

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

FORM 10-Q

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

For the quarterly period ended September 30, 2020  
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)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**91-1031015**

(IRS identification No.)

**11770 W President Dr. STE F**

**Boise, Idaho**

(Address of Principal Executive Offices)

**83713-8986**

(Zip Code)

**(208) 658-1037**

(Registrant's Telephone Number, including Area Code)

Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, \$0.001 par value	THMG THM	OTCQB TSX-V

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the Registrant is  a large accelerated filer,  an accelerated filer,  a non-accelerated filer,  a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act) or  an emerging growth company

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

Yes  No

Number of shares of issuer's common stock outstanding at October 23, 2020: 60,145,579

## PART I - FINANCIAL INFORMATION

### Item 1 – Financial Statements

#### Thunder Mountain Gold, Inc.

#### Consolidated Balance Sheets (Unaudited)

September 30, 2020 and December 31, 2019

	September 30, 2020	December 31, 2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 343,729	\$ 252,415
Prepaid expenses and other assets	33,597	18,824
<b>Total current assets</b>	<b>377,326</b>	<b>271,239</b>
Property and Equipment:		
Land	280,333	280,333
Equipment, net of accumulated depreciation of \$172,411 and \$156,694, respectively	10,194	25,911
<b>Total property and equipment</b>	<b>290,527</b>	<b>306,244</b>
Right to use asset	5,272	16,625
Investment in BeMetals, at fair value (Note 4)	3,189,888	1,735,830
<b>Total assets</b>	<b>\$ 3,863,013</b>	<b>\$ 2,329,938</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 90,217	\$ 96,973
Accrued related party liability (Note 8)	196,685	216,685
Accrued interest payable to related parties (Note 7)	84,734	73,343
Operating lease liability – current	5,272	15,265
Advance from BeMetals (Note 3)	49,703	78,539
Deferred officer compensation (Note 8)	1,041,500	1,041,500
Related parties notes payable (Note 7)	106,576	106,576
<b>Total current liabilities</b>	<b>1,574,687</b>	<b>1,628,881</b>
Operating lease liability – long-term	-	1,360
SBA PPP loan (Note 6)	48,000	-
Accrued reclamation costs	65,000	65,000
<b>Total liabilities</b>	<b>1,687,687</b>	<b>1,695,241</b>
Commitments and Contingencies (Notes 2 and 3)		
Stockholders' equity:		
Preferred stock; \$0.0001 par value, 5,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock; \$0.001 par value; 200,000,000 shares authorized, 60,145,579 shares issued and outstanding	60,146	60,146
Additional paid-in capital	6,336,316	6,176,576
Less: 11,700 shares of treasury stock, at cost	(24,200)	(24,200)
Accumulated deficit	(4,370,638)	(5,751,527)
<b>Total Thunder Mountain Gold, Inc stockholders' equity</b>	<b>2,001,624</b>	<b>460,995</b>
Noncontrolling interest in Owyhee Gold Trust (Note 3)	173,702	173,702
<b>Total stockholders' equity</b>	<b>2,175,326</b>	<b>634,697</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,863,013</b>	<b>\$ 2,329,938</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Thunder Mountain Gold, Inc.**  
**Consolidated Statements of Operations (Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Revenues:				
Gain on mineral interest	\$ 250,000	\$ -	\$ 250,000	\$ 1,504,398
Management service income	75,000	75,000	225,000	125,000
Total revenues	<u>325,000</u>	<u>75,000</u>	<u>475,000</u>	<u>1,629,398</u>
Operating expenses:				
Exploration	5,329	10,320	13,422	26,498
Legal and accounting	11,668	9,790	46,099	124,511
Management and administrative	95,510	116,293	462,593	394,960
Depreciation	5,239	9,028	15,717	24,242
Total operating expenses	<u>117,746</u>	<u>145,431</u>	<u>537,831</u>	<u>570,211</u>
Other income (expense):				
Interest expense, related parties	(3,797)	(5,147)	(11,391)	(16,868)
Unrealized gain (loss) on investment	839,917	(221,094)	1,454,058	(271,820)
Miscellaneous income (expense)	196	416	1,053	172
Total other income (expense)	<u>836,316</u>	<u>(225,825)</u>	<u>1,443,719</u>	<u>(288,516)</u>
<b>Net income (loss)</b>	<u>1,043,570</u>	<u>(296,256)</u>	<u>1,380,889</u>	<u>770,671</u>
<b>Net income (loss) – noncontrolling interest in Owyhee Gold Trust</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss) – Thunder Mountain Gold, Inc.	<u>\$ 1,043,570</u>	<u>\$ (296,256)</u>	<u>\$ 1,380,889</u>	<u>\$ 770,671</u>
Net income (loss) per common share-basic and diluted	<u>\$ 0.02</u>	<u>\$ 0.00</u>	<u>\$ 0.02</u>	<u>\$ 0.01</u>
Weighted average common shares outstanding-basic	<u>60,145,579</u>	<u>60,145,579</u>	<u>60,145,579</u>	<u>58,671,220</u>
Weighted average common shares outstanding-diluted	<u>63,118,096</u>	<u>60,145,579</u>	<u>61,509,293</u>	<u>58,671,220</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Thunder Mountain Gold, Inc.**  
**Consolidated Statements of Cash Flows (Unaudited)**

