

Thunder Mountain Gold, Inc. (TSXV: THM; OTCBB: THMG) – Diversifying through acquisition of oil and gas properties

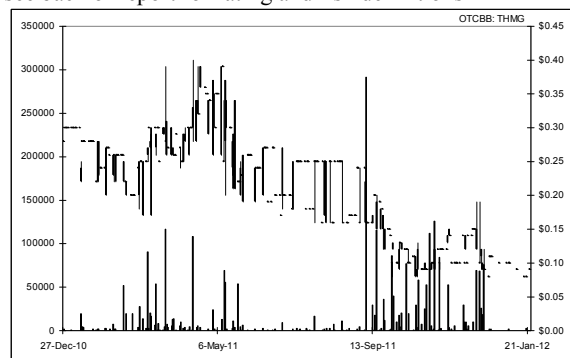
Sector/Industry: Junior Mining/Exploration

www.thundermountaingold.com

Market Data (as of January 24, 2012)

Current Price	C\$0.085
Fair Value	C\$0.47 (↓)
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.05 - C\$0.35
Shares O/S	29,630,049
Market Cap	C\$2.52 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	-9.6x
YoY Return	-61.4%
YoY TSXV	-29.4%

*see back of report for rating and risk definitions



Investment Highlights

- Thunder Mountain Gold, Inc. (“THM” or “the company”) has entered into a non-binding letter of intent (“LOI”) to acquire oil and gas company, Green River Energy Corporation (“GREC”).
- GREC is a currently producing private company based in Salt Lake City, with oil and gas properties in the Uinta Basin, Utah.
- GREC's main asset at this time is a 0.16% working interest in approximately 108,000 acres producing about 22,000 barrels of oil per day - which equates to a 35 bopd net production to GREC.
- The company will issue shares of THM to the shareholders of GREC, who will receive post acquisition ownership of 75%.
- On completion of the acquisition, THM will change its name to “Thunder Mountain Resources Inc.” and retain the current management.
- There has been no activity on the company’s mineral properties since our previous report.
- THM recently announced that they have exercised the option to lease the Iron Creek property located in the Idaho Cobalt Belt, with an option to purchase.
- The company has indicated that the property has significant potential to host high grade gold-cobalt mineralization and plans to commence exploration in Spring 2012.
- In November 2011, the company completed a non-brokered private placement and raised C\$0.20 million by issuing 1.20 million units at a unit price of C\$0.17.

(All figures are in US\$ unless otherwise specified.)

Key Financial Data (FYE Dec 31)

(US\$)	2010	2011 (9 mo)
Cash and Cash Equivalents	298,232	44,534
Working Capital	268,733	(155,658)
Mineral Assets	440,536	434,722
Total Assets	934,539	662,674
Net Income (Loss)	(1,651,522)	385,314
EPS	(0.08)	0.01

Thunder Mountain Gold, Inc is a US based junior exploration company engaged in the acquisition, exploration and development of precious and base metal properties. Thunder Mountain’s flagship property, the South Mountain project, in south-western Idaho, has NI43-101 compliant indicated and inferred resources of 3.4 million tonnes containing 61,654 oz Au, 4.9 Moz Ag, 47.0 Mlb Cu, 8.8 Mlb Pb and 121.2 Mlb Zn. The company has recently diversified in the resource sector by acquiring an interest in oil and gas properties.

***Acquisition of
Green River
Energy
Corporation***

On December 9, 2011, the company announced that they have entered into a non-binding LOI to acquire private oil and gas company, Green River Energy Corporation. Details of GREC's assets and interest are discussed below. The LOI is in co-operation with the Hess Group who is currently GREC's largest share holder. Specific terms of the transaction are as follows:

- The Hess Group will assist THM in completing a private placement to European investors to raise \$1 million prior to completion of the acquisition.
- The Hess Group will complete a private placement of GREC to European investors to raise \$4 million. Proceeds of this private placement will be held in escrow and made available to THM on completion of the acquisition.
- Both private placements are expected to be completed by January 31, 2012.
- **The company will issue shares of THM to the shareholders of GREC who will receive a post acquisition ownership of 75%.**
- THM will change its name to "Thunder Mountain Resources Inc." and retain the current management.

