

THUNDER MOUNTAIN GOLD INC
Form 10QSB
August 21, 2006

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended June 30, 2006

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)

Idaho

91-1031075

(State or other jurisdiction of

(IRS identification No.)

incorporation or organization)

1239 Parkview Drive

Elko, Nevada 89801

(775) 738-9826

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 at least the past 90 days. **Yes** **No**

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

Yes **No**

Large accelerated filer Accelerated filer Non-accelerated filer

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. As of June 30, 2006: 9,952,852 shares of common \$0.05 par value stock non-assessable.____

Transitional Small Business Disclosure Format (check one); **Yes** **No**

SEC 2334 (9-05) Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Thunder Mountain Gold, Inc.

Form 10-QSB

For the Quarterly Period Ended June 30, 2006

PART I. FINANCIAL INFORMATION

Item 1.

Financial Statements

THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

BALANCE SHEET

JUNE 30, 2006

(UNAUDITED)

June 30,
2006

ASSETS

Cash and cash equivalents \$ 1,192,680

Total Current Assets 1,192,680

Investments

(Non-current) 1,565

| | |
|--------------------------------|--------------|
| PROPERTY AND EQUIPMENT | |
| Automotive | 47,186 |
| Office equipment | 4,231 |
| Mining equipment | 350 |
| Less: Accumulated depreciation | (17,938) |
| Net Property and Equipment | 33,829 |
| Total Assets | \$ 1,228,074 |

See Notes to Financial Statements.

THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

BALANCE SHEET

JUNE 30, 2006

(UNAUDITED)

June 30,
2006

LIABILITIES AND STOCKHOLDERS EQUITY

CURRENT LIABILITIES

| | | |
|---------------------------|----|-------|
| Accounts payable | \$ | 6,046 |
| Total Current Liabilities | | 6,046 |

STOCKHOLDERS EQUITY

| | | |
|--|--|-----------|
| Common stock, \$0.05 par value; 12,000,000 shares authorized; 9,952,852 shares issued | | 497,642 |
| Additional paid-in capital | | 288,602 |
| Less: 1,895,225 shares of treasury stock, at cost | | (400,905) |
| Accumulated other comprehensive income | | 485 |
| Retained earnings (deficit) | | (212,793) |
| Retained earnings accumulated during the | | |

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| | |
|--|--------------|
| exploration stage (1991 through June 30, 2006) | 1,048,997 |
| Total Stockholders' Equity | 1,222,028 |
| Total Liabilities and Stockholders' Equity | \$ 1,228,074 |

See Notes to Financial Statements.

THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

STATEMENTS OF OPERATIONS

THREE AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005, AND FOR THE PERIOD OF

EXPLORATION STAGE FROM 1991 TO JUNE 30, 2006

(UNAUDITED)

| | Three Months Ended | | Six Months Ended | | During Exploration Stage (1991 through 6/30/06) |
|--|--------------------|-----------------|------------------|-----------------|--|
| | 2006 | 2005 | 2006 | 2005 | |
| INCOME | | | | | |
| Royalties | \$ - | \$ - | \$ - | \$ - | \$ 328,500 |
| EXPENSES | | | | | |
| Exploration | 27,722 | 5,761 | 27,722 | 11,521 | 599,779 |
| Depreciation and depletion | 4,096 | - | 8,051 | - | 54,208 |
| Directors' fees and professional services | 497 | 589 | 25,497 | 14,154 | 526,677 |
| Legal and accounting | 11,157 | 5,605 | 33,013 | 9,030 | 210,827 |
| Management and administrative | 12,672 | 877 | 25,631 | 1,644 | 278,751 |
| Total Expenses | 56,144 | 12,832 | 119,914 | 36,349 | 1,670,242 |
| (LOSS) FROM OPERATIONS | (56,144) | (12,832) | (119,914) | (36,349) | (1,341,742) |
| OTHER INCOME | | | | | |
| Interest and dividend income | 8,924 | 127 | 20,082 | 132 | 230,986 |
| Interest expense | - | (2,220) | - | (4,979) | (27,706) |
| Gain on sale of property and mining claims | - | - | - | - | 2,576,112 |
| Gain on sale of securities | - | - | - | - | 166,116 |
| | - | - | - | - | (51,255) |

