

Edgar Filing: ATLAS MINING CO - Form 10QSB

ATLAS MINING CO  
Form 10QSB  
August 20, 2004

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2004

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

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

Commission file number \_\_\_\_\_

ATLAS MINING COMPANY

-----  
(Exact name of registrant as specified in its charter)

Idaho

82-0096527

-----  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

630 East Mullan Avenue, Osburn, Idaho

83849

-----  
(Address of principal executive offices)

-----  
(Zip Code)

(208) 556-1181

-----  
Issuer's telephone number, including area code

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

YES /X/ NO / /

The number of shares outstanding of each of the issuer's classes of common equity as of August 5, 2004 was as follows: 37,734,017 shares of Common Stock.

Transitional Small Business Disclosure Format: YES / / NO /X/

ATLAS MINING COMPANY  
SECOND QUARTER 2003 REPORT ON FORM 10-QSB  
TABLE OF CONTENTS

PAGE

-----

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

## Edgar Filing: ATLAS MINING CO - Form 10QSB

Unaudited Consolidated Balance Sheet June 30, 2004 . . . . .	3
Unaudited Consolidated Statements of Operations	
Three Months Ended June 30, 2004 and 2003,	
Six Months Ended June 30, 2004 and 2003. . . . .	4
Unaudited Consolidated Statements of Cash Flows	
Three Months Ended June 30, 2004 and 2003,	
Six Months Ended June 30, 2004 and 2003. . . . .	5
Notes to Unaudited Consolidated Financial Statements . . . . .	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations . . . . .	7

### PART II. OTHER INFORMATION

Item 1. Legal Proceedings . . . . .	12
Item 2. Changes in Securities . . . . .	12
Item 3. Defaults Upon Senior Securities . . . . .	12
Item 4. Submission of Matters to a Vote of Security Holders . . . . .	12
Item 5. Other Information . . . . .	12
Item 6. Exhibits and Reports on Form 8-K. . . . .	12
Exhibit Index. . . . .	12
Signatures . . . . .	13

### Atlas Mining Company Consolidated Balance Sheets

ASSETS	June 30, 2004	December 31, 2003
	(unaudited)	(unaudited)
Current Assets		
Cash	\$ 18,429	\$ 6,814
Accounts receivable	144,028	32,253
Investments - available for sale	12,363	12,796
Prepaid expenses	2,473	-
Advances	7,696	7,696
Advances - related party	24,824	74,693
Total Current Assets	209,813	134,252
Property and Equipment, Net	615,951	356,220

Edgar Filing: ATLAS MINING CO - Form 10QSB

Other Assets		
Mining supplies	9,000	9,000
Total Other Assets	9,000	9,000
Total Assets	\$ 834,764	\$ 499,472

3

Atlas Mining Company  
Consolidated Balance Sheets

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2004	December 31, 2003
	(unaudited)	
Current Liabilities		
Accounts payable and accrued liabilities	\$ 235,053	\$ 214,855
Line of credit	21,757	23,094
Current portion of long-term debt	642,318	725,131
Total Current Liabilities	899,128	963,080
Long-Term Liabilities		
Notes payable	764,471	729,795
Notes payable - related party	70,829	70,829
Less: current portion of long-term debt	(642,318)	(725,131)
Total Long-Term Liabilities	192,982	75,493
Minority Interest	52,652	52,652
Stockholders' Equity		
Preferred stock, \$1.00 par value, 10,000,000 shares authorized, noncumulative, nonvoting, nonconvertible, none issued or outstanding	-	-
Common stock, no par value, 60,000,000 shares authorized, 37,021,222 and 34,725,151 shares issued and outstanding, respectively	5,276,627	4,994,977
Cost of treasury stock, 1,313,022 and 18,106 shares, respectively	(131,221)	(131,221)
Retained earnings (deficit)	(5,359,861)	(4,914,966)
Accumulated comprehensive income (loss)	(10,843)	(10,843)
Prepaid expenses	-	(5,000)
Subscription receivable	(84,700)	(524,700)
Total Stockholders' Equity	(309,998)	(591,753)
Total Liabilities and Stockholders' Equity	\$ 834,764	\$ 499,472

