

ATLAS MINING CO
Form 10KSB/A
May 01, 2007

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB/A

(MARK ONE)

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

For the Fiscal Year Ended December 31, 2005

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

For the transition period from _____ to _____

Commission File Number 000-31380

ATLAS MINING COMPANY

(Name of small business issuer in its charter)

Idaho 82-0096527
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

630 East Mullan Avenue
Osburn, Idaho 83849
(Address of principal executive offices)(Zip code)

Issuer's telephone number, including area code: (208) 556-1181

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

Title of each class	Name of each exchange on which each is registered
None	None

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

Common Stock, no par value
(Title of class)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated

by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
Yes No

The issuer's revenues for the fiscal year ended December 31, 2005 were \$628,176.

The number of shares of the registrant's common stock, no par value per share, outstanding as of March 28, 2006 was 48,925,687. The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on March 24, 2006, based on the last sales price on the OTC Bulletin Board as of such date, was approximately \$68,495,961.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Transition Small Business Disclosure Format: Yes No

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NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-KSB contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based on our current expectations, assumptions, estimates and projections about our business and our industry. Words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may," and other similar expressions identify

forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section of this Annual Report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations -

Factors Affecting Business, Operating Results and Financial Condition", as well as the following:

- o our uncertainty whether a commercially viable deposits or "reserves" exist on any of our properties;
- o our lack of capital and whether or not we will be able to raise capital when we need it;
- o risks of loss of timber revenues due to fire, disease or weather;
- o change of market prices for timber, halloysite clay or other marketable deposits we may find on any of our properties;
- o whether or not we will continue to receive the services of our executive officers and directors, particularly our President, William T. Jacobson;

and other factors, some of which will be outside our control. You are cautioned not to place undue reliance on these forward-looking statements, which relate only to events as of the date on which the statements are made. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. You should refer to and carefully review the information in future documents we file with the Securities and Exchange Commission.

PART I

ITEM 1. BUSINESS

HISTORY AND DEVELOPMENT OF THE COMPANY

We are a natural resources company engaged in the acquisition, exploration and development 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 resources industries through our trade name "Atlas Fausett Contracting." We were originally incorporated on March 4, 1924 in Idaho and commenced our operations on that date.

From 1980 to 1997, we had no activities. In 1997, we acquired the equipment of Fausett International, Inc. for \$1,416,099 and began our contracting business. In 1998, we acquired the Sierra Silver Lead Mining Company, an Idaho corporation for \$276,157. This merger added an additional 329.18 acres of mineral rights to our current holdings. In 1999, we also acquired the majority outstanding shares of Olympic Silver Resources, Inc., a Nevada corporation for \$228,566. The acquisition of Olympic gave us control of an Olympic subsidiary mine in Zacatecas, Mexico. In 2001 our agreement on the mine in Zacatecas expired and we no longer have any interest there. In 1999 we acquired the Aulbach mining claims for \$ 50,000, approximately 100 acres of timber and mineral property in northern Idaho. In 1999 we acquired 53% interest in the Park Copper Mining Company for \$72,825, which holds 100 acres of timber and mineral property in northern Idaho. In 2001, we entered into a lease purchase agreement on the Dragon Mine in Juab County, Utah for \$100,000. We believe this property may contain a deposit of high quality clay, which we are putting into production. In 2005 we purchased the Dragon Mine for \$500,000. In 2002, we cancelled our agreement with Fausett International, Inc., returned the equipment, and settled the remaining debt. We were not able to utilize this equipment enough to justify the cost related to owning it.

In the future, we intend to be able to acquire additional properties near our current mines and elsewhere.

We have brought the Dragon Mine from an exploration stage into a Development stage. We intend to find other properties that can be acquired, developed and mined with minimal costs, and environmental problems.

In addition to the mineral resources, we also have harvestable timber resources on our properties. We contract out logging of our timber to create revenues and cash flows for our other operations. We have also harvested timber on approximately 420 acres of our previously owned and newly acquired properties. We hope to acquire more properties in the future with timber resources.

We also intend to continue our contract mining services. These services were originally developed and marketed to provide us with operating revenues. We hope to increase the revenue derived from these services and to utilize our expertise in this area to mine our owned properties.

CONTRACT MINING

Because of exploration costs and other budget constraints, mining activity on our Idaho properties has remained idle since the 1980s. However, on August 10, 1997 our board met and approved a plan to revitalize Atlas Mining Company for the purpose of increasing shareholder value and, in the long term, of making us an operating company with producing mines.

The first step in this process was to form a contract mining service under the trade name of Atlas Fausett Contracting, which we refer to as AFC. We acquired equipment and tools and hired key employees from Fausett International, Inc., or Fausett, a privately held mining contracting firm with over 30 years experience in the mining industry. These employees brought with them extensive knowledge and expertise in all aspects of underground mining.

AFC began contracting work on August 15, 1997. Among its many services, AFC performs site evaluation, feasibility studies, trouble-shooting and consultation prior to the undertaking of exploration and mine development. AFC's projects include all types of underground mine development, rehabilitation and specialized civil construction. Services are contracted for either individually or as joint ventures depending on the requirements of a particular project or the specific needs of an individual client. AFC also handles work under contract from government agencies.

AFC crews are experienced and have worked on projects in Idaho, Montana, Oregon, Washington, Nevada, Colorado, Arizona, New Mexico, and British Columbia. AFC has the required licenses to work in Idaho, Washington and Montana and has the ability to be licensed in most states in the western United States. AFC operates under a permit from the Mine Safety and Health Administration and also possesses a permit to handle explosives from the Bureau of Alcohol, Tobacco and Firearms.

AFC was the main contractor at the Mayflower Mine, a Brimstone Gold Corp. project, outside of Whitehall, Montana, and for the Holden Mine closure, a U.S. Government and U.R.S. Corporation project on Lake Chelan, Washington.

AFC maintained a labor contract with Echo Bay Mines, now Kinross Gold Corporation, At Republic, Washington for five years, prior to the mines closure, and has worked at the Lucky Friday Mine for Hecla Mining Company for the past seven years.

AFC must also compete with other smaller companies that provide contract services related to underground mining. However, AFC has experience in a number of different mining techniques. Besides normal underground mining activities, AFC has expertise in ground stabilization (such as grouting, shotcrete, and rock bolting). AFC has provided tunnel construction expertise for hydroelectric work.

AFC also works with government agencies and other mining companies with respect to mine closures to help with industry efforts to alleviate potential hazards from abandoned mines.

Since AFC mainly concentrates on underground mining activities, there is very little surface disturbance, which is the main environmental concern faced by mining companies whose activities are centered on surface mining.

TIMBER

Our entry into the timber industry was commenced primarily as a means of generating cash flow from our exploration properties in northern Idaho. Our intention is to remain in this industry only to the extent that it supplements our revenue while we are conducting our exploration activities. With the amount of timber remaining on Atlas property, we can supplement our revenue for the next couple of years. As we harvest this timber, we will continue to seek out additional exploration properties with harvestable timber. It takes approximately fifteen to twenty years for a tree to mature in northern Idaho, and our current goal is to acquire enough harvestable land to enable us to rotate our logging activities on a yearly basis to allow previously harvested areas the time to grow and mature marketable trees.

When we sell or timber we contract our logging to a qualified logger. We depend on the logger's experience and reputation in the industry and sometimes use him to negotiate the sale of our timber to various lumber mills in the area. We contract a logger on a as needed basis. As with most commodities, timber is subject to price fluctuations and to government regulation.

