Applied Minerals, Inc.
Form 10-K
March 27, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the year ended December 31, 2014

Commission file number: 000-31380

APPLIED
MINERALS,
INC.
(Exact name
of registrant
as specified
in its charter)

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

110 Greene Street – Suite 1101, New York, NY	10012
(Address of principal executive offices)	(Zip Code)

(800) 356-6463
Issuer's telephone number, including area code

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NOX

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act:

YES NOX

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YESXNO

Indicate by check mark whether the registrant submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YESXNO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K is not contained herein, 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-K or any amendment to this Form 10-K.

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

Large Accelerated Filer Accelerated Filer XNon-accelerated Filer Smaller Reporting Company

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

YES NOX

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on June 30, 2014, based on the last sales price on the OTC Bulletin Board on that date, was approximately $51,003,024.

As of February 28, 2015, there were 95,331,128 common shares outstanding.

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APPLIED MINERALS, INC.

YEAR 2014 ANNUAL REPORT ON FORM 10-K

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NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K 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.

In the discussion under “Item 1 – Business” and in particular under “Business Review- 2014”, the Company discusses a wide range of forward-looking information, including the Company’s beliefs and expectations concerning business opportunities, potential customer interest, customer activities (including but not limited to testing, scale-ups, production trials, field trials, product development), and the Company’s expectations as to sales, the amount of sales, and the timing of sales. Whether any of the foregoing will actually come to fruition, occur, be successful, or result in sales and the timing and amount of such sales is uncertain.

More generally, all forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forwardlooking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section of this Annual Report entitled “1A. RISK FACTORS.”

PART I

ITEM 1. BUSINESS

Applied Minerals, Inc. (the “Company” or “we” or “us”) is focused primarily on (i) the development and marketing of our halloysite clay-based DRAGONITE™ line of products for use to improve the performance of end-products in application markets such as flame retardant additives for plastics, nucleation, thermosets and adhesives, reinforcement, molecular sieves and catalysts, ceramics, binders, cosmetics, controlled release carriers and environmental remediation and (ii) the development and marketing of our AMIRON™ line of iron oxide products for pigmentary and technical applications.

The Company owns the Dragon Mine, which has significant deposits of high-quality halloysite clay and iron oxide. The 267-acre property is located in southwestern Utah and its resource was mined for halloysite on a large-scale, commercial basis between 1949 and 1976 for use as a petroleum cracking catalyst. The mine was idle until 2001 when the Company leased it to develop its halloysite resource for advanced, high-value applications. We purchased 100% of the property in 2005.

Halloysite is an aluminosilicate clay that possesses a tubular morphology with a hollow lumen (pore). Traditionally, halloysite has been used to manufacture porcelain, bone china and catalysts used in the petroleum cracking process. A significant amount of academic and industrial research has been performed on the commercial uses of halloysite clay beyond porcelain products and ceramic catalysts. This research has identified a wide array of application areas in which the unique morphology of halloysite can be utilized to either enhance the performance of existing applications or create new high-performance ones. Since 2009, management has been primarily focused on developing halloysite-based products for advanced applications, such as, but not limited to, reinforcement additives for polymer composites, flame retardant additives for polymers, controlled release carriers for paints and coatings, environmental remediation media, and carriers of agricultural agents. The clays used in these advanced applications sell for significantly higher prices than those used in more traditional applications. Nanoclays have been used as additives to develop high performance plastic composites. These nanoclays provide functionality to polymer matrices that cannot be replicated using traditional fillers. Nanoclays, such as treated montmorillonite, sell for up to $5,000 per ton due, in large part, to the cost associated with exfoliating the clay so it may be properly dispersed within a polymer matrix. Halloysite has been shown to be as effective a polymer additive as nanoclay without requiring a costly exfoliation to disperse it within a polymer matrix. The Company has and continues to utilize a number of employees and consultants to research and develop the use of halloysite for advanced applications.