Edgar Filing: ATLAS MINING CO - Form 10QSB

4

Atlas Mining Company  
Consolidated Statements of Operations  
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2004	2003	2004	2003
Revenues	\$ 229,096	\$ 94,560	\$ 387,725	\$ 152,994
Cost of Sales	186,928	99,435	312,002	141,011
Gross Profit (Loss)	42,168	(4,875)	75,723	11,983
Operating Expenses				
Exploration & Development Costs	53,540	(1,444)	55,628	48,824
General & Administrative	121,316	199,206	442,982	470,891
Total Expenses	174,856	197,762	498,610	519,715
Net Operating Income (Loss)	(132,688)	(202,637)	(422,887)	(507,732)
Other Income (Expense)				
Interest Expense	(12,492)	(7,919)	(23,526)	(68,778)
Gain on Settlement of Debt	-	-	-	28,500
Interest Income	28	2	29	4
Gain on Sale of Stock	-	-	1,489	-
Total Other Income (Expense)	(12,464)	(7,917)	(22,008)	(40,274)
Income (Loss) Before Income Taxes	(145,152)	(210,554)	(444,895)	(548,006)
Provision (Benefit) for Income Taxes	-	-	-	-
Net Income (Loss)	\$ (145,152)	\$ (210,554)	\$ (444,895)	\$ (548,006)
Net Income (Loss) Per Share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.04)
Weighted Average Shares Outstanding	36,980,055	16,637,134	36,343,391	13,928,817

5

## Edgar Filing: ATLAS MINING CO - Form 10QSB

### Atlas Mining Company Consolidated Statements of Cash Flows (Unaudited)

	For the Six Months Ended June 30,	
	2004	2003
<b>Cash Flows from Operating Activities:</b>		
Net Income (Loss)	\$ (444,895)	\$ (548,006)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operations:		
Depreciation	6,623	4,441
(Gain) loss on sale of investments available for sale	(1,489)	-
Stock issued for services	281,650	291,300
Amortization	5,000	5,000
(Gain) loss on settlement of debt	-	(28,500)
Change in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	(111,775)	(26,633)
Prepaid expenses	(2,473)	-
Increase (Decrease) in:		
Accounts payable and accrued expenses	20,198	68,428
	(247,161)	(233,970)
<b>Net Cash Provided(Used) by Operating Activities</b>		
<b>Cash Flows from Investing Activities:</b>		
Purchases of equipment	(266,354)	-
Proceeds from advances	149,870	158,619
Proceeds from sale of investments available for sale	1,921	-
Payments for advances	(100,000)	(144,500)
	(214,563)	14,119
<b>Net Cash Provided (Used) by Investing Activities</b>		
<b>Cash Flows from Financing Activities:</b>		
Proceeds from notes payable	39,660	5,720
Payments for notes payable	(4,984)	(27,497)
Payments for line of credit	(1,337)	(1,789)
Proceeds from subscription receivable	440,000	-
Proceeds from issuance of common stock	-	250,100
	473,339	226,534
<b>Net Cash Provided (Used) by Financing Activities</b>		
Increase (Decrease) in Cash	11,615	6,683
Cash and Cash Equivalents at Beginning of Period	6,814	5,246
Cash and Cash Equivalents at End of Period	\$ 18,429	\$ 11,929

Edgar Filing: ATLAS MINING CO - Form 10QSB

6

Atlas Mining Company  
 Consolidated Statements of Cash Flows  
 (Unaudited)

	For the Six Months Ended June 30,	
	2004	2003
Cash Paid For:		
Interest	\$ 20,284	\$ 54,369
Income Taxes	\$ -	\$ -
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Stock issued for services	\$ 281,650	\$ 291,300
Stock issued for notes payable	\$ -	\$ 100,000

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

-----

We are a natural resources company engaged in the acquisition and exploration of our resource properties in the states of Idaho and Utah. We also provide contract mining services and specialized civil construction services for mine operators, exploration companies and the construction and natural resource industries through our trade name "Atlas Fausett Contracting."

Our primary source of revenue is generated by our Atlas Fausett Contracting operations. However, we also have exploration targets and timber. As a result, we are providing Management's discussion on our plan of operation.

Contract Mining

Our contract mining generates most of our revenues. This may decrease as we are able to increase operations on our owned properties, and we will adjust our resources accordingly. At this time, we anticipate that our contracting will remain a significant portion of our business.

Property Exploration

We intend to continue our exploration activities for halloysite clay and other minerals, and intend to acquire commercially feasible properties that can be put into production with minimal environmental problems and with limited financial resources. We do not intend to seek out and acquire other properties until we have finished conducting our feasibility surveys and other exploration work on our current properties. Although we have not yet generated income from these properties, we are continuing our exploratory and development work on these properties. We have no assurances that our exploration will result in proving any commercially viable deposits. We realize that additional steps will need to be taken to move from an exploration stage to a development or productions stage.

In August 2001, we acquired the Dragon Mine in Juab, Utah and began our halloysite clay exploration. During the first six months of 2004, we had \$55,628 in exploration expenses. We also acquired additional equipment amounting to \$266,354 for mining at the Dragon Mine.

