

Tornado Gold International Corp
Form 10-Q
May 21, 2008

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

Form 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2008**

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 **000-50146**

TORNADO GOLD INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

94-3409645
(IRS Employer Identification No.)

8600 Technology Way, Suite 118, Reno, Nevada 89521
(Address of principal executive offices) (zip code)

(775) 852-3770
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Edgar Filing: Tornado Gold International Corp - Form 10-Q

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting
company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

33,513,189 common shares issued and outstanding as of March 31, 2008

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

These financial statements have been prepared by Tornado Gold International Corporation (the **Company**) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (**SEC**). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted in accordance with such SEC rules and regulations. In the opinion of management, the accompanying statements contain all adjustments necessary to present fairly the financial position of the Company as of March 31, 2008, and its results of operations, stockholders' equity, and its cash flows for the three month period ended March 31, 2008 and for the period from inception (March 19, 2004) to March 31, 2008. The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto filed as a part of the Company's annual report on Form 10-KSB filed on April 14, 2008.

TORNADO GOLD INTERNATIONAL CORPORATION
(AN EXPLORATORY STAGE COMPANY)
CONDENSED BALANCE SHEET

March 31,
2008
(Unaudited)

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 130,007
Prepaid Expenses	10,382
TOTAL CURRENT ASSETS	140,389
PROPERTY AND EQUIPMENT,	
Mining claims	581,048
Computer equipment, net	1,826
OTHER ASSETS	
Intangible assets - net	4,007
TOTAL ASSETS	\$ 727,270

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES	
Accounts payable - related party	\$ 52,470
Accounts payable - others	93,936
Accrued expenses	249,975
Loan Payable - related party	730,000
Notes payable and accrued interest	12,000
Convertible debt and accrued interest payable, net of discount	25,157
TOTAL CURRENT LIABILITIES	1,163,538
COMMITMENTS AND CONTINGENCIES	
	-
STOCKHOLDERS' DEFICIT	
Common stock; \$0.001 par value; 100,000,000 shares authorized; 37,213,189 shares issued and outstanding	37,213
Additional paid in capital	3,533,746
Accumulated deficit	(704,993)
Deficit accumulated during the exploratory stage	(4,801,816)
Subscribed warrants	1,500,000
Stock subscription receivable	(418)
TOTAL STOCKHOLDERS' DEFICIT	(436,268)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 727,270

The accompanying notes are an integral part of these financial statements

TORNADO GOLD INTERNATIONAL CORPORATION
(AN EXPLORATORY STAGE COMPANY)
CONDENSED STATEMENTS OF OPERATIONS

	For the Three Months Ended March 31,		From March 19, 2004 through March 31, 2008
	2007 (Unaudited)	2008 (Unaudited)	(Unaudited)
NET REVENUE	\$ -	\$ -	\$ -
OPERATING EXPENSES			
Compensation expense on option grants	-	-	68,765
Mining exploration expenses	79,197	-	1,329,175
General and administrative expenses	125,756	31,053	1,191,458
Loss on abandonment of mining claims	-	-	1,661,350
TOTAL OPERATING EXPENSES	204,953	31,053	4,250,748
LOSS FROM OPERATIONS	(204,953)	(31,053)	(4,250,748)
OTHER INCOME (EXPENSE)			
Accrued damages on breach of contract	-	-	(249,975)
Interest expense	(21,616)	(31,594)	(301,093)
TOTAL OTHER INCOME (EXPENSE)	(21,616)	(31,594)	(551,068)
LOSS BEFORE PROVISION FOR INCOME TAXES	(226,569)	(62,647)	(4,801,816)
PROVISION FOR INCOME TAXES	-	-	-
NET LOSS	\$ (226,569)	\$ (62,647)	\$ (4,801,816)
NET LOSS PER SHARE - BASIC AND DILUTED	\$ (0.01)	\$ (0.00)	
WEIGHTED AVERAGE COMMON EQUIVALENT			
SHARES OUTSTANDING - BASIC AND DILUTED	30,111,526	33,190,260	