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Adjustment for impairment of investments

| | | | | | |
|---|-------------|-------------|-------------|-------------|--------------|
| | 8,924 | (2,093) | 20,082 | (4,847) | 2,894,253 |
| INCOME (LOSS) BEFORE INCOME TAXES | (47,220) | (14,925) | (99,832) | (41,196) | 1,552,511 |
| PROVISION FOR INCOME TAXES | - | - | - | - | (503,514) |
| NET INCOME (LOSS) | (47,220) | (14,925) | (99,832) | (41,196) | 1,048,997 |
| OTHER COMPREHENSIVE INCOME, NET OF TAX | - | - | - | - | 485 |
| COMPREHENSIVE INCOME (LOSS) | \$ (47,220) | \$ (14,925) | \$ (99,832) | \$ (41,196) | \$ 1,049,482 |
| EARNINGS (LOSS) PER SHARE | | | | | |
| Basic | \$ (0.01) | \$ (0.00) | \$ (0.01) | \$ (0.00) | |
| WEIGHTED AVERAGE NUMBER OF SHARES-BASIC | 8,057,627 | 9,716,152 | 8,055,141 | 9,716,152 | |

See Notes to Financial Statements.

THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2006 AND 2005, AND FOR THE PERIOD OF
EXPLORATION STAGE FROM 1991 TO JUNE 30, 2006

(UNAUDITED)

| | 2006 | 2005 | During Exploration Stage (1991 through 6/30/06) |
|---|-------------|-------------|---|
| CASH FLOWS PROVIDED (USED) BY | | | |
| OPERATING ACTIVITIES | | | |
| Net income (loss) | \$ (99,832) | \$ (41,196) | \$ 1,048,997 |
| Adjustments to reconcile net income (loss) to net cash | | | |
| used by operating activities: | | | |
| Depreciation and depletion | 8,051 | - | 54,208 |
| Options issued for services | - | - | 16,380 |
| Gain on sale of mining claims | - | - | (2,576,112) |
| Gain on sale of other assets | - | - | (160,441) |
| Impairment loss on securities | - | - | 51,255 |
| Change in: | | | |
| Prepaid expenses | 44,888 | - | - |
| Accrued interest | - | 4,979 | - |
| Taxes payable | (503,514) | - | - |
| Accounts payable | 6,046 | - | (8,522) |
| Receivables | - | - | 124,955 |
| Net Cash Used By Operating Activities | (544,361) | (36,217) | (1,449,280) |

CASH FLOWS PROVIDED (USED) BY
INVESTING

ACTIVITIES

| | | | |
|--|---------|---|-------------|
| Proceeds from sale of property and mining claims | - | - | 5,500,000 |
| Purchase of Dewey Mining Co. mining claims | - | - | (2,923,888) |
| Purchase of investments | - | - | (354,530) |
| Purchase of equipment | (2,332) | - | (120,621) |
| Proceeds from disposition of investments | - | - | 642,645 |
| Proceeds from disposition of equipment | - | - | 49,310 |
| Net Cash Provided (Used) by Investing Activities | (2,332) | - | 2,792,916 |

CASH FLOWS PROVIDED (USED) BY
FINANCING

ACTIVITIES

| | | | |
|--|---|--------|-----------|
| Proceeds from sale of common stock | - | - | 60,000 |
| Reacquisition of common stock | - | - | (376,755) |
| Borrowing on related party note payable | - | - | 241,500 |
| Repayments on related party note payable | - | - | (241,500) |
| Borrowing on line-of-credit | - | 38,362 | 188,821 |
| Repayments on line-of-credit | - | - | (188,821) |
| Net Cash Provided (Used) By Financing Activities | - | 38,362 | (316,755) |

(Continued)

See Notes to Financial Statements.

THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2006 AND 2005, AND FOR THE PERIOD OF
EXPLORATION STAGE FROM 1991 TO JUNE 30, 2006

(UNAUDITED)

| | 2006 | 2005 | During Exploration Stage (1991 through 6/30/06) |
|--|--------------|----------|---|
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | \$ (546,693) | \$ 2,145 | \$ 1,026,881 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 1,739,373 | \$ 2,204 | \$ 165,799 |
| | \$ 1,192,680 | \$ 4,349 | \$ 1,192,680 |
| NON-CASH INVESTING ACTIVITIES: | | | |
| Stock issued for mining contract | \$ - | \$ - | \$ 50,000 |
| NON-CASH FINANCING ACTIVITIES: | | | |
| Stock issued for payment of accounts payable | \$ 29,250 | \$ - | \$ 29,250 |

(Concluded)

See Notes to Financial Statements.

THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS

1.

Basis of Presentation

The unaudited financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, as well as the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of the Company's management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation of the interim financial statements have been included. Operating results for the six-month period ended June 30, 2006, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2006.

For further information refer to the financial statements and footnotes thereto in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005.

