required to deposit their common stock totaling 4,799,239 shares, into an escrow account with Computershare Investor Services, Inc. Those escrowed shares were subject to the TSX-V's Tier 1 escrow requirement at that time. Those requirements provide for an 18-month escrow release mechanism with 25%

of the escrowed securities being released on September 24, 2010 (the date our common shares commenced trading on the TSX-V), and 25% of the escrowed securities to be released every 6 months thereafter. As of December 31, 2016, all of the escrowed shares have been released back to the officers and directors.

Changes in Control:

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

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Transactions with Management and Others:

During the year ended December 31, 2015, we had the following transactions with related parties:

On December 9, 2014 the Company executed two promissory notes payable to directors, Eric Jones and Jim Collard. The amount of the notes was \$25,000 each for a total of \$50,000, and identical in terms. The interest rate on these notes is 10% per month of the principal balance. The notes were due in full no later than July 1, 2015 and had a minimum amount due of 5 months of interest if the notes are paid back earlier. Interest expense recorded in connection with these notes was \$60,000 during the year ended December 31, 2015.

The original convertible notes contained a beneficial conversion feature of \$13,492 which was recognized as a discount on the notes on the date of issuance. The discount was amortized over the note term using the straight-line method, which approximates the effective interest method. For the year ended December 31, 2015, the Company recorded of \$11,565 in interest expense related to the amortization of the discount.

On July 1, 2015, these notes were extended to December 31, 2015. As part of this extension the outstanding interest payable on the notes of \$33,616 was added to the principal balance of \$50,000 resulting in a new outstanding principal balance of \$83,616. The interest charge remains the same, as per the original notes agreement at \$5,000 per month.

The extension contained a conversion feature. The note holder can convert all of the outstanding principal and interest at 75% of the average closing bid price of the Company for the 20 days prior to the notice of conversion. The fair value of the conversion feature using the Black Scholes model was \$68,726. This amount was determined to be substantial under applicable accounting principles requiring the debt amendment to be accounted for as a debt extinguishment. An expense of \$68,726 was recorded to recognize the loss on modification of debt during the year ended December 31, 2015.

During November and December of 2015, Jim Collord and Eric Jones advanced additional funds of \$30,000 and \$27,460 respectively. On the due date of the notes, December 31, 2015, these notes were extended to January 31, 2016. In connection with this extension, the accrued interest balance of \$30,000 was added to the principal balance resulting in a new outstanding principal balance of \$171,076. Additionally, the interest rate was changed to 1% per month and the conversion feature was eliminated.

During the year ended December 31, 2016, we had the following transactions with related parties:

On January 18, 2016, the Company initiated a private offering for the sale of an aggregate 6,700,000 shares of common stock. In connection with this offering, Jim Collord and Eric Jones exchanged \$25,000 each of their related notes payables for a total of 1 million shares. On November 15, 2016, Jim Collord exchanged an additional \$2,000 to exercise warrants and received 20,000 shares of common stock.

On July 8, 2016, the Company executed two new promissory notes payable to directors, Eric Jones and Jim Collord. The amount of the notes was \$15,000 and \$10,000, respectively, for a total of \$25,000. The terms of these notes are a 2% interest rate accrued per month for a term of two months.

During the year ended December 31, 2016, the Company paid \$17,500 on Mr. Jones' outstanding note balance.

At December 31, 2016, the notes payable balances were \$56,768 and \$69,808 for Mr. Jones and Mr. Collord, respectively. Also at December 31, 2016, accrued interest payable balances were \$8,516 and \$9,206 for Mr. Jones and Mr. Collord, respectively. These notes originally had a term of two months but have been extended to December 31, 2016, and subsequently extended again to December 31, 2017.

Certain Business Relationships:

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

Indebtedness of Management:

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

Directors' Stock Purchases

There were no Directors' stock purchases during 2014.

Stock transactions for directors and officers were reported on Form 4 and are available on the SEC website.

Director Independence

Douglas Glaspey, Larry Kornze, Joseph Baird, James A. Sabala, and Ralph Noyes are independent non-employee members of the Board of Directors, as defined in FINRA Marketplace Rule 4200. Subsequent to December 31, 2016, Mr. Noyes stepped off the Board temporarily.

ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit and Non-Audit Fees

The following table presents fees billed to the Company relating to the audit of the Financial Statements at December 31, 2014, as provided by DeCoria, Maichel and Teague, P.S. We expect that DeCoria, Maichel and Teague, P.S. will serve as our auditors for fiscal year 2015. DM-T has served as an independent auditor for the Corporation since the fiscal year ended December 31, 2005. This firm is experienced in the field of accounting and is well qualified to act in the capacity of auditors.

Year Ended	December 31, 2016	December 31, 2015
Audit fees (1)	\$37,977	\$42,185
Audit-related fees (2)	2,213	-
Tax fees (3)	4,858	4,708
All other fees (4)	330	-
Total Fees	\$45,378	\$46,893

(1) Audit fees consist of fees billed for professional services provided in connection with the audit of the Company's financial statements, and assistance with reviews of documents filed with the SEC.

(2) Audit-related fees consist of assurance and related services that include, but are not limited to, internal control reviews, attest services not required by statute or regulation and consultation concerning financial accounting and reporting standards.

(3) Tax fees consist of the aggregate fees billed for professional services for tax compliance, tax advice, and tax planning. These services include preparation of federal income tax returns.

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

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

PART IV

ITEM 15 EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

(1)

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

(2)

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

(3)

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

EXHIBITS

Exhibit Number

Description of Exhibits

3.1*	Articles of Incorporation of Montgomery Mines Inc, October 30, 1935
3.2*	Articles of Amendment, Montgomery Mines Inc., April 12, 1948
3.3*	Articles of Amendment, Montgomery Mines Inc., February 6, 1970
3.4*	Articles of Amendment, Montgomery Mines Inc., April 10, 1978
3.5*	Articles of Amendment, Thunder Mountain Gold, August 26, 1985
3.6*	Articles of Amendment, Thunder Mountain Gold, October 17, 1985
3.7*	Articles of Incorporation, Thunder Mountain Gold Inc. (Nevada), December 11, 2007
3.8*	Bylaws, Montgomery Mines Inc.
3.9*	Bylaws, Thunder Mountain Gold Inc. (Nevada)
10.1*	Agreement and Plan of Merger, Thunder Mountain Gold (Nevada)
21.1**	<u>Subsidiaries of the Registrant</u>
31.1**	<u>Certification of Chief Executive Officer of Periodic Report pursuant to Rule 13a-14(a) and Rule 15d-14(a)(Section 302 of the Sarbanes- Oxley Act of 2002).</u>
31.2**	<u>Certification of Chief Financial Officer of Periodic Report pursuant to Rule 13a-14(a) and Rule 15d-14(a)(Section 302 of the Sarbanes- Oxley Act of 2002).</u>
32.1**	

Certificate of Principal Executive Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).

32.2** Certificate of Principal Financial Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).

101** The following financial information from our Annual Report on Form 10-K for the year ended December 31, 2016 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Statements of Changes in Stockholders Equity (Deficit) and (v) Notes to Financial Statements

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

** Filed herewith.

DOCUMENTS INCORPORATED BY REFERENCE

None

SIGNATURES

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

THUNDER MOUNTAIN GOLD, INC.

/s/ Eric T. Jones

By _____

Eric T. Jones

President, Director and Chief Executive Officer

Date: March 28, 2017

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

/s/ Larry Thackery

By _____

Larry Thackery

Chief Financial Officer

Date: March 28, 2017