The accompanying notes are an integral part of these financial statements

TORNADO GOLD INTERNATIONAL CORPORATION
(AN EXPLORATORY STAGE COMPANY)
CONDENSED STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31,		From March 19, 2004 through March 31, 2008
	2007	2008	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (226,569)	\$ (62,647)	\$ (4,801,816)
Adjustment to reconcile net loss to net cash used in operating activities:			
Loss on abandonment of mining claims			1,318,475
Value of options and warrants granted for services	-	-	68,765
Amortization	572	572	2,861
Depreciation	277	277	1,496
Changes in:			
Prepaid expenses and other current assets	(43,333)	3,626	(5,382)
Accounts payable	42,646	(31,982)	221,507
Accrued expenses		-	249,975
Amortization of discount on convertible debentures	-	11,250	11,250
Accrued interest added to principal	21,616	20,345	208,733
Net cash used in operating activities	(204,791)	(58,559)	(2,724,136)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of mining claims	(150,000)	-	(1,778,973)
Purchase of equipment	(1,980)	-	(3,323)
Website design costs		-	(6,868)
Net cash used in investing activities	(151,980)	-	(1,789,164)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from loan payable	330,000	185,000	3,082,816
Proceeds from issuance of common stock		-	856,802
Proceeds from subscribed warrants		-	1,500,000
Payment on note payable		-	(42,500)
Repurchase of shares on common stock		-	(577,906)
Offering costs		-	(175,905)
Net cash provided by financing activities	330,000	185,000	4,643,307
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(26,771)	126,441	130,007
CASH AND CASH EQUIVALENTS, Beginning of period	144,106	3,566	-

CASH AND CASH EQUIVALENTS, End of period	\$	117,335	\$	130,007	\$	130,007
---	----	---------	----	---------	----	---------

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest paid	\$	-	\$	-
Income taxes paid	\$	-	\$	-

Noncash investing and financing activities:

During the quarter ended March 31, 2008, debt totalling \$1,280,641 was converted into 3,201,663 shares of the Company's common stock.

The accompanying notes are an integral part of these financial statements

TORNADO GOLD INTERNATIONAL CORP.

(An Exploratory Stage Company)

NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND BASIS OF PRESENTATION

Organization

Tornado Gold International Corp. (formerly Nucotec, Inc.) was incorporated in the state of Nevada on October 8, 2001. On July 7, 2004, the name of the company was officially changed to Tornado Gold International Corp. (the "Company"). The Company is currently in the exploratory stage as defined in Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 7 and has been since March 19, 2004, when it changed its principal activity to the exploration of mining properties for future commercial development and production (See Note 4). On February 14, 2007, the Company changed its domicile from Nevada to Delaware.

Basis of Presentation and Going Concern

The accompanying unaudited financial statements contain all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the financial position of the Company as of March 31, 2008, and the results of its operations for the three months ended March 31, 2008 and 2007, and for the period from March 19, 2004 to March 31, 2008, and its cash flows for the three months ended March 31, 2008 and 2007, and for the period from March 19, 2004 to March 31, 2008. Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to rules and regulations of the U.S. Securities and Exchange Commission (the Commission). The Company believes that the disclosures in the financial statements are adequate to make the information presented not misleading. However, the financial statements included herein should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007 filed with the Commission on April 14, 2008.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has no established source of material revenue, has incurred a net loss for the year ended March 31, 2008 of \$62,647, had a negative working capital of \$1,023,149, and had an accumulated deficit since its inception of \$5,506,809. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. These condensed financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern

Management recognizes that the Company must generate additional resources to enable it to continue operations. Management intends to raise additional funds through debt and/or equity financing or through other means that it deems necessary. However, no assurance can be given that the Company will be successful in raising additional capital. Further, even if the company raises additional capital, there can be no assurance that the Company will achieve profitability or

positive cash flow. If management is unable to raise additional capital and expected significant revenues do not result in positive cash flow, the Company will not be able to meet its obligations and may have to cease operations.

