

ATLAS MINING CO
Form 10-Q
July 15, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2007

Transition report under section 13 or 15(d) of the Exchange Act

For the transition period from to

Commission File Number 000-31380

ATLAS MINING COMPANY
(Exact name of registrant as specified in its charter)

Idaho
(State or other jurisdiction of incorporation or organization)

82-0096527
(I.R.S. Employer Identification No.)

110 Greene Street, Suite 1101, New York, NY
(Address of principal executive offices)

10012
(Zip Code)

(208) 556-1181
(Issuer's Telephone Number, Including Area Code)

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

N/A

Indicate by check 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

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required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YESX NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller-reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer	X	Smaller Reporting Company
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NOX

The number of shares of the registrant's common stock, no par value per share, outstanding as of November 14, 2007 was 53,088,838.

DOCUMENTS INCORPORATED BY REFERENCE: None.

ATLAS MINING COMPANY AND SUBSIDIARIES

THIRD QUARTER 2007 REPORT ON FORM 10-Q

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PREFATORY NOTE

This Quarterly Report on Form 10-QSB for the quarter ended September 30, 2007 was required to be filed on November 14, 2007. On January 11, 2008, a Special Committee of the Board of Directors was appointed to review and investigate the conduct of our prior management and any issues arising therefrom. The Special Committee has reported its findings to the staff of the Securities and Exchange Commission ("SEC") in July 2008 and issued a press release summarizing its findings in August 2008. The Special Committee concluded that it was necessary to restate the financial statements, and to file amended Quarterly Reports of Form 10-QSB for the fiscal quarters ended, March 31, and June 30, 2007.

This report includes financial information as of December 31, 2006. That financial information has been restated. The restatements at December 31, 2006, March 31, 2007 and June 30, 2007 relate to the matters set forth in Note 3 to the financial statements.

Generally speaking, the narrative portions of this 10-QSB speak as of September 30, 2007, unless otherwise noted. In this connection, it should be noted that:

- The only revenues from operations during 2006 and 2007 were generated by the Company's Contract Mining operations. Those operations were discontinued and shut down permanently on December 31, 2008 and will not be restarted;
- Operations at the Dragon Mine were suspended in October 2007 and remained suspended throughout 2008; and
 - The following persons are no longer with the Company:
 - i. all persons who were directors as of September 30, 2007;
 - ii. all other persons who were directors at times prior thereto who are referred to in the narrative portions of this report,
 - iii. the persons (there were two) who served as president and CEO of the Company at any time during 2007; and
 - iv. the person who was president and CEO of Nano Clay & Technologies, Inc., our subsidiary, during 2007.

Because the disclosure in this report makes certain statements as to conditions and beliefs of, and information available to, the Company and management during the period covered by this report and because the management during 2007 has been replaced, it has been necessary for us to make certain assumptions as to what were the Company's or the Board of Directors' conditions, beliefs, and information as of September 30, 2007 and prior thereto.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

ATLAS MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2007	December 31, 2006 Restated
Current Assets		
Cash and cash equivalents	\$1,280,241	\$217,102
Accounts receivable	1,159,248	876,355
Accounts receivable – related party	1,618	11,139
Notes receivable	91,645	- 0 -
Investments – available for sale	5,075	3,794
Advances	277	618
Mining supplies	67,075	2,000
Deposits and prepaids	290,649	169,623
Total Current Assets	2,895,828	1,280,631
Property, Plant and Equipment		
Land and tunnels	1,076,299	1,076,299
Land improvements	89,876	83,987
Buildings	571,865	291,214
Mining equipment	1,493,686	972,060
Milling equipment	886,982	586,979
Laboratory equipment	75,968	74,174
Office furniture and equipment	34,953	1,300
Vehicles	238,530	150,952
Less: Accumulated depreciation	(625,801)	(408,145)
Total Property, Plant and Equipment	3,842,358	2,828,820
TOTAL ASSETS	\$6,738,186	\$4,109,451

