

THUNDER MOUNTAIN GOLD INC
Form 10QSB
November 20, 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 September 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 September 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.

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Thunder Mountain Gold, Inc.

Form 10-QSB

For the Quarterly Period Ended September 30, 2006

PART I. FINANCIAL INFORMATION

Item 1.

Financial Statements

THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

BALANCE SHEET

SEPTEMBER 30, 2006

(UNAUDITED)

September 30,
2006

ASSETS

Cash and cash equivalents	\$	1,143,300
Income tax refund receivable		51,539
Total Current Assets		1,194,839

Investments

(Non-current)		1,565
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PROPERTY AND EQUIPMENT

Automotive	47,186
Office equipment	4,231
Mining equipment	350
	51,767
Less: Accumulated depreciation	(22,035)
Net Property and Equipment	29,732
Total Assets	\$ 1,226,136

See Notes to Financial Statements.

THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

BALANCE SHEET

SEPTEMBER 30, 2006

(UNAUDITED)

September 30,
2006

LIABILITIES AND STOCKHOLDERS EQUITY

CURRENT LIABILITIES

Accounts payable	\$	10,965
Total Current Liabilities		10,965

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 exploration stage (1991 through September 30, 2006)		1,042,140

Total Stockholders Equity	1,215,171
Total Liabilities and Stockholders Equity	\$ 1,226,136

See Notes to Financial Statements.

THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

STATEMENTS OF OPERATIONS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005, AND FOR THE PERIOD OF

EXPLORATION STAGE FROM 1991 TO SEPTEMBER 30, 2006

(UNAUDITED)

	Three Months Ended		Nine Months Ended		During
	2006	2005	2006	2005	Exploration
					Stage
					(1991 through
					9/30/06)
INCOME					
Royalties	\$ -	\$ -	\$ -	\$ -	\$ 328,500
EXPENSES					
Exploration	33,722	11,521	61,444	23,042	633,501
Depreciation and depletion	4,097	-	12,148	-	58,305
Directors fees and professional services	-	138,606	25,497	134,825	526,677
Legal and accounting	13,104	29,530	46,117	48,059	223,931
Management and administrative	16,330	3,600	41,961	3,365	295,081
Total Expenses	67,253	183,257	187,167	209,291	1,737,495
(LOSS) FROM OPERATIONS	(67,253)	(183,257)	(187,167)	(209,291)	(1,408,995)
OTHER INCOME					
Interest and dividend income	8,857	2,058	28,939	2,189	239,843
Interest expense	-	(8,828)	-	(8,842)	(27,706)
Gain on sale of property and mining claims	-	2,576,112	-	2,576,112	2,576,112
Gain on sale of securities	-	16,712	-	16,712	166,116
Adjustment for impairment of investments	-	-	-	-	(51,255)
	8,857	2,586,054	28,939	2,586,171	2,903,110
INCOME (LOSS) BEFORE INCOME TAXES	(58,396)	2,402,797	(158,228)	2,376,880	1,494,115

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BENEFIT (PROVISION) FOR INCOME TAXES	17,518	(503,514)	51,539	(503,514)	(451,975)
NET INCOME (LOSS)	(40,878)	1,899,283	(106,689)	1,873,366	1,042,140
OTHER COMPREHENSIVE INCOME, NET OF TAX	-	-	-	-	485
COMPREHENSIVE INCOME (LOSS)	\$ (40,878)	\$ 1,899,283	\$ (106,689)	\$ 1,873,366	\$ 1,042,625
EARNINGS (LOSS) PER SHARE					
Basic	\$ (0.01)	\$ 0.21	\$ (0.01)	\$ 0.20	
WEIGHTED AVERAGE NUMBER OF SHARES-BASIC	8,057,627	9,095,210	8,055,979	9,509,171	

See Notes to Financial Statements.

THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005, AND FOR THE PERIOD OF

EXPLORATION STAGE FROM 1991 TO SEPTEMBER 30, 2006

(UNAUDITED)

	2006	2005	During Exploration Stage (1991 through 9/30/06)
CASH FLOWS PROVIDED (USED) BY			
OPERATING ACTIVITIES			
Net income (loss)	\$ (106,689)	\$ 1,873,366	\$ 1,042,140
Adjustments to reconcile net income (loss) to net cash			
used by operating activities:			
Depreciation and depletion	12,148	-	58,305
Options issued for services	-	16,380	16,380
Gain on sale of mining claims	-	(2,576,112)	(2,576,112)
Gain on sale of other assets	-	(16,712)	(160,441)
Impairment loss on securities	-	-	51,255
Change in:			
Prepaid expenses	44,888	-	-
Income tax refund receivable	(51,539)	-	(51,539)
Accrued interest	-	9,544	-
Taxes payable	(503,514)	503,514	-
Accounts payable	10,965	-	(3,603)
Receivables	-	-	124,955
Net Cash Used By Operating Activities	(593,741)	(190,020)	(1,498,660)

CASH FLOWS PROVIDED (USED) BY
INVESTING

ACTIVITIES			
Proceeds from sale of property and mining claims	-	5,500,000	5,500,000
Purchase of Dewey Mining Co. mining claims	-	(2,923,888)	(2,923,888)
Purchase of investments	-	-	(354,530)
Purchase of equipment	(2,332)	-	(120,621)
Proceeds from disposition of investments	-	16,712	642,645
Proceeds from disposition of equipment	-	-	49,310
Net Cash Provided (Used) by Investing Activities	(2,332)	2,592,824	2,792,916

CASH FLOWS PROVIDED (USED) BY
FINANCING

ACTIVITIES			
Proceeds from sale of common stock	-	-	60,000
Reacquisition of common stock	-	(376,755)	(376,755)
Borrowing on related party note payable	-	-	241,500
Repayments on related party note payable	-	-	(241,500)
Borrowing on line-of-credit	-	51,679	188,821
Repayments on line-of-credit	-	-	(188,821)
Net Cash Used By Financing Activities	-	(325,076)	(316,755)

(Continued)

See Notes to Financial Statements.

THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS

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

(UNAUDITED)

	2006	2005	During Exploration Stage (1991 through 9/30/06)
NET INCREASE (DECREASE) IN CASH \$	(596,073)	\$ 2,077,728	\$ 977,501
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,739,373	2,204	165,799
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,143,300	\$ 2,079,932	\$ 1,143,300
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.

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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 nine month period ended September 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 September 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 September 30, 2006, the Company had 375,000 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 nine months ended September 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).

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.

5.

Income Taxes

During the three and nine month periods ended September 30, 2006, the Company recognized \$17,518 and \$51,539, respectively, of income tax benefit. The benefit resulted from the utilization of the current period's net operating loss carried back to the previous year's taxable income.

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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 September 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, Utah and California. The program utilizes the talents of Pete Parsley, Vice President, Director and Exploration Manager. Mr. Parsley became a full-time employee of the Company on April 1, 2006. Efforts focused on new as well as recognized mineralized trends in Nevada and Southern Idaho, and several properties are currently being evaluated for acquisition. 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 proposed partnership complications. Although several exploration targets are under consideration, the Company had not acquired or entered into agreements of any kind for any properties as of September 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.

In attempting to acquire mineral properties, we will be at a competitive disadvantage since we must compete with many companies and individuals having greater capital and financial resources and larger technical staffs.

Financial Condition and Liquidity:

As of the end of the third quarter of 2006, the Company had a positive cash-position of approximately \$1,143,300 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 is considering raising additional funds through various means sometime over the next twelve-month period, although at present management believes that its funds are sufficient to meet corporate expenses to be incurred over that period. At the end of the quarter, the Company had no outstanding liabilities other than accrued September expenses of approximately \$10,965 for field expenses, legal work, geochemical analyses, and shareholder maintenance.

We have no agreements with management, investors, shareholders or anyone else respecting additional financing at this time, other than Options granted October 2005 and in October 2006.

Capital Resources:

The Company did not make any additional capital expenditures during the quarter ended September 30, 2006.

Results of Operations:

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

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

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 September 30, 2006 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. Effective as of October 15, 2006, the Company did grant options to acquire 360,000 shares of common stock, for an exercise price of \$0.11 per share. The term of the options is 5 years. The options also contain non-dilution provisions. The options were granted to Management, Directors, and 2 other individuals.

Item 3.

Defaults upon Senior Securities

N/A

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Item 4.

Submission of Matters to a Vote of Security Holders

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

Item 5.

Other Information

Pete Parsley was appointed to the position of Vice President and Exploration Manager on April 1, 2006. Since that date, Pete has been a full-time Company employee and manages 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 had 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. Prior to joining the Company, he served as President and Exploration Manager for Triumph Gold Corporation that had interests in the United States, China and South America.

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: November 16, 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: November 16, 2006