

THUNDER MOUNTAIN GOLD INC  
Form 10KSB  
April 02, 2007

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

**FORM 10-KSB**

(Mark One)

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

**For the fiscal year ended December 31, 2006**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**THUNDER MOUNTAIN GOLD, INC.**

(Exact name of Registrant as specified in its charter)

<b>IDAHO</b> (State or other jurisdiction of incorporation)	<b>001-08429</b> (Commission File Number)	<b>91-1031075</b> (IRS Employer Identification No.)
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<b>1239 PARKVIEW DRIVE, ELKO, NEVADA</b> (Address of principal executive offices)	<b>89801</b> (Zip Code)
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**(775) 738-9826**

(Issuer's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, par value \$0.05

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past ninety (90) days.      **Yes [X]**      No [ ]

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of Company's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

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

Yes [ ] No [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of December 31, 2006 was \$1,129,706. This figure is based on estimated bid price of \$0.14 as of December 29, 2006 of \$0.14 per share.

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Issued and outstanding common capital stock as of March 31, 2007: 8,069,327 shares of common \$0.05 par value stock non -assessable.

Documents Incorporated by reference: Form 8-K, as filed on February 21, 2007.

Transitional small business disclosure format: Yes [ ] **No [X]**

SEC 2337 (5-06)

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**THUNDER MOUNTAIN GOLD, INC.**

**Form 10-KSB**

**December 31, 2006**

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## PART I

### ITEM 1 - DESCRIPTION OF BUSINESS

#### Forward-Looking Statements

This Report on Form 10-KSB contains certain forward-looking statements. These forward looking statements include statements regarding exploration and development plans, marketing plans, capital and operations expenditures, and results of operations.

The forward-looking statements included herein are based on current expectations and involve a number of risks and uncertainties. These forward-looking statements are based on assumptions regarding the business of Thunder Mountain Gold, Inc., ("the Company" the Registrant us or we ), which involve judgments with respect to, among other things, future economic and competitive conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes that the assumptions underlying the forward looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, actual results may differ materially from those set forth in the forward-looking statements.

#### Company History

The Company was originally incorporated under the laws of the State of Idaho on November 9, 1935, under the name of Montgomery Mines, Inc. In April, 1978 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. In August 1985, the Company's shareholders approved an increase in the authorized common stock, \$0.05 par value, from 7,500,000 shares to 12,000,000 shares. Quotations of the bid and ask prices for the stock are published by the Spokane Quotations Service of Spokane, Washington.

#### Current Operations

Thunder Mountain Gold is a mineral exploration stage company with no producing mines, and no current mining properties. The Company intends to remain in the business of exploring for mining properties that have the potential to produce gold, silver, base metals and other commodities. The cash generated from the 2005 sale of the Company's properties in the Thunder Mountain Mining District have allowed the Company to maintain a regional exploration



program during 2006.

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Reports To Security Holders:

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

Risk Factors:

The Company is in the business of conducting exploration for mineral properties that have the potential for discovery of economic mineral resources. The Company is committing money and talent to this effort, and has added two properties to its inventory. As with any mineral exploration activity, there is always a risk of not being successful in finding and securing a property that has potential for the discovery of a valuable mineral resources. Material risks associated with the Company's operations are as follows:

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

At December 31, 2006, we had cash of \$1,054,927. We believe this cash will be sufficient to meet our current operating and capital requirements for at least the next 12 months. However, we have based this estimate on assumptions that may prove to be wrong, and we cannot assure that estimates and assumptions will remain unchanged. For example, we are currently assuming that we will have undertaken further exploration efforts over the next 12 months without any significant staff or other resources expansion. To the extent we pursue further exploration efforts or acquire additional mining properties, we will need to raise additional capital to fund development costs. For the year ended December 31, 2006 net cash used for operating activities was \$682,114, which includes the payment of 2005 federal and state tax of \$503,514 and \$43,760 for 2006 shareholder maintenance, accounting, auditing and filing. Our future liquidity and capital requirements will depend on many factors, including timing, cost and progress of our exploration efforts, our evaluation of, and decisions with respect to, our strategic alternatives, and costs associated with the regulatory approvals. If it turns out that we do not have enough money to complete our exploration programs, we will try to raise additional funds from a second public offering, a private placement or loans. At the present time, we have not made any plans to raise additional money and there is no assurance that we would be able to raise additional money in the future. If we need additional money, and can't raise it, we will have to suspend or cease operations.