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

ATLAS MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2007	December 31, 2006 Restated
Current Liabilities		
Accounts payable and accrued liabilities	\$497,410	\$486,973
Stock awards payable	595,000	- 0 -
Current portion of notes payable	147,055	123,588
Current portion of capital leases payable	163,228	141,816
Total Current Liabilities	1,402,693	752,377
Long-Term Liabilities		
Long-term portion of notes payable	14,125	39,035
Long-term portion of capital leases payable	376,525	90,446
Total Long-Term Liabilities	390,650	129,481
TOTAL LIABILITIES	1,793,343	881,858
Commitments & Contingencies	- 0 -	- 0 -
Minority Interest	52,414	52,415
Stockholders' Equity		
Preferred stock, \$1.00 par value, 10,000,000 shares authorized, non-cumulative, non-voting, non-convertible, none issued or outstanding	- 0 -	- 0 -
Common stock, no par value, 60,000,000 shares authorized, 54,173,594 and 51,278,334 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	19,107,531	16,087,361
Accumulated deficit	(14,210,078)	(12,907,385)
Accumulated other comprehensive loss	(5,024)	(4,798)
Total Stockholders' Equity	4,892,429	3,175,178
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$6,738,186	\$4,109,451

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

ATLAS MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	For the Three Months		For the Nine Months Ended	
	Ended September 30, 2007	2006 Restated	September 30, 2007	2006 Restated
Revenues				
Contract Mining	\$ 1,829,996	\$ 1,144,762	\$ 5,990,516	\$ 2,246,591
Total Revenues	1,829,996	1,144,762	5,990,516	2,246,591
Cost of Sales				
Contract Mining	1,090,263	720,496	3,405,626	1,485,800
Total Cost of Sales	1,090,263	720,496	3,405,626	1,485,800
GROSS PROFIT	739,733	424,266	2,584,890	760,791
Operating (Income) Expenses:				
Exploration & development costs	401,863	523,505	1,324,133	1,646,716
Mining production costs	243,075	74,938	824,680	255,798
Loss on abandonment of equipment	2,024	- 0 -	2,024	- 0 -
Gain on sale of equipment	(24,095)	- 0 -	(24,095)	- 0 -
General & administrative	1,427,302	386,036	1,940,754	1,030,715
Total Operating Expenses	2,050,169	984,479	4,067,496	2,933,229
Net Operating Loss	(1,310,436)	(560,213)	(1,482,606)	(2,172,438)
Other Income (Expenses)				
Interest income	12,436	4,536	48,817	25,605
Interest expense	(1,323)	(3,325)	(29,677)	(20,040)
Realized gain (loss) on securities available for sale	(666)	- 0 -	(223)	- 0 -
Bad debt expense, notes receivable	(150,000)	- 0 -	(170,000)	- 0 -
Gain on revaluation of stock awards	331,000	- 0 -	331,000	- 0 -
Total Other Income	191,447	1,211	179,917	5,565
LOSS BEFORE INCOME TAXES	(1,118,989)	(559,002)	(1,302,690)	(2,166,873)
Provision (Benefit) for Income Taxes	- 0 -	- 0 -	- 0 -	- 0 -
Minority Interest	- 0 -	- 0 -	- 0 -	- 0 -
NET LOSS	\$(1,118,989)	\$(559,002)	\$(1,302,690)	\$(2,166,873)
Net Loss Per Share (Basic and Diluted)	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.04)
Weighted Average Shares Outstanding	54,002,902	48,824,432	53,278,625	49,136,018

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

ATLAS MINING COMPANY AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
 (Unaudited)

	For the Nine Months Ended September 30,	
	2007	2006 Restated
Net Loss	\$(1,302,690)	\$(2,166,873)
Other Comprehensive Income:		
Change in market value of investments	1,504	- 0 -
Net Comprehensive Loss	\$(1,301,186)	\$(2,166,873)

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

ATLAS MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30,	
	2007	2006 Restated
Cash Flows From Operating Activities:		
Net Loss	\$(1,302,690)	\$(2,166,873)
Adjustments to Reconcile Net Loss to Net Cash Used by Operations:		
Depreciation	266,777	168,988
Non-cash exercise of warrants for bonus	35,000	- 0 -
Non-cash exercise of options for compensation	45,257	- 0 -
Stock issued for services	- 0 -	45,000
Valuation of options for compensation	660,002	377,076
Valuation of other non-cash compensation expense	926,000	- 0 -
Gain on revaluation of stock awards	(331,000)	- 0 -
Gain on sale of equipment	(24,095)	- 0 -
Loss on disposition of equipment	2,024	- 0 -
Realized loss on securities available for sale	223	- 0 -
Change in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Notes receivable	(91,645)	- 0 -
Accounts receivable	(282,893)	(480,482)
Accounts receivable – related party	9,521	- 0 -
Deposits and prepaids	(121,026)	(63,972)
Advances	341	- 0 -
Mining supplies	(65,075)	9,000
Increase (Decrease) in:		
Accounts payable and accrued expenses	10,437	197,586
Net Cash Used by Operating Activities	(262,842)	(1,913,677)
Cash Flows from Investing Activities:		
Purchases of equipment	(884,257)	(865,860)
Purchases of land	- 0 -	(58,499)
Disposition of equipment	108,550	- 0 -
Issuance of notes receivable	(2,000)	- 0 -
Net Used by Investing Activities	(777,707)	(924,359)
Cash Flows from Financing Activities:		
Payments on notes payable	(127,391)	(24,485)
Payments on leases payable	(160,728)	(92,704)
Proceeds from notes payable	125,948	239,878
Proceeds from issuance of common stock	2,265,859	777,795
Net Cash Provided by Financing Activities	2,103,688	900,484
Increase (Decrease) in Cash	1,063,139	(1,937,552)