Net Loss Per Share

Statement of Financial Accounting Standards No. 128, Earnings per Share, requires dual presentation of basic earnings per share (EPS) and diluted EPS on the face of all income statements issued after December 15, 1997, for all entities with complex capital structures. Basic EPS is computed as net income divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants, and other convertible securities. For the periods ended June 30, 2006 and 2005, the effect of the Company's outstanding options and common stock equivalents would have been anti-dilutive. Accordingly, only basic EPS is presented. At June 30, 2006, the Company had 225,000 stock options outstanding, that if exercised would be dilutive in a future period's income.

2.

Description of Business

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, Valley County, Idaho. Thunder Mountain Gold, Inc., takes its name from the Thunder Mountain Mining District in Valley County, Idaho, where its principal lode mining claims were located. In recent years the Company's activities have been restricted to maintaining its property position and exploration activities. During 2005, the Company sold its holdings in Idaho, and continued its exploration activities.

3.

Adoption of New Accounting Principle

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment, (SFAS 123(R)) which requires the measurement of the cost of employee services received in exchange for an award of an equity instrument based on the grant-date fair value of the award. SFAS 123(R) supersedes previous accounting guidance under the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25).

The Company adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006. There was no impact on the financial statements as of and for the six months ended June 30, 2006, as a result of the adoption of SFAS 123(R). In accordance with the modified prospective transition method, the financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123(R).

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THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS

4.

Mining Claims

Substantially all of the Company's patented and unpatented claims in the Thunder Mountain Mining district were sold to the Trust For Public Land on September 1, 2005, for \$5,500,000, netting the Company a gain on the sale of \$2,576,112. The Company had entered into an agreement concerning the claims sold with Dewey Mining Company (Dewey) and certain other private parties that controlled Dewey and that were also major shareholders of Thunder Mountain. This agreement resulted in the payment of approximately \$3,300,000 to the parties, \$2,923,888 of which was for Dewey's interest in the property sold and \$376,705 was for the purchase of 1,883,525 shares of the Company's common stock.

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ACCOUNTANTS REPORT

Board of Directors

Thunder Mountain Gold, Inc.

Spokane, Washington

We are not independent with respect to Thunder Mountain Gold, Inc. (an exploration stage company), and the accompanying balance sheet as of June 30, 2006 , and the related statements of operations and cash flows for the six months ended June 30, 2006 and 2005 were not audited by us and, accordingly, we do not express an opinion on them.

MOE O SHAUGHNESSY & ASSOCIATES, P.S.

Spokane, Washington

August 8, 2006

See Notes to Financial Statements.

Item 2.

Management's Discussion and Analysis or Plan of Operation

FORWARD LOOKING STATEMENTS: *The above discussion may contain forward looking statements that involve a number of risks and uncertainties. In addition to the factors discussed above, among other factors that could cause actual results to differ materially are the following: inability to locate property with mineralization, lack of financing for exploration efforts, competition to acquire mining properties; risks inherent in the mining industry, and risk factors that are listed in the Company's reports and registration statements filed with the Securities and Exchange Commission.*

Management's discussion and analysis is intended to be read in conjunction with the Company's unaudited financial statements and the integral notes thereto for the quarter ending June 30, 2006. The following statements may be forward looking in nature and actual results may differ materially.

Plan of Operation:

The Company's regional exploration program focuses on precious and base metals, uranium and industrial minerals in Nevada, Idaho and California. The program utilizes the talents of Pete Parsley, Vice President, Director and Exploration Manager. Mr. Parsley became a full-time employee on April 1, 2006. Efforts focused on new as well as recognized mineralized trends in Nevada and Southern Idaho. A consulting agreement was made with Dennis Lance, an Idaho-based geologist, to evaluate the uranium and precious metal potential in southwestern Idaho. The potential of acquiring a well-known tungsten property in Nevada was undertaken by the Company; this was not completed however, due to partnership complications. Although several areas are still under consideration, the Company had not acquired any properties as of June 30, 2006.

The exploration program will continue in the same areas with follow-up work continuing on some of the potential target areas. Submittals by third parties and other business opportunities will also be evaluated.

Financial Condition and Liquidity:

As of the end of the second quarter of 2006, the Company had a positive cash-position of approximately \$1,196,680 and maintained its liquid assets in a Merrill Lynch tax-exempt cash management fund. The Company's cash and liquid assets are considered adequate to meet its current and near-term corporate obligations. The Company does not foresee any necessity to raise additional funds during the next twelve-month period. Management believes that its funds are sufficient to meet corporate expenses incurred during the next 12 months. At the end of the quarter, the Company had no outstanding liabilities other than accrued June expenses of approximately \$6,050 for field expenses, legal work,

geochemical analyses, and shareholder maintenance.