We believe that additional financing will be required in the future to fund our operations. We do not know whether additional financing will be available when needed or on acceptable terms, if at all. If we are unable to raise additional financing when necessary, we may have to delay our exploration efforts or any property acquisitions or be forced to

cease operations. Collaborative arrangements may require us to relinquish our rights to certain of our mining claims.

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

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

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

**Our mineral exploration efforts may not be successful.**

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

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

**We have no known mineral reserves and if we cannot find any we will have to cease operations.**

We have no mineral reserves, and if we not find a mineral reserve containing gold, or if we cannot explore the mineral reserve, either because we do not have the money to do it or because it will not be economically feasible to do it, we will have to cease operations and you could lose your investment.

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

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

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

These include a number of risks and hazards including: 1) environmental hazards; 2) political and country risks; 3) industrial accidents; 4) labor disputes; 5) unusual or unexpected geologic formations; 6) high wall failures, cave-ins or explosive rock failures, and; 7) flooding and periodic interruptions due to inclement or hazardous weather conditions. Such risks could result in: 1)

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damage to or destruction of mineral properties or producing facilities; 2) personal injury; 3) environmental damage; 4) delays in exploration efforts; 5) monetary losses, and; 6) legal liability.

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

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

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

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

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

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

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

At this time, we have no specific financial obligations for environmental costs. Various laws and permits require that financial assurances be in place for certain environmental and reclamation obligations and other potential liabilities. Once we undertake any trenching or drilling activities, a reclamation bond and a permit will be required under applicable laws. Currently, we have no obligations for financial assurances of any kind, and unable to undertake any trenching, drilling, or

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development on any of our properties until we obtain financial assurances pursuant to applicable regulations to cover potential liabilities.

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

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 ( Section 404 ), we will be required, beginning in fiscal year 2007, to perform an evaluation of our internal controls over financial reporting and have our independent registered public accounting firm test and evaluate the design and operating effectiveness of such internal controls and publicly attest to such evaluation. We have prepared an internal plan of action for compliance with the requirements of Section 404, which includes a timeline and scheduled activities, although as of the date of this filing we have not yet completed the effectiveness evaluation. Although we believe our internal controls are operating effectively, we cannot guarantee that we will not have any material weaknesses as reported by our independent registered public accounting firm. Compliance with the requirements of Section 404 is expected to be expensive and time-consuming. If we fail to complete this evaluation in a timely manner, or if our independent registered public accounting firm cannot timely attest to our evaluation, we could be subject to regulatory scrutiny and a loss of public confidence in our internal controls. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

## **ITEM 2 - DESCRIPTION OF PROPERTIES**

During the first quarter of 2006, the Company completed the staking unpatented lode mining claims on two properties, one in the Tonopah Mining District in Esmeralda County, Nevada and one in the Clover Mountain area of Owyhee County, Idaho.

1.

The first property consists of eight unpatented lode claims within a favorable target area that has had historic production of silver and gold production. A detailed geologic interpretation of the area staked indicates that the claims could cover an underground extension of the vein system that was mined during the historic period of the Tonopah district.

2.

The second property consists of forty unpatented lode claims covering a complex granitic intrusive complex.

Low-level anomalous geochemistry was identified during regional reconnaissance exploration activities, and the claims were situated to cover the area.

## **ITEM 3 - LEGAL PROCEEDINGS**



The Company has no legal actions pending against it and it is not a party to any suits in any court of law, nor are the directors aware of any claims which could give rise to or investigations pending by the Securities and Exchange Commission or any other governmental agency. The Company is not involved in any civil rights negotiations or proceedings.