Cash and Cash Equivalents, Beginning of Period	217,102	2,215,930
Cash and Cash Equivalents, End of Period	\$1,280,241	\$278,378

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

ATLAS MINING COMPANY AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(continued)

For the Nine Months
 Ended
 September 30,
 2007 2006
 Restated

Cash Paid For:

Interest	\$29,677	\$20,040
Income Taxes	\$- 0 -	\$- 0 -

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

Equipment financed through leasing	\$468,219	\$280,951
Shares issued for settlement of debt	\$8,633	\$- 0 -
Shares issued in payment of note	\$- 0 -	\$10,000

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

ATLAS MINING COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
September 30, 2007 and 2006

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Atlas Mining Company, (“the Company”) was incorporated in the state of Idaho on March 4, 1924. The Company was formed for the purpose of exploring and developing the Atlas Mine, a consolidation of several patented mining claims located in the Coeur d’Alene Mining District near Mullan, Idaho. The Company eventually became inactive as a result of low silver prices. In September 1997, the Company became active again. During the years ended December 31, 2007 and 2006, the Company provided shaft sinking, underground mine development and mine labor primarily to companies in the mining and civil industries. Historically, the Company’s contract mining operation have been its sole source of revenue and income.

In 1998 and 1999, the Company exchanged 71,238 shares of its common stock for 53% of the outstanding shares of Park Copper and Gold Mining, Ltd. (“Park Copper”), an Idaho corporation Park Copper holds mining claims in northern Idaho.

In July 2001, the Company began leasing the Dragon Mine from Conjecture Silver Mines, Inc. of Spokane, Washington. The Company issued 100,000 shares of stock for each year of the lease for the years 2002 – 2005 and exercised the right to purchase the mine on August 18, 2005 for \$500,000 in cash. The property consists of 38 patented mining claims on approximately 230 acres.

NanoClay and Technologies, Inc. is a wholly owned subsidiary dedicated to the marketing of the Dragon Mine’s clay resource for use in, but not limited to, specialty ceramic, controlled release and polymer applications.

The Company operated a contract mining business under the trade name Atlas Fausett Contracting (“AFC”). AFC was engaged in exploration and mine development as well as preparatory work such as site evaluation, feasibility studies, trouble-shooting and consultation. AFC's projects include all types of underground mine development, rehabilitation and diamond drilling. On December 31, 2008, the Company discontinued its contract mining efforts due to economic conditions and the desire to concentrate efforts on commercializing the halloysite clay deposit at the Dragon Mine. There are no plans to resume the contract mining business.

In October 2007, management announced its intention to cease development activities at the mine until both a resource survey and an appropriate system to processing system could be obtained. In 2008, the Company hired a geological consulting firm it believes is capable of conducting the necessary resource survey and identifying an appropriate processing system.

ATLAS MINING COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
September 30, 2007 and 2006

NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Accounting Method

The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Specific reserves are estimated by management based on certain assumptions and variables, including the customer's financial condition, age of the customer's receivables, and changes in payment histories. As of September 30, 2007 and December 31, 2006, no allowance for doubtful accounts was considered necessary. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Available for Sale Investments

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the shares are evaluated quarterly using the specific identification method. Any unrealized holding gains or losses are reported as Other Comprehensive Income and as a separate component of stockholder's equity. Realized gains and losses are included in earnings.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Compensated Absences

Certain employees of the Company at the management level are paid vacation pay. At the periods ended September 30, 2007 and 2006, the Company accrued compensated absences of \$0.

Concentration of Risk

The Company maintains cash balances in two checking accounts at two separate financial institutions. At September 30, 2007 and December 31, 2006, total cash balances were \$1,280,241 and \$217,102, respectively. Such funds exceed Federal Deposit Insurance Corporation limits, and amounts exceeding \$100,000 were not insured.