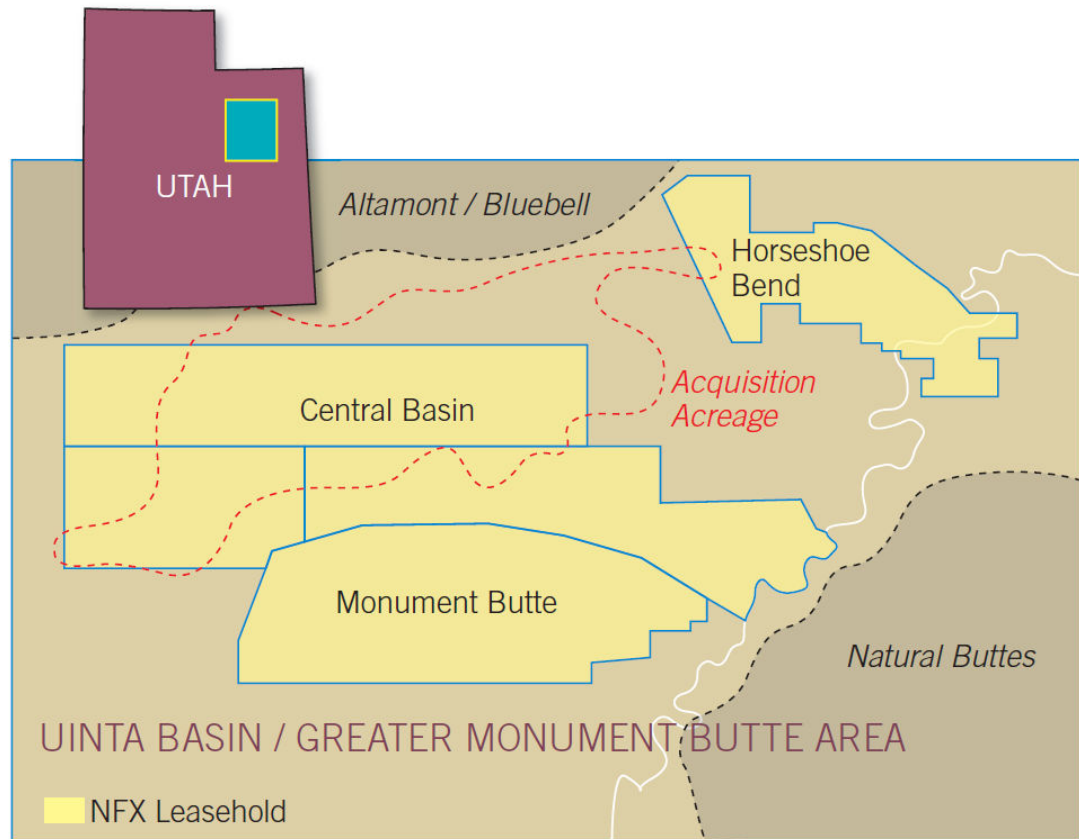
About Green River Energy Corporation

GREC is a currently producing private company based in Salt Lake City, with oil and gas properties in the Uinta Basin, Utah.

GREC's revenues come from a 0.16% working interest ("WI") in the Monument Butte oil field (100,000 acres producing up to 22,000 bopd) operated by Newfield Exploration Company (NYSE: NFX; Market Capitalization - US\$5.3 billion). GREC is a private company, and as such, only limited information on their assets is available at this time. Information available on the NFX website states that they have approximately 1,200 producing wells in the Monument Butte oil field located in the Uinta Basin. NFX's gross production in this area has grown from 7,000 barrels of oil per day ("bopd") in 2004, to almost 25,000 bopd in 2011. Recent developments have included drilling additional wells at the Monument Butte oil field with a 20 acre spacing.

Green River also has an additional WI of up to 90% in over 4,000 acres of oil and gas leases in the Uinta Basin.

The following map shows the location of the Monument Butte oil field.



Source: NFX Rocky Mountain fact sheet

GREC was incorporated in early 2007, by Rolf Hess, whose biography, as provided by the company, follows:

Rolf Hess, Swiss citizen, looks back to 30 years of professional experience as a CPA (Swiss Qualified) and business consultant, as well as board member and as an investor. In his previous career as a CPA, he gained experience mainly in US multinational corporations, as a board member and investor mainly in the sector of small and medium size corporations (SME), not only in Switzerland and Germany, but also in Asian-, American-, and Eastern European markets. Rolf Hess has joined the oil sector in 2004. Apart from acting as Chairman of Green River Energy Corp., at present he is also Chairman of Redhawk Industries Corp. domiciled Salt Lake City / USA. Further he is Chairman of the Fight Life Group PTE Ltd. Singapore and Publisher of Life Media Group AG. Rolf Hess has earned a PhDr. at Comenius University in Bratislava, faculty of Management, for his thesis "Private Equity Market – under Consideration of Application in the Practice on Small- and Medium-Sized Enterprises". Rolf Hess has also been appointed as visiting professor at the University in Győr lecturing on the topic of "International Finances".