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net income (loss)	\$ 1,380,889	\$ 770,671
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation	15,717	24,242
Stock based compensation	159,740	117,088
Gain on mineral interest	(250,000)	(1,504,398)
Unrealized loss (gain) on investment	(1,454,058)	271,820
Change in:		
Prepaid expenses and other assets	(14,773)	474
Accounts payable and other accrued liabilities	(26,756)	28,601
Accrued interest payable to related parties	11,391	(36,864)
Deferred officer compensation	-	22,000
Advance from BeMetals	(28,836)	-
Net cash used by operating activities	<u>(206,686)</u>	<u>(306,366)</u>
Cash flows from investing activities:		
Proceeds from mineral interest	250,000	100,000
Net cash provided by investing activities	<u>250,000</u>	<u>100,000</u>
Cash flows from financing activities:		
Proceeds from sale of common stock and warrants	-	250,000
Proceeds from SBA PPP Loan	48,000	-
Borrowings on related parties notes payable	-	50,000
Payment on related parties notes payable	-	(50,000)
Net cash provided by financing activities	<u>48,000</u>	<u>250,000</u>
Net increase in cash and cash equivalents	91,314	43,634
Cash and cash equivalents, beginning of period	252,415	3,710
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 343,729</u></b>	<b><u>\$ 47,344</u></b>
<b>Noncash financing and investing activities:</b>		
Investment in equity security received for mineral interest (Note 3)	-	\$ 1,883,875

*The accompanying notes are an integral part of these consolidated financial statements.*

**Thunder Mountain Gold, Inc.**  
**Consolidated Statements of Changes in Stockholders' Equity (Deficit) (Unaudited)**  
For the three -month periods ended September 30, 2020 and September 30, 2019

	Common Stock				Accumulated Deficit	Non-Controlling Interest in OGT	Total
	Shares	Amount	Additional Paid-In Capital	Treasury Stock			
Balances on July 1, 2019	60,145,579	\$ 60,146	\$ 6,176,576	\$(24,200)	\$ (5,766,683)	\$ 173,702	\$ 619,541
Net loss	-	-	-	-	(296,256)	-	(296,256)
Balances at September 30, 2019	<u>60,145,579</u>	<u>\$ 60,146</u>	<u>\$ 6,176,576</u>	<u>\$(24,200)</u>	<u>\$ (6,062,939)</u>	<u>\$ 173,702</u>	<u>\$ 323,285</u>
Balances at July 1, 2020	60,145,579	\$ 60,146	\$ 6,336,316	\$(24,200)	\$ (5,414,208)	\$ 173,702	1,131,756
Net income	-	-	-	-	1,043,570	-	1,043,570
Balances at September 30, 2020	<u>60,145,579</u>	<u>\$ 60,146</u>	<u>\$ 6,336,316</u>	<u>\$(24,200)</u>	<u>\$ (4,370,638)</u>	<u>\$ 173,702</u>	<u>\$ 2,175,326</u>