The timber business is a cyclical business with lumber prices that fluctuate based on a number of factors including new housing starts, imports, and government regulations. North Idaho is predominately held by the U.S. government, either by the Forest Service or by the Bureau of Land Management. When these agencies decide to harvest timber the excess timber can affect the price the mills are willing to pay. In recent years there have been less government sales of timber due to the environmental and bureaucratic policies related to these sales. This has created more demand for privately held timber. We do not hold any contracts with any particular mills at this time. We do, however, maintain a good relationship with local mills, and are able to enter into sales agreements with them as needed. Another factor that makes this aspect of our business cyclical is the weather. North Idaho has a heavy snowfall each winter, making logging difficult during those months. Consequently we do the majority of our logging efforts in the summer and fall. Our property consists primarily of pine, fir and larch, which is used predominately in the building industry.

Our logging activities are regulated by the Idaho State Department of Lands. They inspect our logging practices and inform us of any activities that may cause either a safety or an environmental problem. Our logger carries workers compensation and liability insurance, and falls under the guidelines of Occupational Safety and Health Act.

EXPLORATION

We intend to conduct 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 unless they fit into the parameters we have set. Further, we will limit our acquisitions based on our ability to conduct our feasibility surveys and other exploration work on these properties, and until we have been able to bring our existing acquisitions into a income generating stage.

In August 2001, we acquired the Dragon Mine in Juab, Utah and began our clay exploration. Our exploration and development expenses for the period ending December 31, 2004, and 2005 were \$340,657 and \$760,347, respectively on the halloysite clay project.

The halloysite clay is considered a non-toxic material, and 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. In 2003 and again in 2005 we completed small diamond drilling programs to verify location of clay beds at the Dragon Mine. With that information we have begun to formulate development and operating plans. During 2005 we continued to explore the Dragon Mine, and we have run numerous analytical test on the halloysite clay to ascertain quality. In 2005 we did not have any sales of halloysite clay

Our halloysite clay marketing efforts include contacting potential customers and distributors, which we have done. 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 verified our ability to provide the quality and quantities as required by the potential buyers. From results of the product samples distributed we have numerous potential buyers.

Until the Dragon Mine is in a profitable stage we do not anticipate trying to develop other properties. However we will continue to look for other properties that can be acquired, developed and mined with minimal costs, and environmental problems, which we have done in 2005.

We have submitted a reclamation bond to the proper state authorities, and have received acceptance of our plan. 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 reclamation plans to the proper state and federal authorities.

BUSINESS STRATEGY

As was noted above, the creation of AFC was done for the purpose of creating operating revenues for us. We also intend to expand our exploration, and our timber production.

To date our activities have been financed primarily through debt and the sale of equity securities and the issuance of equity for the acquisition of mining property. See "Management's Discussion and Analysis - Results of Operations."

We will need to obtain additional funding to pursue our business strategy. At the present time, we anticipate seeking additional funding through additional private placements, joint venture agreements, production financing, and/or pre-sale loans. Our inability to raise additional capital to fund operations through the remainder of this year and through the next fiscal year would have a detrimental effect on our viability and ability to pursue our business plan.

COMPETITION

CONTRACT MINING

A review of Dun and Bradstreet shows that the main competitors of AFC in the contract mining business are: American Mine Services, Inc.; Dynatec Mining Corporation; Tyson; J.S. Redpath and Small Mines Development. Each of these companies are larger than AFC or part of larger companies which gives them the depth to take on larger projects that require large capital investments.

Similarly, AFC must compete with other companies that provide contract services related to underground mining. AFC has had the opportunity to compete outside of this area on occasion in that it has used its underground mining expertise in different ways. Such related use of this expertise has been in such things as rock bolting, shotcrete, and grouting for ground support. AFC has provided tunnel construction expertise for hydroelectric work. AFC has also acquired and completed mine closure projects under the jurisdiction of the Forest Service and State and Federal Environmental Agencies.

The amount of underground contracts for which AFC could bid fluctuates greatly depending on the economic climate of the industry. However on average the total contracts offered are generally between \$100 and \$120 million per year. Over the past year AFC has not pursued any of the larger projects which accounts for 80% to 90% of all projects available, and has only looked at smaller projects in the three state area of Idaho, Montana and Washington. In the future the company intends to use some of its existing AFC personnel to pursue any activities on its other properties.

However, we believe we are in a unique position due to our manpower and mining knowledge and experience. AFC has the ability to compete on larger projects because of its expertise. However, the issue of whether to compete on larger projects depends on our willingness to devote the necessary capital, bonding, and other resources to larger projects when these resources might be better used in the exploration of our own properties. The goal of our management at this time is to show continued growth and profitability in AFC in order to support the total corporate structure, and to utilize the talents and resources of the AFC for our own exploration projects when those resources are available.

Up until this past year we have noticed less activity in the mining industry in the United States. The price of metals and increased costs due to regulations imposed on the industry have driven mining costs upward making mining less profitable. Consequently, the ability to generate a sustainable revenues source from AFC has been hampered, and management has decided to find mineable resources on its own properties to utilize the manpower and equipment available to the company. As the trend in metals prices improves, the possibility of more contracting activity should also improve.

TIMBER

Although our logging is a very small percentage of our activities, we face large numbers of competitors in this industry, and our competitors include individuals who may own property in northern Idaho and wish to sell their lumber at market prices to local mills. We are affected by market prices, and as prices fall and competing suppliers increase, our revenues from this business may fall significantly. Logging activities in northern Idaho are seasonal due to the large amount of snow that accumulates during the winter. We do most of our logging activity in the summer and fall.

EXPLORATION

We face a large number of competitors with respect to our exploration activities. Although we may have some advantage with respect to companies smaller than ours, we also face the common disadvantage against larger companies with more available capital. Consequently over the past three years we have limited our exploration activities to the clay property (Dragon Mine). However as we complete our exploration activities at the Dragon Mine, we will look more actively at other exploration targets. Our one advantage over many other smaller mining companies is that we have the ability to actually mine.

GOVERNMENTAL REGULATION

CONTRACT MINING

We are subject to a variety of state and federal regulations with respect to this aspect of our business. Most states require a contractor's license before conducting business in their state. Each state has a different procedure for licensing. We estimate the annual cost to maintain our state Contractor's licenses to be approximately \$500 per year. We obtain and pay workers compensation insurance, unemployment, and state withholding in all states in which we work. We handle these functions as a part of our normal clerical process.

Several states that we operate in require a permit to handle explosives, and we maintain such a license under the U.S. Bureau of Alcohol Tobacco and Firearms (ATF, USC18, (Chapter 40). This license must be renewed every three years. If we hire new employees that will handle our explosives, we are required to submit information to the ATF. Over the past year, the ATF has asked that we keep in contact with them regarding any projects that require the use of explosives.

Property owners must also obtain permits prior to mining. From the contracting side, we have always required that the mine owner permit his project with the proper regulatory authority prior to beginning work, which relieves us of any cost or liability. On our own properties, we will spend approximately \$2,000 per year to keep permits in place.

We are licensed under the Mine Safety and Health Act of 1997 (MSHA) (License number: VL-2). We are required to submit quarterly reports of our activities MSHA and to conduct annual refresher courses for our employees. The annual cost of these functions varies based on the amount of activity. We estimate that compliance with the described state and federal regulations costs us approximately \$3,000 per year.