This transaction is subject to all required approvals, the completion of a NI 51-101 compliant report with respect to the material oil and gas properties of Green River, and the execution of a definitive agreement.

Our research indicates that oil producing projects can trade anywhere between \$40,000 to \$100,000 per flowing barrel. Based on GREC's 0.16% interest in the producing Monument Butte oil field (*GREC's net production is 35 bopd based on gross production of 22,000 bopd*), **we estimate the valuation of the producing assets should range between \$1.40 million and \$3.49 million (assuming no growth in production).**

Using THM's share price of \$0.10 (at the time of the announcement), the implied valuation of GREC's assets is about \$8.89 million, minus the \$4 million from the proposed financing. Details on GREC's cash/debt position were not disclosed, therefore, we will not be able to comment on the exact valuation of GREC's assets at this time.

Overall, we believe this is a good move by THM as it enables the company - a) to diversify their portfolio of assets, and b) start generating cash flows from a producing asset. We anticipate more information on these assets once the acquisition is complete, and will issue an update accordingly.

Iron Creek

In our initiating report in February 2011, we stated that the company was optioning the CAS/Iron Creek project which is located in the Iron Creek Mining District of the Idaho Cobalt Belt. The property is approximately 15 miles southeast of Formation Metal's (TSX: FCO) cobalt mine in Lemhi County.

In January 2012, THM announced that they have exercised the option to lease the property from the current private owners, with a further option to purchase. Under the terms of the agreement, THM will make minimum royalty payments of \$50,000 on signing, and \$50,000 on or before the first year anniversary, \$75,000 on/before the second and third anniversary, and \$100,000 on/before the fourth anniversary and every anniversary thereafter. A NSR (net smelter royalty) of 4% will apply if gold is sold at or below \$1,500/oz and 5% of gold sold above \$1,500/oz. THM will retain an option to purchase a 100% interest in the property for \$5 million at any time during the agreement.

The property is on U.S. Forest Service managed lands, and we therefore believe the company is exposed to some risks associated with permitting. However, management has indicated that this will not likely result in any significant problems primarily because there is a precedent for mining operations in the area, such as the Bear Track open pit gold mine, and the recently permitted Formation Metals cobalt-copper mine near the Iron Creek claims.

The project consists of 46 unpatented mining claims. Extensive exploration work was completed from 2003, to 2006, on the property, including geophysical surveys and 19 drill holes. Results from the previous drill data show grades of up to 0.5% cobalt and 0.24 oz/t gold. **THM have indicated that the property has significant potential to host high grade gold-cobalt mineralization.** The company plans to commence exploration on the property starting in Spring 2012 (see below).

Future Development

THM will aim to advance both the mineral properties and the oil and gas interests. The company's primary focus for 2012 will be development of the South Mountain project to

PEA or PFS stage, with secondary focus on Trout Creek and Iron Creek. Clover Mountain and Tonopah projects will be on care and maintenance. The growth strategy for the GREC properties involve increasing oil and gas production and cash flows by acquiring an interest in existing wells and drilling new wells.

There has been no significant development at South Mountain or the Trout Creek property since our previous report. A summary of the 2012 development plans at three of the company's primary mineral properties, as provided by management, are as follows:

South Mountain

- *Emphasize confirming and expanding the high-grade sulfide ore shoots through surface core drilling and upgrading the underground workings so that a detailed drilling program can be completed from underground drill stations.*
- *Conduct an airborne magnetometer survey over the area targeting potential mineralized structural zones within the gold-bearing intrusive breccia. Other geophysical work may include induced polarization and gravity surveys.*
- *Potentially drill test some of the targets defined by the geophysical work.*
- *Upgrade mineralized resource based on the drilling program and begin developing a Preliminary Economic Appraisal (PEA) that would include engineering studies and cost estimates.*

Trout Creek

- *Complete the ground gravity survey to further define the depth to bedrock in the area of the mineralized structural zone identified during the 2011 field work, including the review of the data package made available as part of the agreement with Newmont (NYSE: NEM).*
- *Complete necessary permitting to conduct drilling. This will be a Notice of Intent to the Bureau of Land Management.*
- *Complete the initial phase of drilling on the pediment target. This will include the drilling of at least two reverse circulation drill holes, and possible additional holes by using a mud rotary through the gravels followed by casing and core within the bedrock.*