In addition to the development of its halloysite resource, management has also developed a line of iron oxide-based products for the pigmentary and technical markets. The Dragon Mine has a resource of 3.3 million tons of natural iron oxide mineralized material, which is comprised primarily of goethite and hematite. Initially, the resource was considered to be utilizable as only an input of the steel-manufacturing process but, upon additional analysis, the iron resource was found to be a high-quality natural iron oxide due to its high Fe2O3 content, exceptional chemical purity, good dispersability, good tinting strength and color saturation, low color variation, and low content of heavy metals. High-quality iron oxides have commercial uses in a number of higher value applications such as the aforementioned pigmentary and technical markets. The Company’s AMIRON product line includes semi-transparent and opaque pigments for the construction, concrete, paints and coatings, and plastics and rubber industries. AMIRON’s technical oxides, due to their particularly high surface area of 25 m2/g – 125 m2/g and reactivity, can be used as the media for the removal of toxins from waste and drinking water, as a catalyst for desulfurization, and a foundry sand additive. The Company currently has 24,229 tons of mined iron ore in stockpiles on the surface of the mine property.

The Company has carried out an extensive drilling program to characterize the mineralized material at the Dragon Mine. In January 2014, the Company commissioned a mineral processing plant with a capacity of up to 45,000 tons per annum for certain applications. Currently, this facility is dedicated to the iron oxide resource except for occasional processing of halloysite. Additionally, the Company has small processing facility with a capacity of 5,000 – 10,000 tons per annum that is dedicated to its halloysite resource.

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The following table discloses (i) the number of tons of halloysite clay and iron oxide extracted by the Company from the Dragon Mine and (ii) the number of tons of finished product produced by the Company during the 12 months ended December 31, 2013 and 2014, respectively:

	2014	**2013**
Tons extracted		
Halloysite clay	650	450
Iron oxide	2,200	3,300
Products produced (tons)		
Halloysite clay	69	22
Iron oxide	166	13

The table below discloses the percentage of total revenue by product category for the twelve months ended December 31, 2014 and 2013. “Testing” represents revenue generated from the sale of products used for laboratory testing by customers or potential customers. “Scale-Ups” represents revenue generated from the sale of products to customers or potential customers to determine whether our products perform successfully within a production-scale environment. “Commercial Production” represents revenue generated from the sale of products to customers that are either consumed by the costumer or incorporated into a product that is sold by a customer to a third-party. “Other” represents revenue generated from the sale of products for which the Company is not aware of the use by a potential customer.

	Percentages of Sales Classified by Customer Use	
Sales for:	**2014**	**2013**
Commercial Production	70	69
Scale-Ups	26	17
Testing	2	4
Other	2	10
	100	100

Applied Minerals is a publicly traded company incorporated in the state of Delaware. The common stock trades on the OTCQB under the symbol AMNL. BUSINESS REVIEW - 2014

BUSINESS REVIEW - 2014

Financing

On November 4, 2014, the Company raised $12,500,000 through the sale of $19,848,483 principal amount of 10% Convertible-Elect PIK Notes due 2018 (the " Series A Notes"). The Series A Notes are mandatorily convertible by the Company after two years under certain conditions and the maturity of the Notes may be extended if certain conditions are met.

Technical Ceramics and Porcelain

During 2014 the Company continued to supply a well-known producer of ceramic formulations. This customer utilizes DRAGONITE as a binder for use in high-value ceramic tiles. DRAGONITE, among other things, provides increased strength, whiteness, and translucency for certain ceramic applications.

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A large manufacturer of sanitaryware products has carried out a product development scale-up of an application that utilizes DRAGONITE as an additive that both improves the green strength of the ceramic body and reduces the manufacturing time of the ceramic-based product. The Company continues to focus on the conversion of this opportunity. Management is marketing such functionality of its DRAGONITE to the two other leading global sanitaryware producers.

OPF Enterprises, LLC, a sales agent of the Company, continues to introduce the Company's DRAGONITE to potential customers focused on ceramic applications. The purity and physical characteristics of the Dragon Mine's halloysite continue to attract significant attention from potential customers.

Plastics, Adhesives and Coatings

The Company continued to receive orders in 2014 for its DRAGONITE HP nucleating agent from a leading producer of plastic lawn and garden equipment. DRAGONITE HP, for this customer, is being utilized in two separate products primarily to (i) improve product strength, (ii) reduce structural defects and shrinkage of molded parts, resulting in lower scrap rates, and (iii) reduce cycle time of its molded plastic components, which results in a decrease in manufacturing costs.