**ITEM 4 - SUBMISSION OF MATTERS TO VOTE ON SECURITY HOLDERS**

Management intends to conduct the Annual Meeting of Shareholders in mid-2007. No matter was submitted to the shareholders for vote during the fourth quarter of 2006.

**PART II**

**ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.**

**Market Information:**

The common stock of the Registrant is traded on the over-the-counter market operated by NASDAQ (OTCBB) under the symbol THMG .

The bid prices for the Registrant's stock for the years 2005 and 2006 were as follows:

<b>PERIOD</b>	<b>HIGH</b>	<b>LOW</b>
<b>2005</b>		
First Quarter	\$ 0.30	\$ 0.21
Second Quarter	\$ 0.27	\$ 0.17
Third Quarter	\$ 0.20	\$ 0.15
Fourth Quarter	\$ 0.20	\$ 0.10
<b>2006</b>		
First Quarter	\$ 0.14	\$ 0.09
Second Quarter	\$ 0.15	\$ 0.11
Third Quarter	\$ 0.25	\$ 0.11
Fourth Quarter	\$ 0.20	\$ 0.10

At February 28, 2006, the price per share quoted on the OTCBB was \$0.20.

**Holders:**

As of December 31, 2006, there were 2,041 shareholders of record of the Company's common stock. 1,883,525 shares of the Company's common stock were cancelled as a result of the purchase from Donald J. Nelson and Ronald C. Yanke as part of the 2005 purchase of Dewey Mining Company. This event occurred in 2006, and significantly reduced the number of outstanding securities.

**Dividends:**

The Registrant has not paid any dividends, and does not plan to do so in the foreseeable future.

**Securities Authorized For Issuance under Equity Compensation Plans:**

None.

**Recent Sales of Unregistered Securities; Use of Proceeds From Registered Securities:**

During the period covered by this report the Company sold the following equity securities that were not registered under the Security Act of 1933, as amended, only in connection with services provided by directors and other consultants:

On October 15, 2006, the Board of Directors granted options for a total of 360,000 shares of the Company's Common Stock, \$0.05 par value, exercisable for a period of 5 years, with an exercise price of \$0.11 per share. The options were granted to the officers and directors of the Company, namely, Pete Parsley, E. James Collord, Eric T. Jones, Robin S. McRae and Edward Fields. The securities issued to Officers and Directors were provided as part of their compensation for services rendered or to be rendered for the Company. The securities were offered pursuant to an exemption to registration provided under Section 4(2) of the Securities Act of 1933.

Additionally on October 15, 2006, the Board of Directors granted options to acquire a total of 75,000 shares of the Company's Common Stock, \$0.05 par value, exercisable for a period of 5 years, with an exercise price of \$0.11 per share, each to the Company's counsel (50,000 share options) and an accountant (25,000 share options). The securities issued to counsel and our accountant were originally provided as compensation for services rendered or to be rendered for the Company. The securities were offered pursuant to an exemption to registration provided under Section 4(2) of the Securities Act of 1933.

**ITEM 6 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATION**

This report contains both historical and prospective statements concerning the Company and its operations.

Prospective statements (known as "forward-looking statements") may or may not prove true with passage of time because of future risks and uncertainties. The Company cannot predict what factors might cause actual results to differ materially from those indicated by prospective statements.

**Plan of Operation:**

The financial condition of the Company was positive during 2006 and the metals commodity markets continued to be favorable during the year. Positive advances were made with the exploration program that commenced in April 2006 when Pete Parsley was hired on a full-time basis as Vice President, Director and Exploration Manager.

The reconnaissance-level exploration effort conducted during 2006 resulted in the identification of two areas that deserve further detailed geologic investigation. Two claim groups covering these areas were staked in early 2007:

1. West Tonopah Claim Group:

During the period 1900 to 1952, the Tonopah District produced 174,153,600 ounces silver and 1,861,000 ounces of gold from 8,798,000 tons of ore for an average grade of approximately 20 opt silver and 0.21 opt gold.

Approximately 50% of this production came from what are called the contact veins in the

western part of the district where the mineralization occurs near the contacts of the Mizpah Andesite and Tonopah Formation Rhyolite with the domed-shaped West End Rhyolite intrusive sill.