Stock Split

On April 19, 2004, the Company authorized a 50-for-1 stock split. On August 18, 2004, the Company authorized a 6.82 -for-1 stock split. On May 16, 2005, the Company authorized a 1.20 -for-1 stock split. All references in the accompanying financial statements to the number of shares outstanding and per-share amounts have been restated to reflect the various indicated stock splits.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stock Based Compensation

The Company accounts for stock-based compensation under SFAS No. 123R, "Share-based Payment" and SFAS No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure--An amendment to SFAS No. 123. These standards define a fair value based method of accounting for stock-based compensation. In accordance with SFAS Nos. 123R and 148, the cost of stock-based employee compensation is measured at the grant date based on the value of the award and is recognized over the vesting period. The value of the stock-based award is determined using the Black-Scholes option-pricing model, whereby compensation cost is the excess of the fair value of the award as determined by the pricing model at the grant date or other measurement date over the amount an employee must pay to acquire the stock. The resulting amount is charged to expense on the straight-line basis over the period in which the Company expects to receive the benefit, which is generally the vesting period. During 2008, the Company recognized no compensation expense under SFAS No. 123R as no options were issued to employees during these two periods (See Note 6).

As of April 15, 2005, the Company adopted its 2005 stock option plan to compensate its directors. As of March 31, 2008, no options have been granted to the directors.

Use of 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 revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts payable, accrued expenses and notes payable. Pursuant to SFAS No. 107, *Disclosures About Fair Value of Financial Instruments*, the Company is required to estimate the fair value of all financial instruments at the balance sheet date. The Company considers the carrying values of its financial instruments in the financial statements to approximate their fair values.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company defines cash equivalents as all highly liquid debt instruments purchased with a maturity of three months or less, plus all certificates of deposit.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method and with useful lives used in computing depreciation of 3 years. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Expenditures for maintenance and repairs are charged to operations as incurred; additions, renewals and betterments are capitalized.

Long-Lived Assets

The Company accounts for its long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value or disposable value. As of March 31, 2008, the Company did not deem any of its long-term assets to be impaired.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash. The Company places its cash with high quality financial institutions and at times may exceed the FDIC \$100,000 insurance limit. The Company extends credit based on an evaluation of the customer's financial condition, generally without collateral. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses, as required.

Revenue Recognition

The Company has not generated any revenue from its mining operations.

Mining Costs

Costs incurred to purchase, lease or otherwise acquire property are capitalized when incurred. General exploration costs and costs to maintain rights and leases are expensed as incurred. Management periodically reviews the recoverability of the capitalized mineral properties and mining equipment. Management takes into consideration various information including, but not limited to, historical production records taken from previous mining operations, results of exploration activities conducted to date, estimated future prices and reports and opinions of outside consultants. When it is determined that a project or property will be abandoned or its

carrying value has been impaired, a provision is made for any expected loss on the project or property.

Website Development Costs

Under FASB Emerging Issues Task Force Statement 00-2, Accounting for Web Site Development Costs ("EITF 00-2"), costs and expenses incurred during the planning and operating stages of the Company's web site development are expensed as incurred. Under EITF 00-2, costs incurred in the web site application and infrastructure development stages are capitalized by the Company and amortized to expense over the web site's estimated useful life or period of benefit. As of March 31, 2008, the Company had net capitalized costs of \$4,006 related to its web site development, which are being depreciated on a straight-line basis over an estimated useful life of 3 years. Amortization expense for the three months ended March 31, 2008 and 2007 amounted to \$572 and \$572, respectively.

A schedule of amortization expense for the periods ending December 31, 2009 is as follows:

December 31, 2008	\$	2,289
December 31, 2009		1,718
	\$	4,007

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Loss Per Share

The Company reports earnings (loss) per share in accordance with SFAS No. 128, "Earnings per Share." Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted earnings (loss) per share has not been presented since the effect of the assumed conversion of options to purchase common shares would have an anti-dilutive effect. The only potential common shares as of March 31, 2008 were 160,200 options, 11,795,000 warrants, and \$50,000 of debt convertible into 1,000,000 shares of the Company's common stock that have been excluded from the computation of diluted net loss per share because the effect would have been anti-dilutive. If such shares were included in diluted EPS, they would have resulted in weighted-average common shares of 46,145,660 for the 3 months ended March 31, 2008.

Recent Accounting Pronouncement

SFAS No. 161 - In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133*. This Statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows.