The halloysite clay is considered a non-toxic material and, as commercially viable amounts have been found on the property, we feel we can produce a sellable product with minimal environmental consequences using proper containment and processing techniques. The intended processing will be the crushing, drying, and packaging of the product for shipment. We have been able to formulate development and mining plans. We consider this property, the Dragon Mine, to be in the development stage, and it is our intent to bring it into a production stage in the near future.

We have also contacted potential customers, distributors and suppliers in the clay businesses. Each buyer may have a different use for the product and the price and quantity will vary as a result. The sale of product cannot be formalized until we have developed the mine and become production ready.

We are not aggressively looking for silver properties at this time, as we have been concentrating on our efforts to bring the clay property from

## Edgar Filing: ATLAS MINING CO - Form 10QSB

the exploration stage to the development stage. However once the clay property is further developed it is our intent to look for other properties that can be acquired, developed and mined with minimal costs, and environmental problems.

8

We have a mining plan approved by the proper state authorities, have filed and received Mine Safety and Health Administration (MSHA) registration, and County permitting where applicable. In the future, we may pursue additional acquisitions and exploration of other properties for metals and industrial minerals, development of which will require submission of new mining and reclamation plans to the proper state and federal authorities.

### Timber

We will continue to harvest timber on our property. Timber harvesting will be dependent upon lumber prices and weather. We normally do not log much in the winter months.

### RESULTS OF OPERATIONS

Revenues for the six month period ending June 30, 2004, were \$387,725, and \$152,994 for the same period in 2003, or approximately a 153% increase. For the three month period ending June 30, 2004, revenues were \$229,096, compared to \$94,560 for the same period in 2003, or approximately a 142% increase. The company was able to maintain more work during the comparable periods of 2004, compared to 2003, predominately in its contracting entity. Thus reflecting an increase in revenues. For the six month period ended June 30, 2004, the company had timber revenues of \$10,758 compared to 0- for the same period in 2003. In 2003, timber prices did not merit logging, and fire dangers were extreme during the summer of 2003.

Gross profit (loss) for the six months ended June 30, 2004, was \$75,723, compared to \$11,983, for the same period in 2003. This was attributed to the greater revenue in 2004 compared to 2003. For the three month period ended June 30, 2004, our gross profit was \$42,168 compared to (\$4,875) for the same period in 2003. Again greater revenues in 2004 brought gross profits while smaller revenues in the same period in 2003 were not adequate enough to offset costs.

As of the six month period ended June 30, 2004, our total operating expenses were \$498,610 compared to \$519,715 for the same period in 2003. For the three month period ended June 30, 2004, the total operating expenses were \$174,856, compared to \$197,762 for the same period in 2003, a decrease of 4% and 11% respectively. The increase in this category resulted mainly from increases in professional fees during 2003, because of the company's efforts to become a fully registered company.

Exploration and Development Expenses for the six month period ending June 30, 2004 were \$55,628 compared to \$48,824 for the same period in 2003. For the three month period ending June 30, 2004 exploration and development expenses were \$53,540 compared to (\$1,444) for the same period in 2003. During 2003 the company conducted a drilling program while work done in 2004 was development of the mine site.

Our net profit (loss) for the six month period ended June 30, 2004, was (\$444,895) compared to (\$548,006) for the same period in 2003, a decrease of 19%. For the three month period ended June 30, 2004, the figure was (\$145,152) compared to (\$210,554), a decrease of 31%. Increased



## Edgar Filing: ATLAS MINING CO - Form 10QSB

revenues and decreased General and Administrative costs in 2004 helped contribute to this difference.

9

### LIQUIDITY AND CAPITAL RESOURCES

To date our activities have been financed primarily through the sale of equity securities, borrowings, and revenues from AFC and logging operations. We intend to continue pursuing contract mining work and logging of our timber properties to help pay for our operations. For the three month periods ended June 30, 2004 contract mining accounted for 99% of the revenue and 100% of the revenue for the same period in 2003. We have also borrowed from various sources to finance our activities. Our current debt structure is explained below.

Our total assets increased from \$834,764 as of June 30, 2004, compared to \$499,472 as of December 31, 2003. The company has increased its current assets by \$75,561 and has acquired additional equipment for mining and processing during the first six months of the current year. Total liabilities were \$1,092,110 as of June 30, 2004, compared to \$1,038,573 as of December 31, 2003. The company accounts receivable balance increased due to additional activities in contracting work and at the Dragon Mine.

We have a note payable to William Jacobson, an officer and director, which is payable on demand and bears no interest. The proceeds from this note were used for general working capital. The current amount due as of June 30, 2004 is \$70,829. We have an unsecured line of credit with Textron Financial at an interest rate of prime plus 6%. The balance of the line of credit at June 30, 2004 was \$21,757. The funds were used for general working capital and are on a revolving credit line. In 2000, we entered into an agreement with Universal Funding for a secured revolving credit line, immediately payable by accounts receivable. The funds are used for general working capital. As of June 30, 2004 the amount owing Universal funding is 0-. Accounts payable and accrued expenses due as of June 30, 2004 were \$235,053 and are the result of daily operations and taxes owed.