TIMBER

Our timber business is regulated by the Idaho state Department of Lands under the Idaho Forestry Act Title 38, Chapter 1. Under this regulation, a logger must apply for and obtain a Notification of Forest Practices prior to starting a logging project. This permit requires the logger to maintain proper logging practices, including erosion abatement, and fire prevention. The State of Idaho retains \$4 per thousand board feet from all logs hauled to the mill, and once the project is completed, along with a State inspection verifying that the project was completed according to Idaho Forest Practices Act, the logger applies for a release of these funds. Although we contract out our logging, we may be liable, as the landowner, for problems created by the logger. However, we take measures to ensure that our contracted loggers are reputable and incidents do not occur. We do not currently have any direct costs related to this regulation. The process of obtaining access to our ground when it is necessary to enter through Forest Service or BLM property can delay timber harvesting. Although the law does not allow either of these agencies to restrict access to the private landowner, the permitting process is time consuming and reflects a cost to the landowner. We estimate the cost of this process will be about \$5,000 per year.

EXPLORATION AND DEVELOPMENT'

Should we decide to conduct exploration activities in Idaho, we must notify the Idaho State Bureau of Mines as required under Title 47, Chapter 1, the Department of Lands, and the federal Mine Safety and Health Administration of our intent. If we produce any ground disturbance, we will then need to notify the State Department of Environmental Quality to ensure that we are working within their guidelines. However, we do not intend to conduct any exploration in Idaho at this time.

We have conducted some exploration activities at the Dragon Mine in Juab County, Utah. The Utah Department of Natural Resources sets the guidelines for Exploration, and other mineral related activities based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated 1953, as amended, and the General Rules and Rules of Practice and Procedures, R647-1 through R647-5. We have applied for and received the proper permit from them. We also applied for and received authority from the Utah Department of Commerce to conduct business as a foreign corporation in the state as required by Utah Code, Title 16-10A-1501. Compliance with these regulations is expected to cost us approximately \$1,200 per year. As we hire additional people for this project we have covered them under proper state workman compensation, withholding and unemployment laws as required by both Utah and Idaho State employment regulations. We carry a Mine Safety and Health Administration (MSHA) license (#4202383) for this property and report as required to this agency. We estimate the cost of compliance to MSHA to be approximately \$5,000 per year.

EMPLOYEES

As of December 31, 2005, Atlas Mining and its subsidiaries have fourteen employees. As additional projects becomes available we will hire needed employees. We have also outsourced some of our logging work to a logging contractor who employs approximately six people. In addition, we periodically utilize the services of various individuals on a consulting basis. In 2005, we hired the services of a geologist, prospectors, industrial minerals consultants, and acquisition experts. We have one employment agreement with our CEO. None of our employees are covered by a collective bargaining agreement, we have never experienced a work stoppage, and we consider our labor relations to be excellent.

ITEM 2. DESCRIPTION OF PROPERTY

PRINCIPAL OFFICE

We rent office space from the McGillvray Environmental in Osburn, Shoshone County, Idaho. The address of the property is 630 East Mullan Avenue, Osburn, Idaho 83849. The property is a two-room office, containing approximately 800 square feet, in a business complex in the downtown area of Osburn, Idaho. The rent is \$300 per month and there is no rental agreement.

MINING PROPERTIES

We have assets of real property, mineral leases and options. The following section describes our right, title, or claim to our properties and each property's location. This section also discusses our present plans for exploration of the properties, and an estimate of mineralized material located on each property. Please refer to our Glossary at the end of this section for definitions of technical terms used in our discussion.

SHOSHONE COUNTY, IDAHO

Exploration

We own approximately 900 acres of fee simple property and patented mining claims, and 260 acres of mineral rights and unpatented claims, located in the Coeur d'Alene mining district in Shoshone County, Idaho, commonly referred to as the Silver Valley of North Idaho. Atlas was originally incorporated to pursue mining activities on the Atlas mine property near Mullan, Idaho. This property had some past production of silver, lead, zinc and copper in the early 1900's. However, the existence of minerals on this property cannot be determined without extensive exploration. Any revenues we may eventually generate may be used to further explore mines within the Shoshone County area or to acquire and explore new properties wholly unrelated to our Shoshone County properties. We have no plans for exploration of the Shoshone County mines at this time.

Our properties in Shoshone County are divided into five separate tracts. These sections are named for the mines located in that specific section. The section location and estimated acreage are as follows:

Section Of The Coeur D'Alene Mining District Estimated Acres

Atlas Mine	540 acres fee simple and patented, 180 unpatented
Sierra Trapper Creek	80 acres patented
Aulbach, Section 6 & 7	100 acres patented
Sierra Silver, Woodland Pk & 60 acres patented, 9 Mi	80 acres mineral rights
Sierra Hardscrabble	20 acres patented
L& N claims	108 acres patented

The largest section is the Atlas Mine. The underground Atlas Mine, idle since the early 1980's due to exploration budget restraints, is located on the east end of the Coeur d'Alene Mining District in Shoshone County. The property is accessible by interstate freeway and a county maintained road. Geologically, the property lies just south of the Osburn

Fault in the Wallace and St. Regis formations. The Mine has over 7,000 feet of tunnels with a rail system and a 2,000-foot internal shaft which can be accessed for future exploration.

The other properties in Shoshone County have no accessible workings. All the properties are accessible either by state highway, county road or forest service roads. As time and the economic trends merit it we will be looking find ways to make these properties more productive or to sell them.

The Atlas property carried a first mortgage to CLS Mortgage, all of which were paid off in 2005.

Timber

We estimate that our properties in Shoshone County contain approximately 2 million board feet of harvestable timber. We contract with independent loggers to harvest the timber and deliver it to mills. We contract our logging activities to experienced loggers in the industry. The current return to Atlas is approximately \$150 per thousand board feet. A board foot of lumber is one foot by one foot by one inch. We implement reforestation techniques to replenish its timber supply. Much of the remaining timer on Atlas lands requires access through U S Forest Service or BLM properties. Permitting for access through these entities is somewhat time consuming and we do not know whether we will be able to log very much of our properties in the near future.

We acquired our Sierra properties through the acquisition of Sierra Silver Lead Mining Company. Through this purchase the Company acquired approximately 329 acres of mineral rights that include approximately 250 acres of surface land and timber. Although there was a small amount of zinc mined on the Sierra Silver property, there has been no mining activity for over forty years. Subsequent to the purchase we sold approximately 100 acres. The majority of the Sierra property lies south of the Osburn Fault in the Wallace formation, and has no reserves. The property does have approximately 500,000 board feet of timber, which we value at approximately \$75,000.

We acquired our Aulbach claims in March 1999 from Trail Gulch Gold Mining Company. Through this purchase, we acquired approximately 100 acres of surface land and mineral rights, including timber rights. To date, we have logged approximately 650,000 board feet of timber on the property with an approximate net value of \$105,000.

JUAB COUNTY, UTAH

Dragon Mine

The Dragon Mine property, located in Juab County, Utah near the City of Eureka (Tintic Mining District) has been principally exploited for halloysite clay, a rare and high unit value clay mineral. The property consists of 38 patented mining claims, approximately 230 acres, located in the following sections: T10S, R2W, sections 29, 30, 31, and T10S, R3W, Section 36, all relative to the Salt Lake Meridian. Since July 10, 2001, Atlas Mining Company had leased the property from Conjecture Silver Mines, Inc., whose address is P.O.B. 14006, Spokane, Washington 99214. Conjecture Mines has since been merged into Chester Mines, Inc. with the same address. We initially paid 400,000 shares of our common stock, valued at \$100,000, for a one-year lease. Under the terms of the lease agreement, we have the right to renew the lease annually in exchange for 100,000 additional shares of our common stock, or we may buy the property for \$500,000 if we have \$1,000,000 in sales from the mine in a 12-month period. On August 18, 2005, we purchased the property from Conjecture Silver Mines and transferred ownership to Atlas Mining Company.