This Statement is intended to enhance the current disclosure framework in Statement 133. The Statement requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. This disclosure better conveys the purpose of derivative use in terms of the risks that the entity is intending to manage. Disclosing the fair values of derivative instruments and their gains and losses in a tabular format should provide a more complete picture of the location in an entity's financial statements of both the derivative positions existing at period end and the effect of using derivatives during the reporting period. Disclosing information about credit-risk-related contingent features should provide information on the potential effect on an entity's liquidity from using derivatives. Finally, this Statement requires cross-referencing within the footnotes, which should help users of financial statements locate important information about derivative instruments.

This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption.

The Company is currently evaluating SFAS 161 and has not yet determined its potential impact on its future results of operations or financial position.

NOTE 3 COMPUTER EQUIPMENT

A summary of computer equipment at March 31, 2008 is as follows:

Computer equipment	\$	3,323
Accumulated depreciation		(1,497)
	\$	1,826

Depreciation expense for the 3 months ended March 31, 2008 and 2007 amounted to \$277 and \$277, respectively.

NOTE 4 MINING CLAIMS**Illapah and NT Greens**

The Company originally leased 16 mining properties of which 15 were leased from Mr. Carl Pescio, a former director of the Company, and one property owned by the Company's president and another director. In 2007, Mr. Pescio transferred the 15 properties he owned to Allied Nevada Gold Holdings, LLC (Allied).

Edgar Filing: Tornado Gold International Corp - Form 10-Q

In 2007, the Company was in breach of its lease of the 15 properties and entered into an agreement with Allied effective January 1, 2008, whereby the Company returned all mining properties leased with the exception of the Illipah and NT Green claims. Effective January 1, 2008, the Company returned all of its mining properties leased transferred to Corporation related party except for the Illipah and NT Green claims. The agreement pertaining to these two properties has a term of five years. Under the agreement, the Company is responsible to pay a 2% overriding royalty on the net smelter returns from the production of the minerals on the Illipah claim. The agreement also requires the Company to incur exploration and development expenses as follows:

On or before December 31, 2008	\$	150,000
On or before December 31, 2009	\$	200,000
On or before December 31, 2010 and December 31, of each succeeding year during the term of the agreement	\$	400,000

The agreement provides for a credit for previous expenditures incurred on these two properties of no more than \$250,000 per property. In addition, the Company agreed to pay Allied \$100,000 on February 6, 2008, and pay \$70,000 on June 30 of each and succeeding year during the term of this agreement. The annual payment will be adjusted if on or before June 30, of any year during the term of the agreement, Company notifies Allied of its intent to surrender any of the unpatented mining claims subject to the agreement. The agreement further provides that the Company has the option to earn and vest an undivided sixty percent (60%) interest in a property and to form a joint venture with Allied for the management and ownership of the property when the Company has incurred and paid expenditures in the amount of \$1,500,000 on a particular property.

Jack Creek Property

On October 3, 2005, the Company paid the Bureau of Land Management \$30,875 as consideration on the Exploration License and Option to Lease Agreement entered into between the Company and Mr. Earl Abbott, and Stanley Keith ("the owners"), to explore 247 claims (nearly 5,000 acres) known as the Jack Creek Property. Mr. Abbott is the Company's President and Mr. Keith was a Company Director through 2006.

The Company entered into a definitive Exploration License and Option to Lease Agreement for the above claims for a period of twenty years. Under this agreement, the Company is responsible to make minimum lease payments to the owners as follows:

<u>Due Date</u>	<u>Amount</u>
Upon signing	\$ 22,500
1st anniversary	\$ 30,000
2nd anniversary	\$ 37,500
3rd anniversary	\$ 50,000
4th anniversary	\$ 62,500
5th anniversary and each anniversary thereafter	\$ 100,000

If any payments due by the Company to the owners are not paid within 30 days of its due date, interest will begin to accrue on the late payment at a rate of 2% over the prime rate established by the Department of Business and Industry of the State of Nevada.

Upon completion of a bankable feasibility study and payments totaling \$140,000, all subsequent payments will convert into advance minimum royalty payments that are credited against the 4% production royalty due.

The Company shall have the option to purchase one-half (1/2) of the royalty applicable to the property representing two percent (2%) of the Net Smelter Returns. The Company shall have the right to elect to purchase such part of the royalty in increments representing one percent (1%) of the Net Smelter Returns and the purchase price for each such increment shall be \$1,500,000. The Company shall have the option to purchase one-half (1/2) of the area-of-interest royalty applicable to mineral rights, mining claims and properties which the Company acquires from third parties representing one-half percent (.5%) of the Net Smelter Returns. The purchase price for such part of the area-of-interest royalty shall be \$500,000 for the one-half percent (.5%) of the area-of-interest royalty applicable to mineral rights, mining claims and properties which the Company acquires from any third party.