Eight unpatented lode mining claims totaling approximately 160 acres were staked in the Tonopah Mining district of Esmeralda County, Nevada. The claims are located on what has been interpreted to be the offset portion of the West End and Ohio veins along the south limb of the West End Rhyolite intrusive dome. The target is projected to be 500 to 800 feet deep and could initially be tested by surface drilling. The typical veins historically mined in this area are projected to be 10-20 feet thick, with ore shoots up to 50 feet thick. Grades historically mined in the area were 15 to 20 ounces per ton (opt) silver and 0.15 to 0.20 opt gold. There is approximately 3,000 feet of relatively unexplored strike length and the veins could extend to depths of 2,000 feet.

## 2. Clover Mountain Claim Group:

Thunder Mountain Gold completed a claim staking program in the Clover Mountain area which is located in Owyhee County, Idaho, approximately 70 miles south of Boise, Idaho. The property consists of 40 unpatented lode mining claims totaling approximately 800 acres.

A geologic reconnaissance program in the fall of 2006 identified anomalous gold, silver, and other base metals in rock chips and soils at Clover Mountain. Mineralization appears to be associated with subtle stockwork veining in a granitic stock which has been intruded by northeast and northwest trending rhyolitic dikes. The property is overlain by locally silicified rhyolitic tuff.

Thunder Mountain is preparing to initiate a more detailed geologic mapping and soil sampling program for 2007.

This program is designed to identify mineralized structures associated with stockwork veining adjacent to rhyolite dikes.

For purposes of any discussion of the West Tonopah and Clover Mountain Claim Groups, mineralized material is generally defined as a mineralized body which has been delineated by appropriately spaced drilling and/or underground sampling to support a sufficient tonnage and average grade of metals.

Reconnaissance-level exploration and property evaluation will continue during 2007. The focus of this work will be in Idaho and Nevada, plus adjoining western states.

Expenses for 2007 will be for salaries and overhead, travel and field expenses, consultants and property acquisition costs. Expenses will also be incurred for administrative and legal costs that are considered normal corporate expenses.

Financial Condition and Liquidity:

The Company has a positive cash-position and maintained its liquid assets in a Merrill Lynch cash management fund. The Company's cash and liquid assets are considered adequate to meet its current and near-term corporate obligations. With the funds received from the private placement (see below), 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 its exploration and corporate expenses incurred during the next 12 months.

Fees were paid to the two new directors and to E. James Collord (who did not receive any prepaid compensation in 2005 for services to be rendered in 2006, as did Pete Parsley and Robin McRae). The following directors received fees as outlined: E. James Collord, President and CEO, \$12,500, Eric T. Jones, Secretary/Treasurer and CFO, \$5,000, and Edward Fields, Director, \$3,000.

#### *Capital Expenditures*

The Company purchased minor equipment during 2006 that will be utilized for their future corporate and exploration efforts. Equipment purchased includes a used geiger counter for use in uranium exploration, a GPS for field use, a Dell 490 workstation with geographical information system and geologic interpretative software. In March, 2007, the Company purchased a used 2003 Ford F-250 pickup for field use by Pete Parsley; the truck was purchased from Mr. Parsley based on a Kelley Blue Book pricing plus allowances for condition and options.

#### *Cancellation of treasury stock*

As part of the purchase of Dewey Mining Company, the Company also acquired 1,883,525 shares of Company stock that were held by the principal shareholders of Dewey Mining Company and returned them to the Company's treasury. During 2006 the Company cancelled the treasury shares.

#### *Private Placement*

On February 16, 2007 the Board initiated a private offering of 2.5 million shares the Company's common stock, par value \$0.05, at a price of \$0.05 per share. The offer was limited to Directors, Management and key consultants for the Company. The price per share for the offering was established after receiving a fairness opinion from a third-party securities broker, Public Securities, Inc. of Spokane, WA. All stock purchased under the private offering will be subject to certain restrictions, specifically the purchasers will be restricted from selling or otherwise transferring the stock for a period of three years, unless and only in the case of a merger, consolidation of the Company, or sale or disposition of all assets of the Company. An 8-K was filed with the SEC regarding the private offering on February 21, 2007. The private offering was completed by March 16, 2007. A total of \$125,000 was raised from the private offering.