Conjecture Mines acquired the claims through a Quit Claim deed and share exchange with Grand Central Silver Mines, Inc. From 1950 to 1977, the Dragon Mine was owned by Anaconda and operated by Filtrol Corporation. The property has been idle since 1977. Examination of the mine maps, the open pit and surviving correspondence, coupled with informal interviews of former employees, all lead us to the conclusion that the mining techniques were likely inefficient which combined with developments of synthetic catalysts (the halloysite was mined for petroleum cracking) led the mine to price itself out of business. In 2004 Chester Mines, Inc acquired Conjectures Silver Mines, Inc. The address remains the same as does the principal officer.

Previous owners' records indicate that over 1.1 million tons were mined at the property from 1950 until it closed. Those records also indicate approximately 300,000 tons of mineralized material remain on the property. The previous owners also conducted some exploration core drilling and some reverse circulation drilling, but the records of the results are incomplete. The figures in this paragraph depend on the assumption that the old records and maps are accurate. Our analysis of the surviving maps and record lead us to believe that their estimates of mineralized material are still valid. In 2003 and 2005 we conducted small exploration drilling programs, and have been able to further validate this information. The previous owners' geologists determined the area of influence was no more than 80 feet along strike and 100 feet along dip. There were no chemically quantifiable cutoffs to the mineralized material. It appeared that the most distinguishable factors were visual indicators. The specific gravity they used was a density of 17 cubic feet per ton.

The property is located in the arid mountains approximately 2 miles southwest of Eureka, Utah and can be accessed via state highway and county road. The only evidence of mining prior to our lease was an open pit area and an abandoned head frame. The Union Pacific Railroad has a spur approximately 2 miles from the property. Power is approximately 1.5 miles from the site, and no evidence of water except in the shaft.

In 2004 and 2005 we were able to bring the property into a development stage. We built a mill site which includes a lay down and sorting area for product, a 50X60 building with KDS processing machine. We installed a 650 KW electrical generator with service to the mill, office and mine, a water and septic system, and compressor. We have developed the underground mine with over 800 feet of decline and access tunnels and have exposed the halloysite clay bed approximately 100 feet underground. To facilitate these activities we have increased our equipment purchases in 2004 and 2005.

We believe the halloysite material formed through the alteration of a shale bed lying between a limestone bed and igneous rocks. The base of the limestone was selectively replaced by iron oxide material with abundant manganese. The shale was altered to halloysite. This unit is evident in the open pit. Following the alteration event, halloysite was squeezed into northeast-striking faults upward through the limestone to the top of the bedrock in places. Our geologists see added potential to the northeast along these faults and in the replaced beds to the east and northeast. This potential has not yet been quantified.

Samples taken from surface and underground exposures of the halloysite material have been made available to parties interested in conducting suitability tests. Samples have been taken from seven areas within the open pit. On the surface, the halloysite material is chalky white, often stained by iron leaking downward from the iron cap, but a few inches beneath the surface, the halloysite material turns to soft, wet-looking and soapy feeling, often with a bluish tinge. However, this material loses its water content and turns chalky within a few days of exposure to air.

DESCRIPTION OF PROPERTY GLOSSARY

Alteration:	Changes in chemical or mineralogical composition of a rock generally produced by weathering or hydrothermal solutions.
Clay:	A size term regarding particles, regardless of mineral composition, with a diameter of less than four microns, or a group of hydrous aluminosilicate minerals related to the micas.
Development:	The preparation of an established commercially mineable deposit (reserves) for its extraction which are not in the production stage.
Exploration:	The search for mineral deposits (reserves) which are not in either the development or production stage.
Fault:	A fracture or fracture zone along which there has been displacement of the sides relative to one another parallel to the fracture.
Formation:	The primary unit of formal mapping or description.
Grout:	A form of ground stabilization where in cement is pumped into the rock formation.
Halloysite:	A clay mineral related to kaolin with essentially the same chemical composition, but has crystals which are slender hollow tubes.
Mineral:	A naturally formed chemical element or compound having a definite range in chemical composition and usually a characteristic crystal form.
Mining Claim:	That portion of mineral lands that a miner takes and holds in accordance with mining laws.
Open Pit:	A hole in the ground left by the extraction of material.
Reserve:	That part of an identified resource from which a useable commodity can be economically and legally extracted at the time of determination.
Resource:	A concentration of naturally occurring materials in such form that economic extraction is currently or potentially feasible.
Shaft:	An excavation of limited area compared to its depth.
Shotcrete:	A form of ground stabilization where concrete is sprayed on the rock to give it strength.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

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

Our common stock is quoted on the National Association of Securities Dealers, Inc. Electronic Bulletin Board (the "OTC Bulletin Board"), and is traded under the symbol "ALMI". Our common stock began trading on the OTC Bulletin Board on July 19, 2002; prior to that date our stock traded on the Over-The-Counter Pink Sheets under the symbol "ALMI". These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. The source of this information was found at <http://moneycentral.msn.com>.

	2005		2004	
	High	Low	High	Low
First Quarter	\$ 1.51	\$ 0.38	\$ 0.25	\$ 0.105
Second Quarter	\$ 1.32	\$ 0.77	\$ 0.255	\$ 0.15
Third Quarter	\$ 1.27	\$ 0.96	\$ 0.33	\$ 0.17
Fourth Quarter	\$ 1.14	\$.078	\$ 0.40	\$ 0.245

As of March 28, 2006, there were approximately 1,633 holders of record of our common stock. This number does not include an indeterminate number of shareholders whose shares are held by brokers in street name. Since we have become a reporting company, we have never declared or paid any cash dividend on our common stock. We expect to continue to retain all earnings generated by our operations for the development and growth of our business, and do not anticipate paying any cash dividends to our shareholders in the foreseeable future. The payment of future dividends on our common stock and the rate of such dividends, if any, will be determined by our board of directors in light of our earnings, financial condition, capital requirements and other factors.

Our Board of Directors has adopted two equity compensation plans, the Stock Option Plan of Atlas Mining Company, and the Incentive Stock Option Plan of Atlas Mining Company. Both plans were adopted in 1998, and expire on December 31, 2008. The Stock Option Plan allows the Company to grant options to purchase up to 10% of the then outstanding shares of common stock, and the Incentive Stock Option Plan allows the Company to grant options to purchase up to a total of 10% of the then outstanding shares of common stock. The price per share for each option granted will be set by the Administrative Committee. As of December 31, 2005, one option has been granted under the Stock Option Plan of Atlas Mining Company to the CEO. Options issued under the Incentive Stock Option Plan of Atlas Mining Company will have a price per share at least equal to the fair market value of the Company's common stock on the date of the grant. As of December 31, 2005, no options have been granted under the Incentive Stock Option Plan of Atlas Mining Company.

RECENT SALES OF UNREGISTERED SECURITIES

On January 27, 2005, the Company issued 110,000 shares of its common stock valued at \$27,500 for cash to accredited investors.

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On February 3, 2005, the Company issued 8,000 shares of its common stock valued at \$2,000 for cash to an accredited investor.

On February 14, 2005, the Company issued 30,000 shares of its common stock valued at \$7,500 for cash to an accredited investor.