The Company shall be responsible for all environmental liabilities and reclamation costs it creates and indemnifies the owners against any such claims or obligations. The Company can terminate the lease at any time by giving 30 days notice provided that there are no outstanding environmental or reclamation liabilities and that all lease and production royalty payments are current.

In addition, on August 7, 2006, the Company acquired an option for 53 additional claims (approx 1,000 acres) at the Jack Creek Property. The option was acquired from Gateway Gold (USA) Corp. through two of the Company's directors, Earl Abbott and Stanley Keith, and is subject to the Area of Interest clause in the original Jack Creek agreement between the Company and those directors that the Company announced in its October 3, 2005, news release. The Company has the option to earn a 50% undivided interest in the 53 claims through its expenditure on the claims of a total of \$500,000 in various stages by March 1, 2007, 2008, and 2009. Thereafter, the Company and Gateway Gold could form a joint venture; but, if Gateway declines to participate at its 50% level, the Company could exercise its option to earn an additional 20% in the claims through its expenditure on the claims of an additional \$500,000 in two equal stages on or before March 1, 2010, and 2011. Mr. Abbott is also an officer of the Company.

A description of the mining properties leased by the Company is as follows:

NT Green Property is located in central Lander County, Nevada about 40 miles southwest of the town of Battle Mountain. The property is within the Battle Mountain/Eureka (Cortez) Trend at the northern end of the Toiyabe Range.

Jack Creek Property is located in the northern Independence Range about 50 miles north of Elko, Elko County, Nevada. It is comprised of 247 lode mining claims (nearly 5,000 acres) adjacent to Gateway Gold Corp.'s (TSX Venture:GTQ) Big Springs and Dorsey Creek Properties.

The Illipah gold prospect is situated in eastern Nevada at the southern extension of the Carlin Trend (T 18N, R 58E). The property consists of one hundred ninety one unpatented federal Bureau of Land Management lode mining claims, approximately 3,820 acres.

NOTE 5 NOTES PAYABLE

On July 1, 2005, the Company borrowed \$100,000 from Gatinara Holdings, Inc., an unrelated third party. The loan is evidenced by an unsecured promissory note. The note accrues interest at 8% per annum and matured on December 31, 2006. In February 2008, the principal balance and accrued interest totaling \$122,099 was cancelled through the issuance of 305,275 shares of the Company's common stock.

From August 2005 to February 2006, the Company borrowed a total of \$980,816 from Greenshoe Investment, Inc., an unrelated third party. The loans are evidenced by unsecured promissory notes. The notes accrue interest at 8% per annum and matured on December 31, 2007. In February 2008, the principal balance and accrued interest totaling \$1,158,542 was cancelled through the issuance of 2,896,388 shares of the Company's common stock.

In May 2007, the Company borrowed \$12,000 from an unrelated third party. The loan is non-interest bearing, unsecured and due on demand.

During 2007, the Company borrowed a total of \$730,000 from Mr. Carl Pescio. The loans are non-interest bearing and due on demand.

During 2007, the Company borrowed a total of \$50,000 from Greenshoe Investment, Inc. The loans are evidenced by unsecured promissory notes. The notes accrue interest at 8% per annum and mature on the anniversary date of the two loans. Accrued interest related to these notes as of March 31, 2008 amounted to \$1,660. Principal and accrued interest are convertible into common shares of the Company's common stock at a conversion price of \$.05 per share.

As the conversion price is less than the trading price of the shares on the loan date, the Company recognized beneficial conversion features on each loan totaling \$45,000. The \$45,000 is an offset to the amount borrowed and is being charged to interest over the term of the debt.

Interest expense accrued on the above loans during the three months ended March 31, 2008 and 2007 totaled \$20,345 and \$21,616. Interest charged to expense relating to the amortization of the beneficial conversion feature totaled \$11,250 and \$0 for the three months ended March 31, 2008 and 2007, respectively.