Beginning in 2015, this customer has decided to outsource the molding of one of its two products utilizing Dragonite-HP to an injection molding contractor. As part of this transition, the injection molding contractor was introduced Dragonite HP. After seeing the benefits of Dragonite-HP in the products produced for the lawn and garden customer, the contractor communicated to the Company its intention to utilize Dragonite-HP for certain other of its customers. During the first quarter of 2015, this customer ordered 10 tons of Dragonite-HP.

During the latter half of 2014, the Company received a purchase order for 20 tons of DRAGONITE from a leading manufacturer and marketer of foaming agents for plastics. DRAGONITE, when combined with a foaming agent, both enhances foaming properties and reduces cycle time for the foamed plastic part. The Company expects this customer to aggressively market its foaming agent with DRAGONITE and believes the order rate for DRAGONITE will increase in 2015.

Management continues to market its DRAGONITE HP as a nucleating agent additive to companies with large injection molding operations, promoting the decrease in cycle time that can be achieved from using the additive. The Company was able to secure a number of customer trials in 2014 and plans to secure additional trials in 2015. Only DRAGONITE HP and one other product, which sells for $30,000 per ton, can nucleate polyethylene. Currently, a very small amount of the 50 million tons of polyethylene produced annually is nucleated, which presents a large opportunity for the Company's DRAGONITE product. The Company also sells DRAGONITE as a nucleating agent for polypropylene.

During 2014, a leading global producer of structural acrylic adhesives launched its next generation of structural acrylic products containing our DRAGONITE XR product. The volumes sold for this new acrylic adhesive product

were small in 2014 but demand for this new product is expected to grow in 2015, which could lead to an increase in the volume of DRAGONITE sold for this application. Additionally, this manufacturer is developing a number of new products utilizing DRAGONITE as an additive.

Mitsui Plastics continues to market DRAGONITE as an additive for reinforcement, cycle time reduction, and flame retardancy. Two customers, an adhesives manufacturer and a wire-and-cable manufacturer, experienced positive testing results using DRAGONITE for reinforcement and as a dispersant for certain flame retardant additives, respectively. It is expected that a product, utilizing DRAGONITE for reinforcement, is to be commercialized in 2016.

A large manufacturer of automotive tires has tested DRAGONITE for the reinforcement of rubber. During the latter half of 2014, the Company shipped DRAGONITE to the tire manufacturer to be used in a scale-up trial. The trial is scheduled to complete sometime during the first half of 2015.

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During 2014 one of the world's largest manufacturers of building products developed a flame retardant coating application utilizing DRAGONITE. The product has been commercialized and small amounts are being sold. Volumes are expected to grow once this customer completes the required industry registration process for this product.

The Lorama Group, Inc. ("Lorama") continues to market DRAGONITE to potential customers as a high value additive for flame retardant paints and coatings as well as for the UV curing of coatings. During the fourth quarter of 2014, Lorama ordered 20 tons of DRAGONITE for delivery in the first quarter of 2015.

During 2014, Lorama introduced DRAGONITE to one of the largest wood coatings manufacturers in South America, which has utilized it in a flame retardant formulation for wood coatings. The product has been tested and meets industry requirements. The customer will run a plant trial in early 2015. If the trial is successful, the Company expects to realize sales of DRGONITE to this customer during 2015.

The Company continues to sell DRAGONITE to Sigma-Aldrich, which, in turn, continues to receive interest in the material from corporate R&D departments as well as academic research organizations. These sales, in certain instances, have led to development projects with our Company once the initial lab sample evaluation has taken place.

Catalysts and Molecular Sieves

A high quality manufacturer of molecular sieves commenced scale-up trials using DRAGONITE as a binder for a catalyst product. A production trial is scheduled for early 2015. If successful the Company believes a commercialization of the product could occur sometime during the latter half of 2015 or in 2016.

A global supplier of molecular sieves performed a successful bench-scale trial using DRAGONITE to manufacture a synthetic zeolite. Approximately 10 metric tons were shipped in October to conduct a production scale-up trial. If successful, sales of DRAGONITE to this customer could start sometime during 2015.