On February 22, 2005, the Company issued 1,000,000 shares of its common stock valued at \$500,000 for cash to accredited investors.

On February 24, 2005, the Company issued 50,000 shares of its common stock valued at \$25,000 for services.

On July 1, 2005, the Company issued 4,880,090 shares of its common stock valued at \$4,430,602.80 for cash to accredited investors.

On July 8, 2005, the Company issued 100,000 shares of its common stock valued at \$100,000 to Conjecture Mines, Inc for payment its annual lease payment on the Dragon Mine.

On August 25, 2005, the Company issued 35,650 shares of its common stock valued at \$8,910 for cash to an accredited investor.

On August 29, 2005, the Company issued 175,000 shares of its common stock valued at \$105,000 for settlement of debt negotiated in January, 2005.

On September 23, 2005, the Company issued 33,680 shares of its common stock valued at \$8,420 for cash to an accredited investor.

On September 27, 2005, the Company issued 2,310 shares of its common stock valued at \$578 for cash to an accredited investor.

On September 30, 2005, the Company issued 46,100 shares of its common stock valued at \$11,525 for cash to an accredited investor.

On October 3, 2005, the Company issued 40,000 shares of its common stock valued at \$40,800 for services.

On November 23, 2005, the Company issued 2,000 shares of its common stock valued at \$500 for cash to an accredited investor.

On December 14, 2005, the Company issued 3,850 shares of its common stock valued at \$963 for cash to an accredited investor.

All of the above issuances were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933 because none of the issuances were a public offering.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United

States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, we evaluate our estimates based on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We are a natural resources company engaged in the acquisition and exploration of our resource properties in the states of Idaho, Utah and Canada. 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."

Currently, our primary source of revenue is generated by our Atlas Fausett Contracting operations. However, we also have our halloysite clay deposit and timber.

Contract Mining

In the past our contract mining normally generates 80% or more 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 still be a contributing factor to our revenues.

Property Exploration

We are currently considered an exploration company. Our efforts in exploration are dependent upon the available funds we can raise to pursue our exploration efforts. 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.

The majority of our exploration has been at the Dragon Mine in Juab County, Utah. We have furnished samples of the halloysite clay extracted from this property to potential buyers and distributors. The preliminary results of these samples have been favorable, and we have received purchase orders as a result; and we have received non binding letters of intent from potential buyers. We have moved into the production stage of this property.

Timber

We will continue to harvest timber on our property. Timber harvesting will be dependent upon lumber prices and weather.

FISCAL YEAR ENDED DECEMBER 31, 2005 COMPARED TO FISCAL YEAR ENDED DECEMBER 31, 2004.

Our operations for the period ended December 31, 2005, and the period ended December 31, 2004 consisted mostly of our contracting work, logging income, and development and exploration activities.

Revenues

Our total revenues for the period ending December 31, 2005 were \$628,176, compared to \$1,035,329 for the period ending December 31, 2004, resulting in a 39% decrease from the same period the previous fiscal year. Our contract mining revenue for the period ending December 31, 2005 was \$628,176 compared to \$696,264 for the period ended December 31, 2004, or a decrease of 10%. Our timber revenue for the period ending December 31, 2005 was \$0 compared to \$89,064, for the same period ended December 31, 2004, and we received \$0 from halloysite clay sales in 2005 compared to \$ 250,000 for the same period ended December 31, 2004, making up the remaining decrease in revenues.

Gross Profit

Our Gross profit for the year ended December 31, 2005 was \$76,917 compared to \$467,784 for the year ended December 31, 2004, resulting in a decrease of 83% from the same period the previous year. The main reason for this decrease was the lack of timber sales and the sale of halloysite clay in 2005, compared to 2004.

General and Administrative Expenditures

Our general and administrative expenditures for the period ending December 31, 2005 were \$3,221,583 compared to \$1,010,781 in 2004, which is a 2.19 times increase from the same period the previous fiscal year. The reason for this is attributable to additional costs in professional fees and warrant expenses recognized in 2005 which had not occurred in 2004.

Capital Expenditures

During 2005, we purchased the Dragon Mine in Juab County Utah for \$500,000 and added \$207,087 to mining, milling and related equipment. During 2004 we purchased approximately 100 acres in north Idaho for \$60,250, and we constructed a mill site for \$100,688 and bought mining, milling and related equipment for \$363,180.

Interest Payments

Our interest payments for the period ending December 31, 2005 were \$65,089 compared to \$56,224 from the same period the previous fiscal year or an increase of 16%. In 2005, we liquidated the American National Mortgage debt, our major creditor, resulting in a one time interest payment in the settlement.

Exploration & Development Expenditures

Our exploration expenses for the period ending December 31, 2005 was \$760,347 compared to \$340,657 for the previous fiscal year, which is a 123% increase from the same period the previous fiscal year. Some of these expenses were in Canada, but the majority of expenses were incurred at the Dragon Mine, in Juab County, Utah, where we have continued our work to develop the property into a production stage.

Net Profit (Loss)

Our net losses for the period ending December 31, 2005, (\$3,788,265), compared to (\$946,274) for the same period ended December 31, 2004, or a 300% increase over the same period the previous fiscal year. The reason for this is attributed to less revenue and more expenses in 2005 compared to 2004.

Liquidity And Capital Resources

To date our activities have been financed primarily through the sale of equity securities, borrowings, and revenues from Atlas Fausett Contracting, logging operations and the sale of halloysite clay. We intend to continue pursuing contracting work and to log our timber properties to help pay for our operations. We also intend to sell more halloysite clay. In 2005 and 2004 the contracting work accounted for about 100% and 67% of the total revenues respectively. Halloysite clay sales accounted for 24% of the revenue in 2004, while there were none in 2005. In 2005 and 2004 timber sales accounted for 0% and 8% of the total revenue, respectively. We have also issued common shares of restricted stock and borrowed from various sources to finance our activities. Our current debt structure is explained below.

We had a note payable to William Jacobson, an officer and director, which was payable on demand and bearing no interest. The proceeds of this obligation were used for general working capital. The current amount due as of December 31, 2005 and 2004, was \$-0- and \$91,488, respectively. Accounts payable and accrued liabilities due as of December 31, 2005 were \$101,532 and are the result of daily operations and taxes owed.

We had a note payable to Moss Adams, LLP, an accounting firm, which matured on August 16, 2002. As of December 31, 2005 and 2004 our current balance, including interest was \$-0- and \$77,370 respectively. We had notes in the amount \$582,498 plus interest payable to American National Mortgage, maturing on May 31, 2003, and secured by property in northern Idaho. American National Mortgage has filed bankruptcy, and we had negotiated a settlement on this debt and paid off this obligation in 2005. We also had a note payable to CLS Mortgage Company, with a current balance on December 31, 2005 and 2004, of \$-0- and \$118,920 respectively. We have a note payable to a lending company for the acquisition of equipment with a \$29,888 balance and monthly payments of \$688 at 7.59% interest and maturing in March 2010. We have a note payable to an insurance company with a \$19,773 balance due in monthly installments of \$2,825 and maturing in July 2006. We have a lease payable for the acquisition of equipment with a \$39,500 balance and monthly payments of \$4,500 and maturing in July 2006.

Our principal sources of cash flow are from our timber properties, which averaged \$-0- per month in fiscal year 2005 and \$7,422 per month in 2004, our contract mining, which averaged \$52,348 per month in fiscal year 2005 and \$58,022 in 2004, and halloysite clay sales which were \$-0- in 2005 and averaged \$20,833 per month in fiscal year 2004. In addition, we also rely on our credit facilities and any public or private equity issuances we may conduct in the future.