NOTE 6 STOCKHOLDERS EQUITY (DEFICIT)

Common Stock

During the three months ended March 31, 2008, the Company issued 3,201,663 shares of its common stock through the cancellation of \$1,280,641 of debt which includes principal and accrued interest.

Also during the three months ended March 31, 2008, the Company received \$185,000 through the issuance of 3,700,000 shares of its common stock. The shares were issued through the Company's private offering. The Company is offering 10,000,000 shares of its common stock to certain eligible investors at a price per share of \$.05.

Options and Warrants

The following table summarizes the options and warrants outstanding at March 31, 2008:

	Options/ Warrants Outstanding	Weighed Average Exercise Price
Balance - December 31, 2006	11,955,200	\$.4886
Granted	-	-
Exercised	-	-
Forfeited	-	-
Balance - December 31, 2007	11,955,200	\$.4886
Granted	-	-
Exercised	-	-
Forfeited	-	-
Balance March 31, 2008	11,955,200	\$.4886

All of the above options and warrants are exercisable at March 31, 2008.

NOTE 7 INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of March 31, 2008 are as follows:

Deferred tax assets:	
Net operating loss	\$ 1,872,000
Less valuation allowance	(1,872,000)
	\$ -

At March 31, 2008, the Company had federal net operating loss ("NOL") carryforwards of approximately \$5,507,000. Federal NOLs could, if unused, begin to expire in 2025. The increase in deferred tax assets in 2008 of \$21,000 related to the Company's 2008 net operating loss which was reduced to \$0 due to the Company's 2008 valuation allowance.

Utilization of the net operating loss and tax credit carryforwards is subject to significant limitations imposed by the change in control under Internal Revenue Code Section 382, limiting its annual utilization to the value of the Company at the date of change in control multiplied by the federal discount rate.

NOTE 8 SUBSEQUENT EVENTS

In April 2008, the Company received \$22,500 through the issuance of 450,000 shares of its common stock under its private offering.

F-13

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements as that term is defined in Section 27A of the United States Securities Act of 1933 and section 21E of the United States Securities Exchange Act of 1934. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as *may*, *should*, *expects*, *plans*, *anticipates*, *believes*, *estimates*, *predicts*, *potential* or *could*, and the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled *Risk Factors*, that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States dollars and are prepared in conformity with generally accepted accounting principles in the United States of America for interim financial statements. The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this quarterly report.

As used in this quarterly report and unless otherwise indicated, the terms *we*, *us* and *our* refer to Tornado Gold International Corporation, unless otherwise indicated. Unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to *common shares* refer to the common shares in our capital stock.

Corporate History

We were incorporated in Nevada as Nucotec, Inc. on October 8, 2001, in order to serve as a holding company for Salty's Warehouse, Inc. We disposed of that asset in March 2004 as described herein and changed our name to Tornado Gold International Corp. in July 2004. Prior to March 2004, we operated through Salty's Warehouse; Since July 2004, we have been an exploration stage company that acquired properties for potential gold exploration in Nevada. Using the evaluation technique described herein, we hope to acquire properties that will offer new economically viable gold mining properties for resale to entities who will undertake to begin mining operations on those properties. We believe that our technical team, consisting of our current management, will help us operate successfully. Earl W. Abbott, our officer and director, has extensive data and program management experience; Carl A. Pescio, also one of our directors, has on-the-ground prospecting and property knowledge; and George Drazenovic, our director and chief financial officer, has experience in managing the financial functions of public reporting companies. There is, however, no assurance that a commercially viable mineral deposit exists on any of our properties. Further exploration will be required before a final evaluation as to the economic and legal feasibility is determined.

Effective February 28, 2007, we changed our domicile from Nevada to Delaware. The change of domicile was effected by merging Tornado Gold International Corporation, our wholly-owned subsidiary incorporated for this purpose, into our company, and with our company carrying on as the surviving corporation under the name Tornado Gold International Corporation.