Capital Resources:

The Company's only capital equipment purchase during the quarter ended June 30, 2006 was a Qualcomm satellite phone. This phone is for field use by Pete Parsley.

Results of Operations:

The Company had no production from operations or any revenue derived from operations during the second quarter of 2006.

The Company had a strong financial position for the quarter ending June 30, 2006, and was therefore able to undertake the regional exploration program described above. This compares to a negative cash

position in the second quarter 2005 prior to the sale of the Company's mining claims located in the Thunder Mountain Mining District, Valley County, Idaho.

There was little change in the Company's activities between the second quarter ending June 30, 2006 and the second quarter ending June 30, 2005.

Item 3.

Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods.

CEO and CFO CERTIFICATIONS

Appearing immediately following the Signatures section of this Quarterly Report there are two separate forms of "Certifications" of the CEO. The second form of Certification is required in accord with Section 302 of the Sarbanes-Oxley Act of 2002 (the Section 302 Certification). This section of the Quarterly Report, which you are currently reading is the information concerning the Controls Evaluation referred to in the Section 302 Certifications and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS.

Disclosure Controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 (Exchange Act), such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's (SEC) rules and forms. Disclosure Controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Internal Controls are procedures which are designed with the objective of providing reasonable assurance that (1) our transactions are properly authorized; (2) our assets are safeguarded against unauthorized or improper use; and (3) our transactions are properly recorded and reported, all to permit the preparation of our financial statements in conformity with generally accepted accounting principles. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Our CEO and CFO have concluded that our disclosure controls and procedures were effective at that reasonable assurance level for the period stated. They have also concluded that our disclosure controls and procedures

are also effective for the purpose of ensuring that material information required to be in this report is made known to Management and others, as appropriate, to allow timely decisions regarding required disclosures.

LIMITATIONS ON THE EFFECTIVENESS OF CONTROLS.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our Disclosure Controls or our Internal Controls will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance 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. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of

controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

CONCLUSION

Accordingly, the CEO and CFO note that, as of the period ended 6/30/06 covered by this report, there were no significant deficiencies and material weaknesses in our Internal Controls. The effectiveness of these controls are under the continuing review of the Company's CEO, CFO and CAO. In addition, Management has begun its project to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 with expected implementation in 2007, depending on SEC rulemaking. Management anticipates that this effort will also help to more formally document, communicate, and comply with the Company's accounting policies and procedures, as well as to identifying and rectifying any residual disclosure or reporting process control issues that may exist but, at this time, are unknown to management. There were no other changes in our internal controls over financial reporting.

ITEM II. OTHER INFORMATION

Item 1.

Legal Proceedings

N/A

Item 2.

Unregistered Sales of Equity Securities and Use of Proceeds

During the period covered by this report the Company sold no equity securities that were not registered under the Security Act of 1933, as amended.

Item 3.

Defaults upon Senior Securities

N/A

Item 4.

Submission of Matters to a Vote of Security Holders

No matter was submitted to the shareholders for vote during the second quarter of 2006.

Item 5.

Other Information

At the beginning of the quarter, Pete Parsley was appointed to the position of Vice President and Exploration Manager. On April 1, 2006, Pete commenced work as a full-time Company employee to manage the exploration program. Mr. Parsley is well-qualified with a Masters in Science degree in geology from the University of Idaho. He has been a mining professional since 1985 and has experience in gold exploration, mine development, construction, reclamation, and environmental compliance and permitting. He has been associated with the Thunder Mountain Project since 1985, including being the project manager for the exploration program by USMX/Dakota Mining that defined the Dewey mineralization. Recently, he served as President and Exploration Manager for Triumph Gold Corporation that had interests in the United States, China and South America.

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Item 6.

Exhibits

31.1 Certification Required by Rule 13a-14(a) or Rule 15d-14(a). Collord

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

32.1-- Certification required by Rule 13a-14(a) or Rule 15d-14(b) and section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. Collord

32.1-- Certification required by Rule 13a-14(a) or Rule 15d-14(b) and section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. McRae

SIGNATURES

Pursuant to the requirements of Section 13 or 15(b) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf of the undersigned, thereunto duly authorized.

THUNDER MOUNTAIN GOLD, INC.

/s/ E. James Collord

By _____

E. James Collord

President, Director and Chief Executive Officer

Date: August 18, 2006

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/ Robin S. McRae

By _____

Robin S. McRae

Secretary/Treasurer and Director and Chief Financial Accounting Officer

Date: August 18, 2006