**Thunder Mountain Gold, Inc.**  
**Consolidated Statements of Changes in Stockholders' Equity (Deficit) (Unaudited)**  
For the three -month periods ended September 30, 2020 and September 30, 2019

	Common Stock				Accumulated Deficit	Non-Controlling Interest in OGT	Total
	Shares	Amount	Additional Paid-In Capital	Treasury Stock			
Balances at January 1, 2019	57,645,579	\$ 57,646	\$ 5,811,988	\$(24,200)	\$ (6,833,610)	\$ 173,702	\$ (814,474)
Shares issued for cash	2,500,000	2,500	247,500	-	-	-	250,000
Stock based compensation	-	-	117,088	-	-	-	117,088
Net income	-	-	-	-	770,671	-	770,671
Balances at September 30, 2019	<u>60,145,579</u>	<u>\$ 60,146</u>	<u>\$ 6,176,576</u>	<u>\$(24,200)</u>	<u>\$ (6,062,939)</u>	<u>\$ 173,702</u>	<u>\$ 323,285</u>
Balances at January 1, 2020	60,145,579	\$ 60,146	\$ 6,176,576	\$(24,200)	\$ (5,751,527)	\$ 173,702	\$ 634,697
Stock based compensation	-	-	159,740	-	-	-	159,740
Net income	-	-	-	-	1,380,889	-	1,380,889
Balances at September 30, 2020	<u>60,145,579</u>	<u>\$ 60,146</u>	<u>\$ 6,336,316</u>	<u>\$(24,200)</u>	<u>\$ (4,370,638)</u>	<u>\$ 173,702</u>	<u>\$ 2,175,326</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

## 1. Summary of Significant Accounting Policies and Business Operations

### Business Operations

Thunder Mountain Gold, Inc. (“Thunder Mountain”, “THMG”, 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, located in Valley County, Idaho. Thunder Mountain Gold, Inc. takes its name from the Thunder Mountain Mining District, where its principal lode mining claims were located. For several years, the Company’s activities were restricted to maintaining its property position and exploration activities.

The Company sold its holdings in the Thunder Mountain Mining District in 2005 and began the process of acquiring and developing another project. In 2007, the Company acquired the South Mountain Mines property in Owyhee County, located in southwest Idaho, and initiated exploration activities on that property, which continue today. The Company also acquired additional claims on prospective ground in the Reese River Valley, 20 miles south of Battle Mountain, in Lander County Nevada.

On February 27, 2019, the Company entered into an Option Agreement, (the “BeMetals Option Agreement”) with BeMetals Corp. Under the terms of the BeMetals Option Agreement, BMET USA will be entitled to purchase 100% of the issued and outstanding shares of South Mountain Mines, Inc. (“SMMI”) from Thunder Mountain Resources, Inc. (“TMRI”), both wholly owned subsidiaries of the Company. The term of the agreement is for two years, with an option to extend to three years, with BeMetals conducting a preliminary economic assessment (“PEA”) completed by a mutually agreed third-party engineering firm. Over its term, this agreement requires issuance of 10,000,000 million share of BMET stock to the Company by BeMetals, and cash payments to the Company of \$1,350,000; \$1,100,000 in cash and \$250,000 in exchange for shares of the Company’s common stock. For the nine months ended September 30, 2020, the Company recognized \$225,000 in management services income. In the event that BeMetals decides not to proceed with the South Mountain Project, BeMetals will not be obligated to make any additional payments. See Note 3 for further information.

### Basis of Presentation and Going Concern

These unaudited interim consolidated financial statements have been prepared by the management of the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete consolidated 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 consolidated financial statements have been included.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company’s financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions, which could have a material effect on the reported amounts of the Company’s financial position and results of operations. Operating results for the nine months ended September 30, 2020 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2020.