Iron Creek

- *Complete the evaluation of the existing geophysical, geologic and drill result data available on the property, then determine if additional geophysical work would provide any additional useful data for targeting future drilling.*
- *Conduct mapping and surface sampling on the claim block and adjacent area.*
- *Permit and conduct trenching for sampling using a dozer and/or a backhoe.*
- *Target core holes based on the results of the data interpretation and trenching.*

Source: Company

Changes to Management

In November 2011, Eric T. Jones, who was the CFO and V.P of Investor Relations, was appointed as the new President and CEO of the company. Jim Collord (the out-going president) became the Vice President and COO. In addition, Lee Chapman, who is currently a member of the board and chairman of the Audit Committee, was appointed as CFO.

Financials

As of September 30, 2011, the company had \$0.04 million in cash and cash equivalents. Working capital was negative \$0.16 million. We estimate the company had a burn rate (spending on operating and investing activities) of \$0.06 million per month in the first nine months of FY2011, versus \$0.09 million per month in the 12 - month period of FY2010. The following table shows the company's cash and liquidity position at the end of September 2011.

(US\$)	2010	2011 (9 mo)
Working Capital	268,733	(155,658)
Current Ratio	6.11	0.32
LT Debts/ Assets	-	1.00
Burn Rate/Month (incl exploration costs)	(94,837)	(59,670)
Cash from financing activities	1,170,067	283,335

Subsequently, in November 2011, the company **completed a non-brokered private placement and raised C\$0.20 million by issuing 1.20 million units at a unit price of C\$0.17**. Each unit consisted of a common share and a common share purchase warrant (exercise price - C\$0.20 per share; maturity - two years).

The company recently announced its plans to pursue another equity financing by issuing up to 2.50 million shares at \$0.20 per share for gross proceeds of up to \$0.50 million.

Stock options and warrants: At the end of September 30, 2011, there were 8.51 million warrants (weighted average exercise price of US\$0.27) outstanding. **Currently, all the warrants are "out of the money"**. THM has no options outstanding.

Valuation and Rating

We have continued to value the company based on the resource estimate at South Mountain. Our fair value estimate dropped from \$0.69 to \$0.47 per share as - a) the peer average Enterprise Value (EV) to resource dropped from \$1.41 to \$1.02 per silver equivalent oz, b) the number of shares (calculated based on the treasury stock method) increased from 30.59 million to 32.13 million since our previous report. Note that we assumed potential dilution from the recently proposed \$0.50 million financing.

We will incorporate our fair value estimate on GREC assets once the proposed transaction is finalized.

We have maintained our BUY rating and adjusted our fair value estimate from \$0.70 to \$0.47 per share.

Risks

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- The value of the company is dependent on commodity prices.
- The company does not currently have any operating mines.
- Access to capital and share dilution.

We rate the company's shares a RISK of 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:**Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk**Hold** – Annual expected rate of return is between 5% and 12%**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.**Fundamental Research Corp. Risk Rating Scale:****1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.**Disclaimers and Disclosure**

The opinions expressed in this report are the true opinions of the analyst about this company and industry. Any "forward looking statements" are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. The analyst and Fundamental Research Corp. "FRC" does not own any shares of the subject company, does not make a market or offer shares for sale of the subject company, and does not have any investment banking business with the subject company. Fees were paid by THM to FRC. The purpose of the fee is to subsidize the high costs of research and monitoring. FRC takes steps to ensure independence including setting fees in advance and utilizing analysts who must abide by CFA Institute Code of Ethics and Standards of Professional Conduct. Additionally, analysts may not trade in any security under coverage. Our full editorial control of all research, timing of release of the reports, and release of liability for negative reports are protected contractually. To further ensure independence, THM has agreed to a minimum coverage term including an initiating report and three updates. Coverage can not be unilaterally terminated. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time. The performance of FRC's research is ranked by Investars. Full rankings and are available at www.investars.com.

The distribution of FRC's ratings are as follows: BUY (69%), HOLD (8%), SELL (4%), SUSPEND (19%).

To subscribe for real-time access to research, visit <http://www.researchfrc.com/subscribe.php> for subscription options.

This report contains "forward looking" statements. Forward-looking statements regarding the Company and/or stock's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report. A report initiating coverage will most often be updated quarterly while a report issuing a rating may have no further or less frequent updates because the subject company is likely to be in earlier stages where nothing material may occur quarter to quarter.

Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE'S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated, and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report.

The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.