Cosmetics

In early 2015 the Company signed a term sheet to form a joint venture with a leading developer and retailer of cosmetic products. The joint venture will own and market a brand of cosmetic products utilizing the unique characteristics of DRAGONITE-PUREWHITE. A significant amount of work related to the development and branding of these products has occurred over the last 18 months. The Company will own a significant equity stake in the joint venture. The Company expects the joint venture agreement to be executed sometime in the latter half of 2015.

Advanced Natural Iron Oxides

Pigmentary

During the fourth quarter of 2014, Lorama ordered 20 tons of AMIRONTM for pigment applications for delivery in the first quarter of 2015. Lorama is currently acting as a customer and a non-exclusive distributor for the AMIRON line of iron oxide pigments. Lorama is aggressively introducing AMIRON to its paints and coatings customers located in Europe, Asia and South America and North America. These customers have indicated strong interest in the product and Lorama's marketing efforts resulted in a number of scale-up trials conducted during 2014 by potential customers.

During 2014 a leading producer of mulch colorants began developing a number of products using AMIRON, focusing, in part, on developing a range of natural colors that synthetic pigments cannot provide. This producer is also looking to use AMIRON as an extender for its current line of colorants. Production scale-ups are expected for 2015. Management continues to market its AMIRON to other mulch colorant producers.

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Technical

During 2014 the Company worked with a division of an oilfield services company with the goal to commercialize a gas desulphurization application utilizing the Company's AMIRON iron oxide as the active media in a scrubber to remove hydrogen sulfide from flue gas. After a year of product development and scale-up trials, this potential customer is field-testing the scavenger product with certain of its customers. Twenty tons of AMIRON were purchased for these trials. If these field tests prove successful, this potential customer has communicated to the Company that it will commercialize this desulphurization product in 2015.

During the latter half of 2014, the Company began marketing its AMIRON as a desulphurization agent for the biogas manufacturing process. Due to AMIRON's purity, large surface area, and strong reactivity, it effectively removes hydrogen sulfide from the decomposition process of organic waste, reducing corrosion of the fermentation reactor and, consequently, maximizing the yield of the fermentation process. The majority of the biogas market is in Europe. The market in the U.S. is emerging. Interest in product has come from potential customers in Germany, Denmark, United States, South Korea and Brazil.

A large international producer of foundry molding additives validated the efficacy of AMIRON four use as a foundry sand additive for iron casting. This potential customer has approved AMIRON for iron casting. Additionally, product scale-up trials are being carried out by this potential customer for AMIRON as a foundry sand additive for steel casting. Sales of AMIRON for iron casting are expected in 2015.

Intellectual Property Development

Many patented technologies based on halloysite have been granted to third parties over the years. A number of these patents have used the Company's DRAGONITE. Two significant patents granted that use halloysite from the Dragon Mine were granted in 2014. They include one that utilizes DRAGONITE to enhance the strength of a structural acrylic adhesive (US WO 2013126377 A1) and one that utilizes halloysite from the Dragon Mine to improve the performance of cement compositions used in a variety of subterranean operations such as oil & gas wells (US 20140090842 A1/WO 2014052757 A1).

The customer that filed the patent to utilize DRAGONITE in a structural acrylic application has commercialized a product that utilizes the patent and is developing additional applications that utilize the patent. The Company has begun working with a company on assessing the commercial viability of a high-performance cement product for subterranean wells that utilizes the technology described in the patent identified as US 20140090842 A1/WO 2014052757 A1.

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New rules, established by the U.S. Department of the Interior, governing hydraulic fracturing operations include requiring strong cement barriers between wells and any water zones through which they may pass. The widespread use of hydraulic fracturing to reach deep oil and gas reserves, and the risks associated with the potential of contaminating grown water, will place a continually greater emphasis on the use of high performing cements in the construction of wells.

In addition to the two patents granted to third parties mentioned above, Applied Minerals has been granted a patent for the nucleation of polyethylene polymers using halloysite in Great Britain, Denmark and France. A patent is pending in the United States, Canada, China and Thailand. Only a small percentage of the 50 million ton polyethylene market is nucleated, which creates a potentially large opportunity for the technology covered by this patent.