For further information refer to the financial statements and footnotes thereto in the Company’s audited financial statements for the year ended December 31, 2019 as filed with the Securities and Exchange Commission.

The accompanying consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern. The Company has historically incurred losses, however, under the BeMetals Option Agreement (Note 3), the Company now has a recurring source of revenue, and its ability to continue as a going concern is no longer dependent on equity capital raises and borrowings. However, if necessary, the

Company continues to have the ability to raise additional capital in order to fund its future exploration and working capital requirements. The Company's plans for the long-term continuation as a going concern include operating on the cash flows and consideration payments provided under the BeMetals Option Agreement.

### Principles of Consolidation

The consolidated financial statements include the accounts of the Company; its wholly owned subsidiaries, Thunder Mountain Resources, Inc. ("TMRI") and South Mountain Mines, Inc. ("SMMI"); and a company in which the Company owns 75% and has majority control, Owyhee Gold Trust, LLC ("OGT"). The Company's consolidated financial statements reflect the other investor's 25% non-controlling, capped interest in OGT. Intercompany accounts are eliminated in consolidation.

### Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions include the carrying value of properties and mineral interests, environmental remediation liabilities, deferred tax assets, and stock-based compensation. Management's estimates and assumptions are based on historical experience and other assumptions believed to be reasonable under the circumstances. Actual results could differ from those estimates.

### Revenue Recognition

Management service revenue is recognized when the Company has satisfied its performance obligation required under its management contract. Such obligation is satisfied over time as work is performed and the Company has a contractual right to payment.

### Income Taxes

The Company recognizes deferred income tax liabilities or assets at the end of each period using the tax rate expected to be in effect when the taxes are actually paid or recovered. A valuation allowance is recognized on deferred tax assets when it is more likely than not that some or all of the deferred tax assets will not be realized.

### Cash and Cash Equivalents

For the purposes of the balance sheet and statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be a cash equivalent.

### Fair Value Measurements

When required to measure assets or liabilities at fair value, the Company uses a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used. The Company determines the level within the fair value hierarchy in which the fair value measurements in their entirety fall. The categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Level 1 uses quoted prices in active markets for identical assets or liabilities, Level 2 uses significant other observable inputs, and Level 3 uses significant unobservable inputs. The amount of the total gains or losses for the period are included in earnings that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date. At September 30, 2020, the Company has one financial asset, an investment in marketable equity security, that is adjusted to fair value on a recurring basis for which the fair value is determined based on Level 1 inputs as the equity security is traded on a stock exchange. The Company has no financial liabilities that are adjusted to fair value on a recurring basis.

## Financial Instruments

The Company's financial instruments include cash and cash equivalents, investment in equity security and related party notes payable the carrying value of which approximates fair value based on the nature of those instruments.

## Investments

The Company determines the appropriate classification of investments at the time of acquisition and re-evaluates such determinations at each reporting date. Equity securities determined to be marketable are carried at fair value determined using Level 1 fair value measurement inputs with the change in fair value recognized as unrealized gain (loss) in the consolidated statement of operations each reporting period. Gains and losses on the sale of securities are recognized on a specific identification basis.

## Mineral Interests

The Company capitalizes costs for acquiring mineral interests, and expenses costs to maintain mineral rights and leases as incurred. Exploration costs are expensed in the period in which they occur. Should a property reach the production stage, these capitalized costs would be amortized using the units-of-production method based on periodic estimates of ore reserves. Mineral interests are periodically assessed for impairment of value and any subsequent losses are charged to operations at the time of impairment.

If a mineral interest is abandoned or sold, its capitalized costs are charged to operations. Consideration received by the Company pursuant to joint ventures or purchase option agreements is applied against the carrying value of the related mineral interest. When and if payments received exceed the carrying value, the excess amount is recognized as a gain in the consolidated statement of operations in the period the consideration is received.