We have a note payable to Moss Adams, LLP, an accounting firm, for \$53,250 at 9% per annum, due in monthly payments of \$1,000 with a balloon payment due at maturity. The note was for accounting services provided to us in 1999 and 2000. As of June 30, 2004 our current balance, including interest is \$73,978. The note matured on August 16, 2001. We have renegotiated terms of repayment, and can pay this debt for approximately 50% of the amount otherwise due. We have notes payable to American National Mortgage due in monthly interest installments of \$35,788.39. The notes matured on May 31, 2003, at which time the principal became due, and is secured by property in northern Idaho. American Mortgage has filed bankruptcy, and we are negotiating a settlement on this debt with the trustee. We also have a note payable to CLS Mortgage Company, due in monthly installments of \$1,614, including interest at 16%. The note has a current balance of \$118,955 and is due in August 2005, secured by the proceeds of our logging activities and collateralized by land and a building on our property in northern Idaho.

If we are unable to reduce our debts or if we do not renegotiate any of this debt, we would be obligated to pay an average of \$54,214 per month or \$650,568 for the next fiscal year.

We may need to obtain additional funding to pursue our business strategy during the next fiscal year. At the present time, we anticipate seeking additional funding through additional private placements, joint

## Edgar Filing: ATLAS MINING CO - Form 10QSB

venture agreements, production financing, and/or pre-sale loans, although we do not have any specific plans or agreements for such funding, except as noted in the paragraph above. Our inability to raise additional capital to fund operations through the remainder of this year and through the next fiscal year could have a detrimental effect on our ability to pursue our business plan, and possibly our ability to continue as a going concern.

10

In anticipation of the above funding sources, we have attempted to satisfy our debts through a negotiated settlement, and/or ask for extended terms until we can become more profitable. We cannot assure you that any of these events will occur or, if they do occur, when they will occur.

Our principal sources of cash flow during the second quarter 2004 was from Contracting activities which provided an average of \$75,560 per month for the three month period ended June 30, 2004, and averaged \$31,520 per month for the same period in 2003. For the six month period ending June 30, 2004 our average monthly cash flow from contracting was \$64,620, compared to \$25,499 for the same period in 2003. In addition, we rely on our credit facilities and any public or private sales of equity for additional cash flow.

Cash flow from financing activities for the six month period ended June 30, 2004 was \$473,339 compared to \$226,534 for the same period in 2003, a difference of \$246,805. The major factor for the difference was receipt of proceeds from subscriptions receivable in 2004.

The Company spent \$214,563 from investing activities for the six month period ended June 30, 2004, compared to receiving \$14,119 in the same period in 2003. This was attributed from purchases of equipment and transactions with affiliates.

Cash flow used by operating activities for the six month period ended June 30, 2004, was (\$247,161) compared to (\$233,970) for the same period in 2003, a difference of \$13,191. In the six month period in 2004 a decrease in the accounts payable and accrued expenses accounted for the major change.

### Item 3. CONTROLS AND PROCEDURES

(a) The term "disclosure controls and procedures" refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within required time periods. Within 90 days prior to the date of filing this report (the "Evaluation Date"), we carried out an evaluation under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, such controls and procedures were effective in ensuring that required information will be disclosed on a timely basis in our periodic reports filed under the Exchange Act.

#### (b) Changes in internal controls

There were no significant changes to our internal controls or in other factors that could significantly affect our internal controls subsequent to the Evaluation Date.

Edgar Filing: ATLAS MINING CO - Form 10QSB

11

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

We have notes payable to American National Mortgage due in the amount of \$606,608. The notes matured on May 31, 2003, at which time the principal became due, and is secured by property in northern Idaho. American Mortgage has filed bankruptcy, and we are negotiating a settlement on this debt with the trustee.

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K.

(a) EXHIBITS

The following exhibits are included in this Report:

EXHIBIT

NUMBER DESCRIPTION OF EXHIBITS

-----

31.1 Certification pursuant to Rule 13a-14 of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer and Principal Financial Officer

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer and Principal Financial Officer

(b) The following reports on Form 8-K were filed during the quarter ended June 30, 2004:

None.

12

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Edgar Filing: ATLAS MINING CO - Form 10QSB

ATLAS MINING COMPANY

Dated: August 19, 2004

/s/ William Jacobson

-----  
By: William Jacobson  
Chief Executive Officer,  
Chief Financial Officer