#### Critical Accounting Policies:



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

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Expenses and disclosures associated with accounting for stock-based compensation. As of January 1, 2006, we 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 on the grant-date fair value of the award. We have chosen to use the modified prospective transition method under SFAS 123(R). We used the Black-Scholes option pricing model to estimate the fair market value

of stock options issued under our stock-based compensation plan, which determines the recognition of associated compensation expense. This valuation model requires the use of judgment in applying assumptions of risk-free interest rate, stock price volatility and the expected life of the options. The appropriate judgment is required in the assumptions and estimates used in this valuation.

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Estimates regarding income taxes. We have significant current income tax assets recorded in our financial statements that are based on our estimates relating to federal and state income tax benefits. Our judgments regarding federal and state income tax rates, items that may or may not be deductible for income tax purposes and income tax regulations themselves are critical to the Company's financial statement income tax items. In 2006, the Company paid \$503,514 in federal and state income tax for their 2005 income tax returns. The Company expects a refund of income tax in the amount of \$107,439 from operating loss carryback due to loss in 2006.

Other Information:

Please refer to the financial statements for additional costs and expenditures and other financial information.

The Company had no production from operations for 2006 or 2005.

For 2006 and 2005, gross revenues were \$0.

The Company had one employee during the year ended December 31, 2006, and none for the year ended December 31, 2005.

Off Balance-Sheet Arrangements:

During the 12 months ended December 31, 2006 and 2005, the Company did not engage in any off-balance sheet arrangements as defined in Item 303(c) of the SEC's Regulation S-B.



**ITEM 7 - FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

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2006

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and from the period of exploration stage from 1991

through 2006

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and

Stockholders of Thunder Mountain Gold, Inc.

(An Exploration Company)

We have audited the accompanying balance sheets of Thunder Mountain Gold, Inc. (An Exploration Stage Company) as of December 31, 2006 and 2005, and the related statements of operations and comprehensive income (loss), stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thunder Mountain Gold, Inc. as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, during 2006, Thunder Mountain Gold, Inc. changed its method of accounting for equity-based compensation in accordance with guidance provided in Statement of Financial Accounting Standards No. 123(R), Share-Based Payment .

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

DeCoria, Maichel & Teague P.S.

February 19, 2007

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THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

BALANCE SHEETS

DECEMBER 31, 2006 AND 2005

2006

2005

ASSETS

Cash and cash equivalents	\$	1,054,927	\$	1,739,373
Prepaid expenses		1,544		44,888
Federal and state income tax refunds receivable		107,439		-

Total Current Assets		1,163,910		1,784,261
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Investments

(Non-current)		1,565		1,565
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PROPERTY AND EQUIPMENT

Automotive		47,186		47,186
Office equipment		4,581		2,249

Less: Accumulated depreciation		(19,986)		(9,887)
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Net Property and Equipment		31,781		39,548
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Total Assets	\$	1,197,256	\$	1,825,374
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The accompanying notes are integral to the financial statements.

## THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

## BALANCE SHEETS

DECEMBER 31, 2006 AND 2005

2006

2005

## LIABILITIES AND STOCKHOLDERS EQUITY

## CURRENT LIABILITIES

Accounts payable	\$	8,035	\$	29,250
Federal and state income taxes payable		-		503,514
Total Current Liabilities		8,035		532,764

## STOCKHOLDERS EQUITY

Common stock, \$0.05 par value; 12,000,000 shares authorized; 8,069,327 and 9,727,852 shares issued respectively		403,466		486,392
Additional paid-in capital		319,007		270,602
Less: 11,700 and 1,895,225 shares of treasury stock, at cost		(24,200)		(400,905)
Accumulated other comprehensive income		485		485
Retained deficit		(212,793)		(212,793)
Retained earnings accumulated during the exploration stage (1991 through 2006)		703,256		1,148,829
Total Stockholders Equity		1,189,221		1,292,610

Total Liabilities and Stockholders Equity	\$	1,197,256	\$	1,825,374
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The accompanying notes are integral to the financial statements.

## THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

## STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

AND FROM THE PERIOD OF EXPLORATION STAGE FROM 1991 THROUGH 2006

	2006	2005	During Exploration Stage (1991 through 2006) (Unaudited)
<b>INCOME</b>			
Royalties	\$ -	\$ -	\$ 328,500
<b>EXPENSES</b>			
Exploration	23,905	23,042	595,962
Depreciation and depletion	10,099	9,887	56,256
Directors' fees and professional services	76,565	136,380	577,745
Legal and accounting	72,982	53,156	250,796
Management and administrative	133,229	11,885	386,349
Total Expenses	316,780	234,350	1,867,108
<b>(LOSS) FROM OPERATIONS</b>	<b>(316,780)</b>	<b>(234,350)</b>	<b>(1,538,608)</b>
<b>OTHER INCOME</b>			
Gain on sale of property and mining claims	-	2,576,112	2,576,112
Interest and dividend income	37,462	15,340	248,366
Interest expense	-	(13,807)	(27,706)
Gain on sale of securities	-	16,712	166,116
Adjustments for impairment of investments	-	-	(51,255)
	37,462	2,594,357	2,911,633
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(279,318)</b>	<b>2,360,007</b>	<b>1,373,025</b>
<b>(PROVISION) BENEFIT FOR INCOME TAXES</b>	<b>107,439</b>	<b>(503,514)</b>	<b>(396,075)</b>
<b>NET INCOME (LOSS)</b>	<b>(171,879)</b>	<b>1,856,493</b>	<b>976,950</b>

OTHER COMPREHENSIVE INCOME  
(LOSS),

NET OF TAX			
Unrealized holding loss arising during the period	-	-	(53,539)
Reclassification adjustment for gains included in net income	-	(17,622)	(97,586)
Reclassification adjustment for difference between cost and carrying value of securities sold during the period previously included in other comprehensive income	-	-	151,610
Other comprehensive income (loss)	-	(17,622)	485
COMPREHENSIVE INCOME (LOSS)	\$ (171,879)	\$ 1,838,871	\$ 977,435

EARNINGS (LOSS) PER SHARE

Basic	\$ (0.02)	\$ 0.20
Diluted	\$ (0.02)	\$ 0.20

WEIGHTED AVERAGE NUMBER OF SHARES-BASIC	8,056,394	9,088,310
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WEIGHTED AVERAGE NUMBER OF SHARES-DILUTED	8,056,394	9,130,684
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The accompanying notes are integral to the financial statements.

## THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005, AND FROM THE PERIOD OF EXPLORATION  
STAGE FROM 1991 THROUGH 2006

	2006	2005	During Exploration Stage (1991 through 2006) (Unaudited)
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Net income (loss)	\$ (171,879)	\$ 1,856,493	\$ 976,950
Adjustments to reconcile net income (loss) to net cash used by operating activities:			
Depreciation and depletion	10,099	9,887	56,256
Options issued for professional services	39,240	16,380	55,620
Gain on sale of property and mining claims	-	(2,576,112)	(2,576,112)
Gain on sale of securities and other assets	-	(16,712)	(160,441)
Impairment loss on securities included in net loss	-	-	51,255
Change in:			
Prepaid expenses	43,344	(44,888)	(1,544)
Receivables	-	-	124,955
Accrued interest	-	(18,506)	-
Taxes payable/refundable	(610,953)	503,514	(107,439)
Accounts payable	8,035	29,250	(6,533)
<b>Net Cash Used By Operating Activities</b>	<b>(682,114)</b>	<b>(240,694)</b>	<b>(1,587,033)</b>

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)	(49,435)	(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)	2,543,389	\$ 2,792,916