DRAGON MINE

The Dragon Mine is located in the Tintic Mining District south of Eureka, Utah and approximately 75 miles southwest of Salt Lake City, Utah. The Dragon Mine property covers approximately 267 acres with a large mining permit from the state of Utah allowing for the extraction of minerals throughout the property. The mine can be operated year-round.

Exploration Stage

The Company is classified as an exploration stage company for purposes of Industry Guide 7 of the U.S. Securities and Exchange Commission.

Under Industry Guide 7, companies engaged in significant mining operations are classified into three categories, referred to as “stages” exploration, development, and production. Exploration stage includes all companies engaged in the search for mineral deposits (reserves) which are not in either the development or production stage. In order to be classified as a development or production stage company, the company must have already established reserves. Unless a company has established reserves, it cannot be classified as a development or production stage company, notwithstanding the nature and extent of development-type or production-type activities that have been undertaken or completed. Under Industry Guide 7, a “reserve” is “that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.” Generally speaking, a company may not declare reserves, unless, among other requirements, competent professional engineers conduct a detailed engineering and economic study and prepare a “bankable” or “final” feasibility study that “demonstrates that a mineral deposit can be mined profitably at a commercial rate.”

The Company commissioned a study of "resources" under the JORC Code of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. That study indicated the existence of JORC "resources" of halloysite clay and iron oxide. A JORC resource is defined is a "mineral deposit in such form, grade…and quantity that there are reasonable for prospects for eventual economic extraction," a lower standard than that used for a final feasibility study.

Significant additional steps, including the demonstration of the Company's ability to penetrate markets, would be necessary before a "bankable" or "final" feasibility study can be prepared.

Despite the fact that the Company has not established reserves, the Company has mined, processed and sold, and intends to continue to mine, process, and sell, halloysite clay and iron oxide from the Dragon Mine.

A consequence of the absence of reserves under Industry Guide 7 is that the mining company, such as the Company, is deemed to lack an objective basis to assert that it has a deposit with mineralization that can be economically and legally extracted or produced and sold to produce revenue.

Dragon Pit

The Dragon Pit area covers 4.95 acres and is mined underground. There are three separate types of mineralized material in the Dragon Pit area. The first type is comprised of clay with a relatively high concentration (~ 94%) of halloysite. The Dragon Pit contains 625,650 tons of this type of mineralized material.

The second grade found in the Dragon Pit is comprised of a mix of kaolinite, illite-smectite, and halloysite clays. Clays constitute approximately 73.4% of this mineralization, of which halloysite constitutes approximately 42.6%, kaolinite constitutes 19.2% and illite-smectite constitutes 11.6%. The Dragon Pit contains 565,575 tons of this type of mineralized material.

The third type of mineralized material found in the Dragon Pit is comprised of iron-bearing materials. This mineralization contains goethite (an iron hydroxide) and hematite (an iron oxide). We will refer to both minerals as "iron oxide." The mineralization is approximately 94% iron oxide, of which goethite accounts for 69.7% and hematite 24.3%. There exist separate areas of goethite and hematite but the majority of the iron-bearing mineralization in the Dragon Pit exists as a goethite-hematite mix. The Dragon Pit contains 2,631,825 tons of this iron-bearing mineralization.

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The table below describes the clay resource in the Dragon Pit:

					Average Clay Content (%)			
Area	**Acres**	**Resource**	**Clay (tons)**	**Clay Type**	**Halloysite**	**Kaolinite**	**Illite-Smectite**	**Total**
Dragon Pit	4.95	Measured[1]	629,650	Pure Halloysite	94.0	N/A	N/A	94.0
			565,575	Mix	42.6	19.2	11.6	73.4

1. A measured resource, according to JORC, is an indicated resource that has undergone enough further sampling that a 'competent person' (defined by the norms of the relevant mining code; usually a geologist) has declared them to be an acceptable estimate, at a high degree of confidence, of the grade, tonnage, shape, densities, physical characteristics and mineral content of the mineral occurrence. An indicated resource is an economic mineral occurrence that has been sampled (from locations such as outcrops, trenches, pits and boreholes) to a point where an estimate has been made, at a reasonable level of confidence, of its contained metal, grade, tonnage, shape, densities, and physical characteristics.