## Investments in Joint Venture

The Company's accounting policy for joint venture follows the guidelines of ASC 321 Investments. Equity Securities provides guidance for equity interests that meet the definition of an equity security, as well as other equity interests (such as investments in partnerships, unincorporated joint ventures, and limited liability companies) that are required to be accounted for like equity securities under ASC 321. The term "equity interest" refers to all equity instruments within the scope of ASC 321. Under ASC 321, all equity investments are to be accounted for at fair value.

However, there is a measurement alternative for those investments without readily determinable fair values. As required by ASC 321-10-35-2, the appropriate method for investments without a readily determinable fair value is "cost less impairment". See Note 3 regarding the Company's investment in Owyhee Gold Trust, LLC.

## Reclamation and Remediation

The Company's operations have been, and are subject to, standards for mine reclamation that have been established by various governmental agencies. The Company would record the fair value of an asset retirement obligation as a liability in the period in which the Company incurred a legal obligation for the retirement of tangible long-lived assets. A corresponding asset would also be recorded and depreciated over the life of the asset.

After the initial measurement of the asset retirement obligation, the liability is adjusted at the end of each reporting period to reflect changes in the estimated future cash flows underlying the obligation.

Determination of any amounts recognized upon adoption is based upon numerous estimates and assumptions, including future retirement costs, future inflation rates and the credit-adjusted risk-free interest rates.

For non-operating properties, the Company accrues costs associated with environmental remediation obligations when it is probable that such costs will be incurred, and they are reasonably estimable. Such costs are based on management's estimate of amounts expected to be incurred when the remediation work is performed.



## Share-Based Compensation

Share-based payments to employees and directors, including grants of employee stock options, are measured at fair value and expensed in the consolidated statement of operations over the vesting period.

## Recent Accounting Pronouncements

### *Accounting Standards Updates Adopted*

In August 2018, the FASB issued ASU No. 2018-13 Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. The update removes, modifies and makes additions to the disclosure requirements on fair value measurements. The update is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company evaluated the new standard in the first quarter of 2020 and determined that ASU 2018-13 did not have an impact on the Company's consolidated financial statement disclosures.

### *Accounting Standards Updates to Become Effective in Future Periods*

In December 2019, the FASB issued ASU No. 2019-12 Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The update contains a number of provisions intended to simplify the accounting for income taxes. The update is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. Management is evaluating the impact of this update on the Company's consolidated financial statements.

## Net Income (Loss) Per Share

The Company is required to have dual presentation of basic earnings per share ("EPS") and diluted EPS. The Company calculates basic earnings (loss) per share by dividing net income or loss available to common stockholders by the weighted average number of common shares outstanding. We do not include the impact of any potentially dilutive common stock equivalents in our basic earnings (loss) per share calculations. Diluted earnings per share reflect potentially dilutive common stock equivalents, including options and warrants that could share in our earnings through the conversion of common shares, except where their inclusion would be anti-dilutive. Outstanding common stock equivalents consisting of 5,705,000 outstanding stock options for the three- and nine-month periods ended September 30, 2020 were included in the calculating diluted weighted average shares outstanding.

Diluted common shares outstanding were calculated using the treasury stock method and are as follows:

	<b>Three months ended September 30, 2020</b>	<b>Nine months ended September 30, 2019</b>
Weighted average number of common shares calculated using basic net income per common share	60,145,579	60,145,579
Dilutive common stock equivalents:		
Stock options	2,972,517	1,363,714
Weighted average number of common shares calculated using diluted net income per common share	63,118,096	61,509,293

As of September 30, 2019, stock options were excluded from the calculation of diluted earnings per share because the options' exercise prices were not lower than the average share price during the periods.

## 2. Mineral Interest Commitments

The Company has two lease arrangements with landowners that own land parcels adjacent to the Company's South Mountain patented and unpatented mining claims. The leases were originally for a seven-year period, with annual payments of \$20 per acre. The leases were renewed for an additional 10 years at \$30 per acre paid annually; committed payments are listed in the table below. The leases have no work requirements.