Cash flow from financing activities for the fiscal year ended December 31, 2005 was \$ 4,178,834 compared to \$1,138,553 for the same period in 2004, a difference of \$3,040,281. The main difference was the sale of common stock in 2005.

The Company realized a use of funds of (\$799,611) from investing activities for the fiscal year ended December 31, 2005, compared to (\$447,504) for the same period in 2004, a difference of \$352,107. The main difference is attributed to the purchase of equipment in 2005 of \$ 748,861 compared to \$524,119 for the same period ended December 31, 2004.

Cash flow from operating activities for the fiscal year ended December 31, 2005, was (\$ 1,369,929) compared to (\$491,228) for the same period in 2004, a difference of \$ 878,701. The Company had more operating losses in 2005 because of the increase increased operating expenses.

As of April 1, 2003, we rent office space at 630 E. Mullan Avenue in Osburn, Idaho for \$300 per month, on a month-to-month basis from the McGillvray Environmental.

If we do not create additional debt or repay the current debt, we would be obligated to pay an average of \$5,627 per month or \$67,529 for the next fiscal year.

In anticipation of the cash needs for the upcoming year, we have completed a sale of restricted common stock in 2005.

If we will need to obtain additional funding to pursue our business strategy during the next fiscal year, we anticipate seeking additional funding through additional private placements, joint venture agreements, production financing, and/or pre-sale loans. 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.

Following is summary financial information reflecting our operations for the periods indicated.

	Year Ended	
	December 31,	
	2005	2004
	----	----
Net revenues	\$ 628,178	\$ 1,035,329
Cost of revenues	\$ 551,258	\$ 567,545
Gross profit	\$ 76,918	\$ 467,784
Selling, general and administrative	\$ 3,106,027	\$ 1,010,781
Gain (Loss) from operations	\$ (3,789,456)	\$ (883,654)
Net gain (loss)	\$ (3,780,318)	\$ (946,274)

FACTORS AFFECTING BUSINESS, OPERATING RESULTS AND FINANCIAL CONDITION

AN INVESTMENT IN OUR SECURITIES IS VERY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS, ALONG WITH THE OTHER MATTERS REFERRED TO IN THIS ANNUAL REPORT, BEFORE YOU DECIDE TO BUY OUR SECURITIES. IF YOU DECIDE TO BUY OUR SECURITIES, YOU SHOULD BE ABLE TO AFFORD A COMPLETE LOSS OF YOUR INVESTMENT.

WE HAVE EXPERIENCED ANNUAL OPERATING LOSSES SINCE SEPTEMBER 1997 AND OUR AUDITORS HAVE INDICATED UNCERTAINTY CONCERNING OUR ABILITY TO CONTINUE OPERATIONS AS A GOING CONCERN.

We have experienced annual operating losses since our reactivation in September 1997. As of December 31, 2005, we had an accumulated deficit of \$(9,649,505). We may need to raise additional capital to continue as a going concern. Our auditors have indicated uncertainty concerning our ability to continue as a going concern. We can not assure you that that our proposed projects and services, if fully developed, can be successfully marketed or that we will ever achieve significant revenues or profitable margins.

WE ARE AN EXPLORATION STAGE COMPANY, AND THERE IS NO ASSURANCE THAT A COMMERCIALY VIABLE DEPOSIT OR "RESERVE" EXISTS IN ANY OF OUR PROPERTIES.

We are an exploration stage company and cannot assure you that a commercially viable deposit, or "reserve," exists in any of our exploration properties. Therefore, determination of the existence of a reserve will depend on appropriate and sufficient exploration work and the evaluation of legal, economic, and environmental factors. If we fail to find a commercially viable deposit on any of our properties, or if we fail to bring one of our properties into a profitable operating mode, our financial condition and results of operations will be materially adversely affected.

WE HAVE RECORDED MINIMAL INCOME FOR OUR EXPLORATION/DEVELOPMENT ACTIVITIES, AND MAY DO SO IN THE FUTURE.

To date, our exploration properties have produced minimal income from activities. Additionally, although our timber harvesting and contracting activities have generated revenue, we as a company have not yet generated any profit. We may not be able to develop these activities to commercially viable enterprises or to obtain additional properties that are commercially viable. The commodities extracted from our properties may never generate significant revenues or achieve profitability, which will adversely impact our financial condition.

WE MAY NEED ADDITIONAL FINANCING TO FULLY IMPLEMENT OUR BUSINESS PLAN, AND IF WE FAIL TO OBTAIN ADDITIONAL FUNDING WE MAY NOT BE ABLE TO CONTINUE OUR OPERATIONS.

Since September 1997, we have focused our efforts on developing our business in underground mine contracting primarily to companies in the mining and civil industries, and other resource development and property acquisitions. We may need to raise additional capital to implement fully our business plan and establish adequate operations. We cannot assure you that we will be able to recover additional public or private financing, including debt or equity financing, as needed, or, if available, on terms favorable to us. Furthermore, debt financing, if available, will require payment of interest and may involve restrictive covenants that could impose limitations on our operating flexibility. Our failure to successfully obtain additional future funding may jeopardize our ability to continue our business and operations.

WE REQUIRE SUBSTANTIAL FUNDS MERELY TO DETERMINE WHETHER COMMERCIAL MINERAL DEPOSITS EXIST ON OUR PROPERTIES.

Any potential development and production of our exploration properties depends upon the results of exploration programs and/or feasibility studies and the recommendations of duly qualified engineers and geologists. Such programs require substantial additional funds. Any decision to further expand our operations on these exploration properties will involve consideration and evaluation of several significant factors including, but not limited to:

Costs of bringing each property into production, including exploration work, preparation of production feasibility studies, and construction of production facilities;
Availability and costs of financing;
Ongoing costs of production;
Market prices for the minerals to be produced;
Environmental compliance regulations and restraints; and
Political climate and/or governmental regulation and control.

WE DO NOT CARRY INSURANCE ON OUR TIMBER ASSETS AND A SIGNIFICANT LOSS OF STOCK DUE TO FIRE, DISEASE OR OTHER CATASTROPHE MAY MATERIALLY REDUCE THE VALUE OF OUR TIMBER ASSETS.

We do not carry insurance for fire or disease on its timber reserves due to the prohibitive cost and our limited financial resources. As a result, any catastrophic event may significantly reduce the value of our reserves, and consequently reduce our financial position. The timber industry is affected by lumber price movements and adjustments, downturns in the housing industry, and interest rate movements. These factors can reduce the price of timber and lumber on the open market. A significant decrease in the price of timber may reduce income and therefore reduce the value of our stock.

OUR SUCCESS DEPENDS A LARGE PART ON OUR ABILITY TO ATTRACT AND RETAIN OR HIRE KEY PERSONNEL, WHICH WE MAY OR MAY NOT BE ABLE TO DO.

To operate successfully and manage our potential future growth, we must attract and retain highly qualified key engineering, managerial and financial personnel. We face intense competition for qualified personnel in these areas, and we cannot assure you that we will be able to attract and retain qualified personnel. If we lose our key personnel, which includes our president, William T. Jacobson, or are unable to hire and retain additional qualified personnel in the future, our business, financial condition and operating results could be adversely affected. We do not have any employment agreements with any of our officers, directors or employees.