The table below describes the iron oxide resource in the Dragon Pit:

				Average Content of Hematite, Goethite and LOI (%)			
Area	**Acres**	**Resource**	**Iron (tons)**	**Hematite**	**Geothite**	**Hematite + Goethite**	**LOI**
Dragon Pit	4.95	Measured	2,631,825	24.3	69.7	94.0	11.4

Western Area

The Western area covers 6.33 acres and is mined underground. There are two different types of mineralization in the Western Area.

One type of mineralization in the Western Area is comprised primarily of a mix of kaolinite, illite-smectite, and halloysite clays. The clay content of this mineralization is approximately 71.4%, of which kaolinite constitutes 47.2%, illite-smectite constitutes 17.5% and halloysite constitutes 6.7%. The Western Area contains 862,903 tons of this type of mineralization.

The other type of mineralization is iron-bearing. The Western Area contains goethite and hematite. The mineralization is approximately 96% iron oxide on a mineralogical basis, of which hematite accounts for 75.9% and

goethite 20.1%. There exist separate areas of goethite and hematite but the majority of the iron-bearing mineralization in the Western Area exists as a goethite-hematite mix. The Western Area contains 670,450 tons of this iron-bearing mineralization.

The table below describes the clay resource in the Western Mine:

				Average Clay Content (%)			
Area	**Acres**	**Resource**	**Clay (tons)[1]**	**Halloysite**	**Kaolinite**	**Illite-Smectite**	**Total**
Western Area	6.3	Measured	862,903	6.7	47.2	17.5	71.3

1. Reported in situ. Clay extracted and refined to < 45 microns, after removing certain non-clay material, is considered salable.

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The table below describes the iron oxide resource in the Western Mine:

				Average Content of Hematite, Goethite and LOI (%)			
Area	**Acres**	**Resource**	**Iron (tons)**	**Hematite**	**Geothite**	**Hematite + Goethite**	**LOI**
Western Area	6.33	Measured	670,450	75.9	20.2	96.1	6.8

Surface Piles

There are five surface piles that were created during the mining of halloysite clay by Filtrol between 1949 and 1976. Filtol mined the Dragon Mine's halloysite resource for use as a petroleum cracking catalyst. Any clay that contained more than a minimal amount (~ 2%) of iron oxide was not usable for petroleum cracking and was discarded into one of five surface piles. We view the surface piles as a possible source of revenue. The Company is not actively marketing the minerals in the surface piles.

The following sets forth information about the mineralized material by surface pile:

		Average Clay Content (%)			
Surface Pile	**Clay (tons)**	**Halloysite**	**Kaolinite**	**Illite-Smectite**	**Total**
1	154,500	41.8	25.8	9.4	77.0
2	127,100	19.0	33.6	27.8	80.4
3	298,900	9.4	30.7	24.9	65.4
4	33,280	13.2	31.7	31.7	76.7
5	144,100	13.5	13.5	31.8	81.8

In addition to the surface pile material described above, 24,229 tons of mined iron oxide is located on the surface of the Dragon Mine property.

Procedures Used to Develop the Tonnage and Grade Results

The following describes sample collection, sample preparation, and the analytical procedures used to develop analytical results set forth above for the Dragon Pit, the Western Area, and the Surface Piles.

Surface surveying positioning of holes was carried out using sub-centimetre Trimble GPS Receivers (base station and Rover) with accuracy within 5mm. Underground surveying utilized a Topcon GTS3 Total Station, which measures angle to one second and measures distances to parts per million. A DSI (Deviation Survey Instrument) SRG (Surface Recording Gyro) was utilized to measure deviation of the hole. A Brunton compass is used to determine a reference line. Readings are taken every 50’ during the survey and a final reference reading is used to calculate the hole’s overall drift. When run correctly, the instrument is accurate to within 1 foot per 1000’ of depth.

Core drilling was carried out and for all boreholes the driller placed the core into a box, which was carefully labeled with borehole number, depth reached and any voids noted. A LCF (Lithology Control File) was established for each area and it included all rock types identified. The borehole number, coordinates, elevation, inclination, azimuth, and depths drilled were entered into a log showing the LCF.