	<b>Annual Payment</b>
Acree Lease (June)	\$ 3,390
Lowry Lease (October)	11,280
<b>Total</b>	<b>\$ 14,670</b>

The Company has 78 unpatented claims (1,600 acres) in the Trout Creek area and 21 unpatented claims (326 acres) in the South Mountain area. The claim fees are paid on these unpatented claims annually as follows:

<b>Target Area</b>	<b>2020</b>
Trout Creek -State of Nevada	\$ 12,090
Trout Creek -Lander County, Nevada	940
South Mountain-State of Idaho	3,255
<b>Total</b>	<b>\$ 16,285</b>

## 3. South Mountain Project

### BeMetals Option Agreement:

On February 27, 2019, the Company entered into an Option Agreement, (the "BeMetals Option Agreement") with BeMetals Corp., a British Columbia corporation ("BeMetals"), and BeMetals USA Corp., a Delaware corporation ("BMET USA"), a wholly owned subsidiary of BeMetals. Under the terms of the BeMetals Option Agreement, BMET USA will be entitled to purchase 100% of the issued and outstanding shares of SMMI from TMRI, both wholly owned subsidiaries of the Company. SMMI is the Company's subsidiary that holds the Company's investment in the South Mountain project mineral interest. The term of the agreement is for two years with BeMetals completing a preliminary economic assessment ("PEA") completed by a mutually agreed third-party engineering firm.

Pursuant to the BeMetals Option Agreement, BMET USA will be entitled to purchase 100% of the outstanding shares of SMMI from TMRI if the following obligations are satisfied:

- Tranche 1: cash payment of \$100,000 to TMRI within 1 business day of delivery of voting support agreements from shareholders of THMG who hold or control shares carrying more than 50% of the voting rights attached to all outstanding THMG Shares. Payment was received on March 5, 2019 and is nonrefundable.
- Tranche 2: Tranche 2 conditions were completed on June 10, 2019. issuance of 10 million common shares in the capital of BMET USA to TMRI (received on June 10, 2019 with a fair value on that date of \$1,883,875; and
- BMET USA purchase of 2.5 million shares of THMG common stock at a price of \$0.10 per share, for an aggregate purchase price of \$250,000, on a private placement basis (received June 2019).
- Tranche 3: cash payment of \$250,000 on or before the 6-month anniversary of the Tranche 2. Payment was received on December 10, 2019 and is nonrefundable.
- Tranche 4: cash payment of \$250,000 on or before the 15-month anniversary of the Tranche 2, was received on September 10, 2020 and was recognized as a gain on sale of mineral interest during the quarter ended September 30, 2020.

- Tranche 5: cash payment of \$250,000 on or before the 21-month anniversary of the Tranche 2, which is March 10, 2021.
- Tranche 6: cash payment of \$250,000 plus an additional payment paid in cash, BMET USA common shares or a combination of both, due on or before the 27-month anniversary of Tranche 2, which is September 10, 2021. The calculation of the additional payment is an amount equal to the lesser of 50% of the market capitalization of BeMetals at the time, and the greater of either \$10 million; or 20% the net present value of the South Mountain Project as calculated in a PEA.

On May 18, 2020, the Company extended the BMET Option Agreement by three months from the existing BeMetals Option Agreement date, due to the COVID-19 pandemic, and business conditions surrounding restricted international travel, and corresponding access to capital markets.

Concurrent with the BeMetals Option Agreement, BMET USA and SMMI entered into a management contract whereby BeMetals will pay \$25,000 monthly to SMMI for management services to enable BMET to perform exploration and development work with respect to the South Mountain Project. Management service income of \$75,000 per quarter for a total of \$225,000 was recognized for the three- and nine-month periods ended September 30, 2020, respectively. Management services income of \$15,000 and \$125,000, respectively, was recognized for the three- and nine-month periods ended September 30, 2019.

