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 June 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	**91-1031015**
(State or other jurisdiction of incorporation or organization)	(IRS identification No.)
11770 W President Dr. STE F **Boise, Idaho**	**83713-8986**
(Address of Principal Executive Offices)	(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 file, ☒ 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 July 10, 2020: 60,145,579

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Thunder Mountain Gold, Inc.
Consolidated Balance Sheets (Unaudited)
June 30, 2020 and December 31, 2019

	June 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 103,016	$ 252,415
Prepaid expenses and other assets	34,196	18,824
Total current assets	137,212	271,239
Property and Equipment:		
Land	280,333	280,333
Equipment, net of accumulated depreciation of $167,172 and $156,694, respectively	15,433	25,911
Total property and equipment	295,766	306,244
Right to use asset	9,134	16,625
Investment in BeMetals, at fair value (Note 4)	2,349,971	1,735,830
Total assets	**$ 2,792,083**	**$ 2,329,938**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 95,139	$ 96,973
Accrued related party liability (Note 8)	206,685	216,685
Accrued interest payable to related parties (Note 7)	80,937	73,343
Operating lease liability – current	9,134	15,265
Advance from BeMetals (Note 3)	7,356	78,539
Deferred officer compensation (Note 8)	1,041,500	1,041,500
Related parties notes payable (Note 7)	106,576	106,576
Total current liabilities	1,547,327	1,628,881
Operating lease liability – long-term	-	1,360
SBA PPP Loan (Note 6)	48,000	-
Accrued reclamation costs	65,000	65,000
Total liabilities	1,660,327	1,695,241
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; $0.001 par value; 200,000,000 shares authorized, 60,145,579 shares issued and outstanding	60,146	60,146
Additional paid-in capital	6,336,316	6,176,576
Less: 11,700 shares of treasury stock, at cost	(24,200)	(24,200)
Accumulated deficit	(5,414,208)	(5,751,527)
Total Thunder Mountain Gold, Inc stockholders' equity	958,054	460,995
Noncontrolling interest in Owyhee Gold Trust (Note 3)	173,702	173,702
Total stockholders' equity	1,131,756	634,697
Total liabilities and stockholders' equity	**$ 2,792,083**	**$ 2,329,938**

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues:				
Gain on mineral interest	$ -	$ 1,504,398	$ -	$ 1,504,398
Management service income	75,000	50,000	150,000	50,000
Total revenues	75,000	1,554,398	150,000	1,554,398
Operating expenses:				
Exploration	4,776	7,561	8,093	16,178
Legal and accounting	5,972	25,710	34,431	114,721
Management and administrative	104,933	97,440	367,083	278,667
Depreciation	5,239	7,134	10,478	15,214
Total operating expenses	120,920	137,845	420,085	424,780
Other income (expense):				
Interest expense, related parties	(3,797)	(6,588)	(7,594)	(11,721)
Unrealized gain on investment	1,400,412	(50,726)	614,141	(50,726)
Miscellaneous income (expense)	239	(243)	857	(244)
Total other income (expense)	1,396,854	(57,557)	607,404	(62,691)
Net income	1,350,935	1,358,996	337,319	1,066,927
Net Income (loss) – noncontrolling interest in Owyhee Gold Trust	-	-	-	-
Net income – Thunder Mountain Gold, Inc.	$ 1,350,935	$ 1,358,996	337,319	1,066,927
Net income per common share-basic and diluted	$ 0.02	$ 0.02	$ 0.01	$ 0.02
Weighted average common shares outstanding-basic and diluted	60,145,579	58,195,030	60,145,579	57,921,822

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

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

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Cash flows from operating activities:		
Net Income (loss)	$ 337,319	$ 1,066,927
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation	10,478	15,214
Stock based compensation	159,740	117,088
Gain on mineral interest	-	(1,504,398)
Unrealized loss/(gain) on investment	(614,141)	50,726
Change in:		
Prepaid expenses and other assets	(15,372)	(2,567)
Accounts payable and other accrued liabilities	(11,833)	(18,605)
Accrued interest payable to related parties	7,594	10,985
Deferred officer compensation	-	22,000
Advance from BeMetals	(71,184)	-
Net cash used by operating activities	(197,399)	(242,630)
Cash flows from investing activities:		
Proceeds from mineral interest	-	100,000
Net cash provided by investing activities	-	100,000
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	-	(10,000)
Net cash provided by financing activities	48,000	290,000
Net increase (decrease) in cash and cash equivalents	(149,399)	147,370
Cash and cash equivalents, beginning of period	252,415	3,710
Cash and cash equivalents, end of period	**$ 103,016**	**$ 151,080**
Noncash financing and investing activities:		
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)
For the three month periods ended June 30, 2020 and June 30, 2019