From 2004 to 2006, we acquired a total of 16 properties comprised of about 44,840 acres, all located in the North Central Nevada area, in several transactions. These 16 properties included Jack Creek, Brock, Dry Hills, Golconda,

Edgar Filing: Tornado Gold International Corp - Form 10-Q

Goodwin Hill, HMD, Horseshoe Basin, Illipah, Marr, North Battle Mountain, NT Green, South Lone Mountain, Stargo, Walti, West Whistler and Wilson Peak. Under the various lease agreements we entered into respecting these properties, we were obligated to make periodic lease payments to maintain our interests in these properties. On September 24, 2007, we entered into a joint venture agreement with Allied Nevada Gold Corp., a company created by Carl Pescio and others to which Carl Pescio assigned all of his interests in 15 separate properties, relating to our joint venture with Allied Nevada Gold Corp. The 15 properties covered by the joint venture agreement included

Edgar Filing: Tornado Gold International Corp - Form 10-Q

Brock, Dry Hills, Golconda, Goodwin Hill, HMD, Horseshoe Basin, Illipah, Marr, North Battle Mountain, NT Green, South Lone Mountain, Stargo, Walti, West Whistler and Wilson Peak.

Under the September 2007 joint venture agreement, we were obliged to pay Allied Nevada Gold Corp. \$975,000 on or before February 5, 2008. We also agreed to pay \$375,000 on or before June 30 of each year for annual property payment on these 15 properties. We also agreed to incur certain minimum amounts on field geologic activities during the earn-in period. This agreement also provides that once we expended a total of \$1,500,000 on any property, we will have earned a 60% interest in that property.

Effective January 1, 2008, we entered into a new Exploration and Option to Enter Operating Agreement with Allied Nevada Gold Corp., which superseded the September 2007 joint venture agreement. The 2008 Exploration and Option to Enter Operating Agreement limited the scope of joint ventures between our company and Allied Nevada Gold Corp. to only two properties, namely the Illipah property and the NT Green property.

Pursuant to the 2008 Exploration and Option to Enter Operating Agreement, we paid to Allied Nevada Gold Corp. \$100,000 on February 6, 2008 to compensate them for federal annual mining claim maintenance fees, county recording fees and other fees payable for the maintenance of the two properties. Beginning on June 30, 2008 and on June 30 of each succeeding year during the term of the agreement, we also agree to pay \$70,000 to Allied Nevada Gold Corp. for the purpose of compensating them for fees payable for the maintenance of these two properties.

Under the 2008 Exploration and Option to Enter Operating Agreement, we also agreed to certain annual expenditure obligations in accordance with the following schedule:

Performance Date	Annual Amount
On or before December 31, 2008	\$150,000
On or before December 31, 2009	\$200,000
On or before December 31, 2010	\$400,000
On or before December 31 of each succeeding year	\$400,000

The 2008 Exploration and Option to Enter Operating Agreement further provides that we have the option to earn and vest an undivided sixty percent (60%) interest in a property and to form a joint venture for the management and ownership of the property when the Company has incurred and paid expenditures in the amount of \$1,500,000 on a particular property.

As a result of the 2008 Exploration and Option to Enter Operating Agreement, we currently have mining claims in three (3) properties and they are the Jack Creek property, the Illipah property and the NT Green property.

After further exploration, our next phases of development will be to advance these properties by identifying and prioritizing the drill targets, evaluating the economic and legal feasibility of drilling those targets, and then actually drilling those targets.

Mining Claims. The properties we hold claims to are described below:

Jack Creek Property - On October 3, 2005, we paid the Bureau of Land Management \$30,875 as consideration on the Exploration License and Option to Lease Agreement entered into between the Company and Mr. Earl Abbott, and Stanley Keith to explore 247 claims (nearly 5,000 acres) known as the Jack Creek Property. Mr. Abbott is our president, chief executive officer, and one of our directors, and Mr. Keith was a director of our company at that time. In addition, on August 7, 2006, we acquired an option for 53 additional claims at the Jack Creek Property. The option was acquired from Gateway Gold (USA) Corp. through Messrs. Abbott and Keith.

Edgar Filing: Tornado Gold International Corp - Form 10-Q

Under the preliminary terms of this agreement, we were granted a license to explore the property for a period of six-months to determine what claims, if any, we wish to lease. The term of the license is for six-months, but we have the option to extend.

If we lease all of the 247 claims, we will be required to make the following advance lease payments:

Edgar Filing: Tornado Gold International Corp - Form 10-Q

Due Date	Amount
Upon signing	\$ 22,500
1st anniversary	\$ 30,000
2nd anniversary	\$