BeMetals provides funding to SMMI for ongoing project expenses, including office lease payments. Under the terms of the Option Agreement, SMMI's management provides BeMetals a request for funds monthly to cover the upcoming month's expenses. At September 30, 2020 and December 31, 2019, advances received from BeMetals that have not yet been spent totaled \$49,703 and \$78,539, respectively.

#### SMMI Joint Venture – OGT, LLC

The Company's wholly owned subsidiary SMMI is the sole manager of the South Mountain Project in its entirety through a separate Mining Lease with Option to Purchase ("Lease Option") with the Company's majority-owned subsidiary OGT. The Lease Option includes a capped \$5 million less net returns royalties paid through the date of exercise. The Lease Option expires in November 2026. If SMMI exercises the option, the option payment of \$5 million less advance royalties will be distributed 100% by OGT to OGT's minority member. Under the Lease Option, SMMI pays an advance \$5,000 net returns royalty to OGT annually on November 4 which is distributed to OGT's minority member.

#### **4. Investment in Equity Security**

In June 2019 in connection with the BeMetals Option Agreement (see Note 3), the Company received 10,000,000 shares of BeMetals Corp. common stock that had a fair value of \$1,883,875 when received. On September 30, 2020, and December 31, 2019, the fair value of the shares is \$3,189,888 and \$1,735,830, respectively. For the nine and three months ended September 30, 2020, the Company recognized an unrealized gain for the change in fair value of the investment of \$1,454,058, and \$839,917, respectively. For the nine and three months ended September 30, 2019, the Company recognized an unrealized loss for the change in fair value of the investment of \$271,820 and \$221,094, respectfully.

## 5. Property and Equipment

The Company's property and equipment are as follows:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Vehicles	\$ 22,441	\$ 22,441
Buildings	65,071	65,071
Construction Equipment	36,447	36,447
Mining Equipment	58,646	58,646
	<hr/> 182,605	<hr/> 182,605
Accumulated Depreciation	(172,411)	(156,694)
	<hr/> 10,194	<hr/> 25,911
Land	280,333	280,333
Total Property and Equipment	<hr/> \$ 290,527	<hr/> \$ 306,244

## 6. SBA PPP Loan

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (the "CARES Act") Act was signed into United States law.

In April 2020, the Company received a loan of \$48,000 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I, Section 1102 and 1106 of the CARES Act. The loan, which was in the form of a promissory note, as amended, dated April 21, 2020 issued by the Company (the "Note"); the Note matures on April 13, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing on August 13, 2021. The Note may be prepaid by the Company at any time prior to maturity with no prepayment penalties. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. Qualifying expenses include payroll costs, costs used to continue group health care benefits, mortgage payments, rent, and utilities. The Company elected to take 24 weeks to spend these funds instead of eight weeks. The Company used the entire loan amount for qualifying expenses, but there is no guarantee that the loan will be forgiven. See Note 11 referencing filing of loan forgiveness application.

## 7. Related Parties Notes Payable

At September 30, 2020 and December 31, 2019 the Company had notes payable balances of \$66,768 and \$39,808 with Eric Jones, the Company's President and Chief Executive Officer and Jim Collord, the Company's Vice President and Chief Operating Officer, respectively. These notes, as amended, bear interest at 1.0% to 2.0% per month and are due December 31, 2020.

## 8. Related Party Transactions

In addition to the related parties notes payable discussed in Note 7, the Company had the following related party transactions:

Three of the Company's officers began deferring compensation for services on April 1, 2015. On July 31, 2018, the Company stopped expensing and deferring compensation for the three Company officers in the interest of marketing the SMMI project. As part of the BeMetals agreement (Note 3), the Company resumed compensation for these officers on May 15, 2019. The officers deferred compensation balances at September 30, 2020 and December 31, 2019 represent the balances deferred prior to the BeMetals agreement and are as follows: Eric Jones, President and Chief Executive Officer - \$420,000; Jim Collord, Vice President and Chief Operating Officer - \$420,000; and Larry Thackery, Chief Financial Officer - \$201,500.