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Non-Controlling Interest in OGT	Total
	Shares	Amount					
Balances at April 1, 2019	57,645,579	$ 57,646	$ 5,929,076	$(24,200)	$ (7,125,679)	$ 173,702	(989,455)
Shares and warrants issued for cash	2,500,000	2,500	247,500	-	-	-	250,000
Net income	-	-	-	-	1,358,996	-	1,358,996
Balances at June 30, 2019	60,145,579	$ 60,146	$ 6,176,576	$(24,200)	$ (5,766,683)	$ 173,702	$ (619,541)
Balances at April 1, 2020	60,145,579	$ 60,146	$ 6,336,317	$(24,200)	$ (6,765,143)	$ 173,702	(219,179)
Net income	-	-	-	-	1,350,935	-	1,350,935
Balances at June 30, 2020	60,145,579	$ 60,146	$ 6,336,316	$(24,200)	$ (5,414,208)	$ 173,702	$ 1,131,756

Thunder Mountain Gold, Inc.
Consolidated Statements of Changes in Stockholders' Equity (Deficit)
For the six month periods ended June 30, 2020 and June 30, 2019

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Non-Controlling Interest in OGT	Total
	Shares	Amount					
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	-	-	-	-	1,066,927	-	1,066,927
Balances at June 30, 2019	60,145,579	$ 60,146	$ 6,176,576	$(24,200)	$ (5,766,683)	$ 173,702	$ (619,541)
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	-	-	-	-	337,319	-	337,319
Balances at June 30, 2020	60,145,579	$ 60,146	$ 6,336,316	$(24,200)	$ (5,414,208)	$ 173,702	$ 1,131,756

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 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 six months ended June 30, 2020, the Company recognized $150,000 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 six months ended June 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 June 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 ventures is as follows:

1. The Company uses the cost method when it does not have joint control or significant influence in a joint venture. Under the cost method, these investments are carried at cost. If other than temporary impairment in value is determined, it would then be charged to current net income or loss.

2. If the Company enters into a joint venture in which there is joint control between the parties or the Company has significant influence, the equity method is utilized whereby the Company's share of the venture's earnings and losses is included in the statement of operations as earnings in joint ventures and its investments therein are adjusted by a similar amount. If other than temporary impairment in value is determined, it would then be charged to current net income or loss.

3. In a joint venture where the Company holds more than 50% of the voting interest and has significant influence, the joint venture is typically consolidated with the presentation of non-controlling interest. In determining whether significant influences exist, the Company considers its participation in policy-making decisions and its representation on the venture's management committee. 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. Basic EPS is computed as net income (loss) divided by the weighted average number of common shares outstanding for the period. Diluted EPS is calculated based on the weighted average number of common shares outstanding during the period plus the effect of potentially dilutive common stock equivalents, including options and warrants to purchase the Company's common stock. The potential dilutive common stock equivalents for each period are as follows:

For the six months ended June 30, 2020, stock options of 5,705,000 are excluded from the calculation of diluted income per share as the options' exercise prices was not lower than the average share price during the period.

For the six months ended June 30, 2019, stock options of 5,035,000 are excluded in the calculation of diluted income per share as the options' exercise prices was not lower than the average share price during the period

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.

	Annual Payment
Acree Lease (June)	$ 3,390
Lowry Lease (October)	11,280
Total	**$ 14,670**

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

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

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, which is September 10, 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. The Company's financial position was not significantly impacted due to the extension.

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 $150,000 was recognized for the three and six periods ended June 30, 2020, respectively. Management service income of $50,000 was recognized for the three- and six-month periods ended June 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 fund monthly to cover the upcoming month's expenses. At June 30, 2020 and December 31, 2019, advances received from BeMetals that have not yet been spent totaled $7,356 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. At June 30, 2020, and December 31, 2019, the fair value of the shares is $2,349,971 and $1,735,830, respectively. For the six-and three months ended June 30, 2020, the Company recognized an unrealized gain for the change in fair value of the investment of $614,141, and $1,400,412, respectively. For the six-and three months ended June 30, 2019, the Company recognized an unrealized loss for the change in fair value of the investment of $50,726 for both periods.

5. Property and Equipment

The Company's property and equipment are as follows:

	June 30, 2020	December 31, 2019
Vehicles	$ 22,441	$ 22,441
Buildings	65,071	65,071
Construction Equipment	36,447	36,447
Mining Equipment	58,646	58,646
	182,605	182,605
Accumulated Depreciation	(167,172)	(156,694)
	15,433	25,911
Land	280,333	280,333
Total Property and Equipment	$ 295,766	$ 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 intends to use the entire loan amount for qualifying expenses, but there is no guarantee that the loan will be forgiven.

7. Related Parties Notes Payable

At June 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 June 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 June 30, 2020 and December 31, 2019, the balance due to Baird was $206,685 and $216,685 respectively.

Since 2017, Eric Jones has advanced funds to the Company for operating expenses. The balance of Mr. Jones' advances at June 30, 2020 and December 31, 2019 was $17,146; the balance is included in accounts payable and other accrued liabilities on the consolidated balance sheet. At June 30, 2020 and December 31, 2019, the Company has a payable to Jim Collord of $20,476, attributed to reimbursement of expenses for the SMMI project. The balance is included in accounts payable and other accrued liabilities on the consolidated balance sheet.

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:

	March 27, 2020	**March 25, 2019**
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:

	Shares	**Weighted Average Exercise Price**
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 June 30, 2020	5,705,000	$0.10

The average remaining contractual term of the options outstanding and exercisable at June 30, 2020 was 2.91 years. As of June 30, 2020, options outstanding and exercisable had no aggregate intrinsic value.