WE MAY NOT BE ABLE TO IMPLEMENT OR MAINTAIN FINANCIAL AND MANAGEMENT SYSTEMS WHICH COULD HAVE A MATERIAL ADVERSE AFFECT ON OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

If we fail to implement and maintain financial and management information systems, controls and procedures, add internal capacity, facilities and third-party sourcing arrangements or attract, train, retain, motivate and manage effectively our employees, it could have a material adverse effect on our business, financial condition and results of operations.

THE VALUE OF TIMBER ASSETS MAY FLUCTUATE DUE TO CHANGING TIMBER PRICES, WHICH MAY ADVERSELY IMPACT OUR REVENUES AND OUR FINANCIAL POSITION.

Although we attempt to harvest timber only when the lumber prices merit it, timber is subject to fluctuation in price. To help offset a change in prices, we try to obtain a price agreement with the lumber mills prior to going into any logging program. We do not currently have any agreements with mills. Although we attempt to offset this by obtaining agreements with our purchasing mills prior to beginning our logging, we may not be able to account entirely for price variations, which may result in lower revenues than anticipated.

OUR MARKET VALUE MAY DECREASE IN THE FUTURE.

Our stock is listed on the over-the-counter market. There has been significant fluctuation in our market price, and the market price of our common stock may decrease at any time as a result of poor operating results, sales of our shares, and other factors.

THERE IS COMPREHENSIVE FEDERAL, STATE AND LOCAL REGULATION OF THE EXPLORATION INDUSTRY THAT COULD HAVE A NEGATIVE IMPACT OUR MINING OPERATIONS.

Exploration operations are subject to federal, state and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment. Exploration operations are also subject to federal, state and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of exploration methods and equipment. We require various permits from government bodies for exploration operations to be conducted. We cannot assure you that such permits will be received. No assurance can be given that environmental standards imposed by federal, state or local authorities will not be changed or that any such changes would not have material adverse effects on our activities. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on us. Additionally, we may be subject to liability for pollution or other environmental damages that we may elect not to insure against due to prohibitive premium costs and other reasons. Management is aware of the necessity of obtaining proper permits prior to conducting any exploration activity. However, at this point we are not close enough to the production stage to start the permitting process.

APPLICABILITY OF "PENNY STOCK RULES" TO BROKER-DEALER SALES OF OUR COMMON STOCK COULD HAVE A NEGATIVE EFFECT ON THE LIQUIDITY AND MARKET PRICE OF OUR COMMON STOCK.

Our common stock is listed on the Over-the-Counter Bulletin Board. It is not quoted on any exchange or on NASDAQ, and no other exemptions currently apply. Therefore, the SEC "penny stock" rules govern the trading in our common stock. These rules require, among other things, that any broker engaging in a transaction in our securities provide its customers with the following:

- a risk disclosure document,
- disclosure of market quotations, if any,
- disclosure of the compensation of the broker and its salespersons in the transaction, and
- monthly account statements showing the market values of our securities held in the customer's accounts.

The broker must provide the bid and offer quotations and compensation information before effecting the transaction. This information must be contained on the customer's confirmation. Generally, brokers subject to the "penny stock" rules when effecting transactions in our securities may be less willing to do so. This may make it more difficult for investors to dispose of our common stock. In addition, the broker prepares the information provided to the broker's customer. Because we do not prepare the information, we cannot assure you that such information is accurate, complete or current.

ITEM 7. FINANCIAL STATEMENTS

The financial statements, together with the independent auditors' report thereon of Chisholm, Bierwolf & Nilson, LLC, appears beginning on page F-1 of this report.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

We have experienced no recent change in or disagreement with our accountant. Our present auditor, Chisholm, Bierwolf & Nilson, LLC, 533 West 2600 South, Suite 25, Bountiful, Utah 84010, has been the Company's auditor since 1999. Management of the Company intends to keep Chisholm, Bierwolf & Nilson, LLC as its auditor for the foreseeable future.

ITEM 8A CONTROLS AND PROCEDURES

As of December 31, 2005, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer, who is our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the Chief Executive Officer, concluded that our disclosure controls and procedures were effective as of that date. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to that date.

ITEM 8B OTHER INFORMATION

We entered into, on October 1, 2004, an employment agreement with our CEO, William T Jacobson, commencing on October 1, 2004 and ending September 30, 2009. At the end of the initial term of employment, the agreement shall automatically be renewed for additional one-year periods, unless either party provides at least 120 days written notice of its decision not to renew the agreement. Mr. Jacobson shall be paid compensation as follows:

- (i) for the first year, a salary at the annual rate of \$120,000;
- (ii) for the second year, a salary at the annual rate of \$150,000;
- (iii) for the third year, a salary at the annual rate of \$200,000;
- (iv) for the fourth year,, a salary at the annual rate of \$225,000;
- (v) for the fifth year, a salary at the annual rate of \$250,000.

Mr. Jacobson is entitled to a bonus program based on hallmarks as follows:

- (i) for the first year, a salary at the annual rate of \$120,000;
- (ii) for the second year, a salary at the annual rate of \$150,000;
- (iii) for the third year, a salary at the annual rate of \$200,000;
- (iv) for the fourth year, a salary at the annual rate of \$225,000;

(v) for the fifth year, a salary at the annual rate of \$250,000;

Mr. Jacobson is entitled to a bonus program based on hallmarks as follows:

- (a.) Obtain adequate funding package for Company.
- (b.) Achieve profitability through the Company's activities.
- (c.) Increase market cap of Company stock to the benefit of shareholders.

Bonus payments will be no more than 40% of Mr. Jacobson base salary for each hallmark. Payments may be in the form of cash or common stock as mutually agreed by Mr. Jacobson and the Company.

In addition to the foregoing salary, the Company granted Mr. Jacobson an option to purchase up to 3,500,000 shares of the Company's common stock at an option exercise price of \$.18 per share during the term of employment as follows:

- (a) 1,500,000 shares shall vest and become exercisable commencing January 1, 2005;
 - (b) 500,000 shares shall vest and become exercisable commencing on January 1, 2006;
 - (c) 500,000 shares shall vest and become exercisable commencing on January 1, 2007;
 - (d) 500,000 shares shall vest and become exercisable commencing on January 1, 2008;
 - (e) 500,000 shares shall vest and become exercisable commencing on January 1, 2009.
- Any options, which are not exercised during the Term of Employment, shall terminate and be of no further force and effect at the end of the Term of Employment.

In the event of the Mr. Jacobson's involuntary termination of employment for any reason, other than for just cause due to theft or fraud, Mr. Jacobson shall be entitled to immediate severance compensation equal to an amount equal to Mr. Jacobson's base salary for the remaining period of the term of employment. Additionally, Mr. Jacobson will be eligible to continue to participate in the employee health and dental benefit plans (to the extent permissible therein) for a period of one and one half years from the date of such involuntary termination of employment. Cost of such participation for Mr. Jacobson and eligible dependents shall be born by the Company.

During the Term of Employment, if Executive shall, for a period of more than three (3) consecutive months or for periods aggregating more than twelve (12) weeks in any fifty-two consecutive weeks, be unable to perform the services provided for herein, as a result of illness or incapacity or a physical, mental, or other disability of any nature, the Company may, upon not less than thirty (30) days notice, terminate the Executive's employment hereunder. The Executive shall be considered unable to perform the services provided for herein if he is unable to attend to the normal duties required of him. In such event, the Company shall pay to the Executive, or to his legal representatives, his base compensation for a period of twelve (12) months from the date of termination.