Services on the clay extracted from the drill holes: Moisture Content; XRD identification; XRPD quantitative analysis; _XRPD Formamide test; SEM imaging; FTIR analysis; BET Surface Area / Porosity; Qualitative EDS; XRF; ICP—MS for trace elements; MINOLTA – Color and brightness measurements. For analysis of the iron oxide, XRD, ICP-MS, BET Surface Area, Color and Brightness measurements were carried out by James Hutton Institute. ALS Minerals Laboratory in Reno, Nevada carried out analytical procedures ME-XRF21u, Iron oxide by XRF Fusion – normalized (XRF Instrument), OA-CRAE05x, LOIS for XRF (WST-SEQ) AND Au-ICP21, Au 30g FA ICP-AES Finish (ICP-AES Instrument)

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Logging was carried out in line with the Lithology Control File. All of the data was then entered into a spreadsheet to show Borehole Number, coordinates, elevation and individual test results for each of the increments sampled and tested.

The Company utilized the PC/Core software package to convert raw borehole data and assumptions by the Company into a mathematical model using block model interpolation. The program provides for the production of "Quality Array Reports," each of which shows the correlation between one variable and all of the other variables in the model.

Description of Minerals at the Dragon Mine

Clays

Kaolinite and halloysite are clays and members of the kaolin group of clays. Both are aluminosilicate clays. Kaolinite and halloysite are essentially chemically identical, but have different morphologies (shapes). Kaolinite typically appears in plates or sheets. Halloysite, in contrast, typically appears in the shape of hollow tubes. On average, the halloysite tubes have a length in the range of 0.5 - 3.0 microns, an exterior diameter in the range of 50 - 70 nanometers and an internal diameter (lumen) in the range of 15 - 30 nanometers. Formation of halloysite occurs when kaolinite sheets roll into tubes due to the strain caused by a lattice mismatch between the adjacent silicon dioxide and aluminum oxide layers.

Kaolinite is one of the world's most common minerals. U.S. production in 2011 was 5.5 million tons.

Halloysite is by comparison is a rare mineral, with worldwide production of less than about 30,000 tons.

Illite refers to a group of clays that includes hydrous micas, phengite, brammalite, celadonite, and glauconite. Illite clays are common and large amounts are produced each year.

Smectite refers to a group of clays that includes montmorillonite, bentonite, nontronite, hectorite, saponite and sauconite. Smectite clays are common clay and large amounts are produced each year.

Iron Oxide

Hematite is the mineral form of iron oxide exists in a range of colors, including black to steel or silver-gray, brown to reddish brown, or red.

Geothite is an iron hydroxide oxide mineral exists in a range of colors, including yellowish to reddish to dark brown. If goethite is sufficiently heated to eliminate the water, it is transformed into hematite.

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Mixtures of goethite and hematite are color brown.

Processing Facilities

All of the mineralization extracted from the Dragon Pit, Western Area and surface piles requires processing before it can be commercially sold. In January 2014, the Company commissioned a 45,000 tpa Hosokawa Alpine mineral processing facility. This mill enables the Company to control the processing of its mineral resource for qualities such as particle size, moisture and purity. Currently, this facility is dedicated to the iron oxide resource and will be used occasionally to process halloysite. Additionally, the Company has a small processing facility with a capacity of 5,000 – 10,000 tons per annum that is dedicated to its halloysite resource.

HALLOYSITE-BASED PRODUCTS

DRAGONITE

The Company primarily markets the following four grades of halloysite-based products under the DRAGONITE trademark:

DRAGONITE-XR
DRAGONITE-HP
DRAGONITE-Pure White
DRAGONITE

The Company has other product grades for application markets such as, but not limited to, technical ceramics and ceramic binders.

All subsequent references to DRAGONITE imply all grades of our halloysite product.