CASH FLOWS PROVIDED (USED) BY  
FINANCING

## ACTIVITIES

Proceeds from sale of common stock	-	-	\$ 60,000
Reacquisition of common stock	-	(376,705)	(376,755)
Borrowing on related party note payable	-	241,500	241,500
Repayments on related party note payable	-	(241,500)	(241,500)
Borrowing on line-of-credit	-	-	188,821
Repayments on line-of-credit	-	(188,821)	(188,821)
Net Cash Used By Financing Activities	-	(565,526)	(316,755)
NET INCREASE (DECREASE) IN CASH	(684,446)	1,737,169	889,128

CASH AND CASH EQUIVALENTS,  
BEGINNING OF

PERIOD	1,739,373	2,204	165,799
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,054,927	\$ 1,739,373	\$ 1,054,927

## SUPPLEMENTAL DISCLOSURE:

Cash paid for interest	\$ -	\$ 29,071	\$ 29,071
Cash paid for income taxes	\$ 503,514	\$ -	\$ 503,514

## NON-CASH INVESTING ACTIVITIES:

Stock issued for mining contract	\$ -	\$ -	\$ 50,000
Stock issued for accounts payable	\$ 29,250	\$ -	\$ 29,250

The accompanying notes are integral to the financial statements.





## THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

## STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005,

AND FROM THE PERIOD OF EXPLORATION STAGE FROM 1991 THROUGH 2006

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings (Deficit)	Deficit Accumulated During Exploration Stage (1991 t h r o u g h 2006)	Total
Balances at January 1, 1991	7,776,587	\$ 388,829	\$ 254,285	\$ -	\$ (24,150)	\$ 20,002	\$ -	\$ 638,966
Stock previously issued but not recorded by transfer agent	1,265	63	(63)	-	-	-	-	-
Stock cancelled	(50,000)	(2,500)	(10,000)	-	-	-	-	(12,500)
Net loss 1991	-	-	-	-	-	-	(82,358)	(82,358)
Balances at December 31, 1991	7,727,852	386,392	244,222	-	(24,150)	20,002	(82,358)	544,108
Stock issued for mining contract	1,000,000	50,000	-	-	-	-	-	50,000
Net loss 1992	-	-	-	-	-	-	(14,718)	(14,718)
Balances at December 31, 1992	8,727,852	436,392	244,222	-	(24,150)	20,002	(97,076)	579,390
Stock issued for options exercised	1,000,000	50,000	10,000	-	-	-	-	60,000
Net loss 1993	-	-	-	-	-	-	(42,942)	(42,942)
Balances at December 31, 1993	9,727,852	486,392	254,222	-	(24,150)	20,002	(140,018)	596,448
Unrealized gain in marketable securities	-	-	-	215,803	-	-	-	215,803

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Cumulative effect of change in								
accounting principle	-	-	-	(910)	-	910	-	-
Net loss 1994	-	-	-	-	-	-	(27,471)	(27,471)
Balances at December 31, 1994	9,727,852	486,392	254,222	214,893	(24,150)	20,912	(167,489)	784,780
Unrealized gain in marketable securities	-	-	-	141,801	-	-	-	141,801
Net income 1995	-	-	-	-	-	-	26,367	26,367
Balances at December 31, 1995	9,727,852	486,392	254,222	356,694	(24,150)	20,912	(141,122)	952,948
Unrealized gain in marketable securities	-	-	-	12,360	-	-	-	12,360
Net income 1996	-	-	-	-	-	-	83,029	83,029
Balances at December 31, 1996	9,727,852	486,392	254,222	369,054	(24,150)	20,912	(58,093)	1,048,337
Reacquisition of stock	-	-	-	-	(50)	-	-	(50)
Unrealized loss in marketable securities	-	-	-	(168,521)	-	-	-	(168,521)
Reclassification adjustment for losses included in net income	-	-	-	27,389	-	-	-	27,389
Net loss 1997	-	-	-	-	-	-	(10,139)	(10,139)
Balances at December 31, 1997	9,727,852	486,392	254,222	227,922	(24,200)	20,912	(68,232)	897,016
Unrealized loss in marketable securities	-	-	-	(26,895)	-	-	-	(26,895)
Impairment loss - mining claims	-	-	-	-	-	(233,705)	-	(233,705)
Net loss 1998	-	-	-	-	-	-	(125,684)	(125,684)
Comprehensive	-	-	-	-	-	-	-	(386,284)