The Company has agreed that it will not consolidate or merge into or with another corporation or entity, or transfer all or substantially all of its business and/or assets to another entity, directly or indirectly, unless such other entity (hereinafter referred to as the "Successor") shall assume Mr. Jacobson's employment agreement and the obligations of the Company thereunder; and upon such assumption, the Executive and the Successor shall become obligated to perform the terms and conditions thereof. However, if during the first 180 days following any such consolidation or merger, the Executive determines that he does not desire to remain employed by the Successor or the Successor determines that the services of the Executive are no longer required, such consolidation or merger shall be deemed an involuntary termination of the Executive's employment, and the Executive shall be paid an amount equal to his annual base salary at the time of the consolidation or merger. This payment will be made to the Executive in a single lump sum at the time of the termination.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT IDENTIFICATION OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information regarding our directors and executive officers.

Name	Age	Position
William T. Jacobson	59	Chairman of the Board, Chief Executive Officer
Jack Harvey	84	Vice President, Director

Kurt Hoffman	40 Treasurer, Director
Ronald Price	57 Director
Marqueta Martinez	56 Secretary

There are no family relationships among any of the directors or officers of the Company.

BUSINESS EXPERIENCE

WILLIAM T. JACOBSON, CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICER. Mr. Jacobson has been Chairman of the Board and Chief Executive Officer of Atlas Mining Company since August 1997. From 1994 to 1997, Mr. Jacobson served as Secretary of Atlas and Treasurer of Fausett International, Inc. He has had a twenty year career in the mining industry and spent fifteen years in the banking industry. Prior to joining the Company, Mr. Jacobson was a president and director of the Silver Trend Mining Company, located in Kellogg, Idaho. Mr. Jacobson holds a business degree from the University of Idaho. Mr. Jacobson is also a board of director for Transnational Automotive Group, Inc. (symbol: tamg).

JOHN "JACK" HARVEY, VICE PRESIDENT, DIRECTOR. Mr. Harvey has been Vice President of Atlas Mining Company for 20 years. He received his mining engineering degree from Montana Tech. He worked in Butte, Montana with Anaconda and Arco until he retired about 17 years ago, after a 41 year career. Mr. Harvey does not hold a board seat in any other public company.

KURT HOFFMAN, TREASURER, DIRECTOR. Mr. Hoffman is the treasurer of Atlas Mining Company and has been the president of Trend Mining Company since 1998 which is a publicly traded company traded on the over the counter bulletin board under the symbol "TRDM." Mr. Hoffman also owns and has operated Hoffman Mining and Land Services since 1995. Other than TRDM, Mr. Hoffman does not hold a board seat in any other public company.

RONALD R PRICE, DIRECTOR. Mr. Price was appointed as a director of Atlas Mining Company in 2005. He has recently retired after a 20-year career at The US Naval Research Laboratory where he used halloysite clay in entrapment and time release processes. He does not hold a board seat in any other public company.

MARQUETA MARTINEZ, SECRETARY. Ms. Martinez is the secretary for the corporation, and works as a full time employee for the Company. She has worked in the mining industry since 1991. Ms. Martinez does not hold a board seat in any other public company. Ms. Martinez is also a past treasurer for the Shoshone County Habitat for Humanity.

All directors hold office until the next annual meeting of shareholders and the election and qualification of their successors. Officers are elected annually by, and serve at the discretion of, the Board of Directors. Members of the Board of Directors are not compensated for serving as directors of Atlas Mining, however expenses may be reimbursed.

None of the foregoing Directors or Executive Officers has, during the past five years:

(a) Had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) Been convicted in a criminal proceeding or subject to a pending criminal proceeding;

(c) Been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and

(d) Been found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

No individual on our Board of Directors possesses all of the attributes of an audit committee financial expert and no one on our Board of Directors is deemed to be an audit committee financial expert. In forming our Board of Directors, we sought out individuals who would be able to guide our operations based on their business experience, both past and present, or their education. Our business model is not complex and our accounting issues are straightforward. Responsibility for our operations is centralized within management. We rely on the assistance of others, such as our accountant, to help us with the preparation of our financial information. We recognize that having a person who possesses all of the attributes of an audit committee financial expert would be a valuable addition to our Board of Directors, however, we are not, at this time, able to compensate such a person therefore, we may find it difficult to attract such a candidate.

Atlas Mining Company has adopted a Code of Ethical Conduct.

COMPLIANCE WITH SECTION 16(A) OF EXCHANGE ACT

Section 16(a) of the Securities Exchange Act requires our directors, executive officers and persons who own more than 10% of our Common Stock to file reports of ownership and changes in ownership of our common stock with the Securities and Exchange Commission. Directors, executive officers and persons who own more than 10% of our common stock are required by Securities and Exchange Commission regulations to furnish to us copies of all Section 16(a) forms they file.

To our knowledge, based solely upon review of the copies of such reports received or written representations from the reporting persons, we believe that during our 2005 fiscal year our directors, executive officers and persons who own more than 10% of our common stock complied with all Section 16(a) filing requirements with the exception of the following: Form 3s for William T. Jacobson, John Harvey, Kurt Hoffman, Ronald Price and Marqueta Martinez were filed in March 2003 rather than in July 2002.

ITEM 10. EXECUTIVE COMPENSATION

During the 2005 fiscal year, except for William T Jacobson, no officer received compensation in excess of \$100,000 per year. The following table sets forth information as to the compensation paid or accrued to William T. Jacobson, our Chairman and Chief Executive Officer, for the three years ended December 31, 2005, December 31, 2004 and December 31, 2003:

Name and Principal Position	Year	Compensation		Other Annual Compensation (\$)	Awards		Payouts		
		Salary (\$)	Bonus (\$)		Restricted Stock Awards (\$)	Securities Underlying Options/(SARS)	LTIP Payout (\$) (1)	All Other Compensation	
William Jacobson President, CEO, CFO	2005	\$ 120,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2004	\$ 78,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2003	\$ 78,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Mr. Jacobson owns 1,643,660 shares of restricted stock worth approximately \$2,301,124.

EMPLOYMENT AGREEMENTS

We have an employment agreement with our CEO, William T Jacobson, commencing on October 1, 2004 and ending September 30, 2009. At the end of the initial term of employment, the agreement shall automatically be renewed for additional one-year periods, unless either party provides at least 120 days written notice of its decision not to renew the agreement. , Mr. Jacobson shall be paid compensation as follows:

- (i) for the first year, a salary at the annual rate of \$120,000;
- (ii) for the second year, a salary at the annual rate of \$150,000;
- (iii) for the third year, a salary at the annual rate of \$200,000;
- (iv) for the fourth year, a salary at the annual rate of \$225,000;
- (v) for the fifth year, a salary at the annual rate of \$250,000.

Mr. Jacobson is entitled to a bonus program based on hallmarks as follows:

- (a.) Obtain adequate funding package for Company.
- (b.) Achieve profitability through the Company's activities.
- (c.) Increase market cap of Company stock to the benefit of shareholders.

Bonus payments will be no more than 40% of Mr. Jacobson base salary for each hallmark. Payments may be in the form of cash or common stock as mutually agreed by Mr. Jacobson and the Company.

In addition to the foregoing salary, the Company granted Mr. Jacobson an option to purchase up to 3,500,000 shares of the Company's common stock at an option exercise price of \$.18 per share during the term of employment as follows:

- (a) 1,500,000 shares shall vest and become exercisable commencing January 1, 2005;
500,000 shares shall vest and become exercisable commencing on January 1, 2006;
- (b)
- (c) 500,000 shares shall vest and become exercisable commencing on January 1, 2007;