The Company engaged Baird Hanson LLP (“Baird”), a company owned by one of the Company’s directors, to provide legal services in 2018. In advance of the BeMetals transaction Mr. Baird withdrew Baird Hanson LLP as counsel to avoid any appearance of a conflict with the then-proposed BeMetals Corp. transaction. At September 30, 2020 and December 31, 2019, the balance due to Baird is recorded on the balance sheets as accrued related party liability and was \$196,685 and \$216,685 respectively.

Since 2017, Eric Jones has advanced funds to the Company for operating expenses. The balance of Mr. Jones’ advances at September 30, 2020 and December 31, 2019 was \$17,146; the balance is included in accounts payable and other accrued liabilities on the consolidated balance sheets. At September 30, 2020 and December 31, 2019, the Company has a payable to Jim Collord of \$6,501, attributed to reimbursement of expenses for the SMMI project. The balance is included in accounts payable and other accrued liabilities on the consolidated balance sheets.

## 9. Stockholders’ Equity

The Company’s common stock has a par value of \$0.001 with 200,000,000 shares authorized. The Company also has 5,000,000 authorized shares of preferred stock with a par value of \$0.0001.

## 10. Stock Options

The Company has a Stock Incentive Plan (the “SIP”) that provides for the grant of stock options, incentive stock options, stock appreciation rights, restricted stock awards, and incentive awards to eligible individuals including directors, executive officers and advisors that have furnished bona fide services to the Company not related to the sale of securities in a capital-raising transaction.

On March 27, 2020, the Company granted 1,630,000 stock options to officers and directors of the Company. The fair value of the options was determined to be \$159,740 using the Black Scholes model. The options are exercisable on or before March 29, 2025 and have an exercise price of \$0.099. The options were fully vested upon grant and the entire fair value was recognized as compensation expense during the quarter ended March 31, 2020.

In March 2019 the Company granted 1,325,000 stock options to officers and directors of the Company. The options are exercisable on or before March 25, 2024 and have an exercise price of \$0.09. The fair value of the options was determined to be \$117,088 using the Black Scholes model. The options were fully vested upon grant and the entire fair value was recognized as compensation expense during the quarter ended March 31, 2019.

The fair value of each option award was estimated on the date of the grant using the assumptions noted in the following table:

	<u>March 27, 2020</u>	<u>March 25, 2019</u>
Stock price	\$0.099	\$0.09
Exercise price	\$0.099	\$0.09
Expected volatility	218.6%	209.5%
Expected dividends	-	-
Expected terms (in years)	5.0	5.0
Risk-free rate	0.39%	2.21%

The following is a summary of the Company's options issued and outstanding under the SIP:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding and exercisable at December 31, 2018	3,710,000	0.09
Granted	1,325,000	0.09
Outstanding and exercisable at December 31, 2019	5,035,000	\$0.09
Granted	1,630,000	\$0.099
Expired	(960,000)	(0.06)
Outstanding and exercisable at September 30, 2020	<u>5,705,000</u>	<u>\$0.10</u>

The average remaining contractual term of the options outstanding and exercisable at September 30, 2020 was 2.53 years. As of September 30, 2020, options outstanding and exercisable had an aggregate intrinsic value of approximately \$589,380 based on the Company's stock price of \$0.20.

## 11. Subsequent Events

In October 2020, the Company received a notice of our loan to the Paycheck Protection Program (the "PPP"), which was in the form of a promissory note, as amended, dated April 21, 2020 issued by the Company (the "Note"); the Note maturity date has been extended to April 13, 2025 and bears interest at a rate of 1% per annum, payable monthly commencing on August 13, 2021.

On October 21, 2020 the Company completed Paycheck Protection Program (PPP) loan forgiveness application. Washington Trust Bank may take up to 60 days to complete the review and submit the Company's application to the Small Business Administration (SBA). The SBA then has up to 90 days to review and make a final decision on the Company's application.