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(Loss)

Balances at December 31, 1998	9,727,852	486,392	254,222	201,027	(24,200)	(212,793)	(193,916)	510,732
Unrealized loss in marketable securities	-	-	-	(24,030)	-	-	-	(24,030)
Net income 1999	-	-	-	-	-	-	37,050	37,050
Comprehensive income	-	-	-	-	-	-	-	13,020
Balances at December 31, 1999	9,727,852	486,392	254,222	176,997	(24,200)	(212,793)	(156,866)	523,752
Unrealized holding loss in marketable securities	-	-	-	(60,186)	-	-	-	(60,186)
Reclassification adjustment for gains included in net income	-	-	-	(47,100)	-	-	-	(47,100)
Reclassification adjustment for securities sold with gains previously included in other comprehensive income	-	-	-	(89,587)	-	-	-	(89,587)
Net loss 2000	-	-	-	-	-	-	(102,602)	(102,602)
Comprehensive (Loss)	-	-	-	-	-	-	-	(299,475)
Balances at December 31, 2000	9,727,852	486,392	254,222	(19,876)	(24,200)	(212,793)	(259,468)	224,277
Unrealized holding loss in marketable securities	-	-	-	(17,108)	-	-	-	(17,108)
Reclassification adjustment for gains included in net income	-	-	-	45,455	-	-	-	45,455
Reclassification adjustment for								

securities sold with gains previously included in other comprehensive income	-	-	-	(26,778)	-	-	-	(26,778)
Net loss 2001	-	-	-	-	-	-	(145,648)	(145,648)
Comprehensive (Loss)	-	-	-	-	-	-	-	(144,079)
Balances at December 31, 2001	9,727,852	486,392	254,222	(18,307)	(24,200)	(212,793)	(405,116)	80,198

(Continued)

The accompanying notes are integral to the financial statements.

## THUNDER MOUNTAIN GOLD, INC.

(An Exploration Stage Company)

## STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005,

AND FROM THE PERIOD OF EXPLORATION STAGE FROM 1991 TO 2006

	Common Shares	Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings (Deficit)	Deficit Accumulated During Exploration Stage (1991 through 2006)	Total
Unrealized loss in marketable securities	-	-	-	(2,994)	-	-	-	(2,994)
Reclassification adjustment for losses included in net income	-	-	-	13,298	-	-	-	13,298
Reclassification adjustment for securities sold with gains previously included in other comprehensive income	-	-	-	(14,294)	-	-	-	(14,294)
Net loss 2002	-	-	-	-	-	-	(95,651)	(95,651)
Comprehensive (loss)	-	-	-	-	-	-	-	(99,641)
Balances at December 31, 2002	9,727,852	486,392	254,222	(22,297)	(24,200)	(212,793)	(500,767)	(19,443)
Reclassification adjustment for								

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losses included in net income	-	-	-	34,335	-	-	-	34,335
Reclassification adjustment for securities sold with losses previously included in other comprehensive income	-	-	-	(12,948)	-	-	-	(12,948)
Unrealized gain in marketable securities	-	-	-	4,830	-	-	-	4,830
Net loss - 2003	-	-	-	-	-	-	(95,473)	(95,473)
Comprehensive (loss)	-	-	-	-	-	-	-	(69,256)
Balances at December 31, 2003	9,727,852	486,392	254,222	3,920	(24,200)	(212,793)	(596,240)	(88,699)
Unrealized gain in marketable securities	-	-	-	14,187	-	-	-	14,187
Net loss 2004	-	-	-	-	-	-	(111,424)	(111,424)
Comprehensive (loss)	-	-	-	-	-	-	-	(97,237)
Balances at December 31, 2004	9,727,852	486,392	254,222	18,107	(24,200)	(212,793)	(707,664)	(185,936)
Purchase 1,883,525 shares treasury stock	-	-	-	-	(376,705)	-	-	-