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Application Markets for DRAGONITE

The following is a description of the application markets to which the Company is marketing its halloysite-based DRAGONITE products:

Flame retardant additives for plastics. Flame retardants are widely used in flammable and flame resistant plastics and are found in electronics, building insulation, polyurethane foam, and wire and cable. There are three types of flame retardants used in plastics:

Minerals, including halloysite, aluminum trihydrate (ATH), magnesium dihydrate (MDH), glass fiber, organoclays, and a number of other less important minerals;

Halogenated compounds (compounds containing bromine or chlorine)

- Halogenated flame retardants are used in conjunction with a synergist (something that enhances the effectiveness of an active agent) to enhance their efficiency. Antimony trioxide (ATO) is widely used as a synergist for halogenated fire retardants; and

- Halogenated fire retardants have been associated with health concerns due to the potential toxicity of the decomposition products, namely dioxins and furans, as well as environmental and bioaccumulation concerns and there has been action, in the form of treaties and federal and state legislation, to restrict certain uses of halogenated fire retardants.

Organophosphorus compounds.

DRAGONITE can be used as a partial replacement for ATH and MDH in certain applications and as a synergist to ATH and MDH in other applications. At typical loadings, ATH and MDH can adversely affect certain mechanical properties of plastics. DRAGONITE, in conjunction with ATH and MDH, exhibits a synergistic performance without degrading the mechanical properties of a polymer matrix.

Our research and development demonstrates that DRAGONITE can be used to replace 50% - 75% of ATO in plastic without affecting flame retardancy, retaining the same rating under UL 94, the Standard for Safety of Flammability of Plastic Materials for Parts in Devices and Appliances testing. The price of ATO is approximately $9,200 per ton, a significant premium to DRAGONITE.

Generally speaking, the use of DRAGONITE instead of other FR products should allow a manufacturer to use less fire retardant, which, in turn, would result in the light-weighting of a product.

The Company estimates the global demand for flame retardant additives to be approximately 2.2 million metric tons.

Nucleation of Polymers. Plastics and polymers are composed of long molecular chains which form irregular, entangled coils in a melted resin, the phase in which a resin is liquid and its molecules can move about freely.

Some plastics, namely amorphous types, retain such a disordered structure upon freezing, the state in which a liquid resin becomes solid and its molecules are frozen, or locked, in place and cannot move. In other plastics, such as semi-crystalline polymers, the chains rearrange upon freezing and form partly ordered regions. Examples of semi-crystalline polymers are polyethylene (PE), polypropylene (PP), Nylon 6 and Nylon 6-6.

Crystallization of a polymer occurs as a result of nucleation, a process that starts with small, nanometer-sized domains upon which the polymer chains arrange in an orderly manner to develop larger crystals. The overall rate of crystallization of a polymer be can increased by a nucleating agent.

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In plastic molding processes, especially in injection molding, the plastic part must remain in the mold until freezing. To the extent that crystallization is accelerated, the time in the mold can be reduced, thereby resulting in productivity enhancement.

DRAGONITE added to a resin at a loading of just 1% can significantly speed up the process of crystallization.

DRAGONITE is one of only two products that can nucleate polyethylene. The other product is estimated to cost $15 per lb. A very small portion of the polyethylene market is nucleated, which offers an attractive opportunity for a product such as DRAGONITE.

A very small portion of the 50 million tons of polyethylene produced annually is nucleated. A relatively modest penetration of this market would result in significant demand for DRAGONITE.

DRAGONITE can also nucleate polypropylene.

In addition to nucleating a polymer, DRAGONITE acts as an effective reinforcing filler as described below.

Reinforcement Fillers for Polymers. Many plastics are reinforced with a filler to meet the increasing performance requirements of advanced polymer applications. Plastics filled with some type of particulate or fibrous filler are classified as polymer composites. The primary purpose of reinforcement is to enhance the mechanical properties of a polymer. Reinforced plastics, in certain instances, can compete with stiffer materials like metal while also offering an opportunity to reduce the weight of a manufactured part (“light-weighting”).

The utilization of DRAGONITE as a reinforcing filler results in the improvement of one or more mechanical properties of a polymer such as modulus (the measure of how well a polymer resist breaking when pulled apart), strength (the measure of the stress needed to break a polymer), and impact resistance (the measure of a polymer’s resistance when impacted by a sharp and sudden stress).

DRAGONITE, at a 1% loading, creates the following effects on polyethylene: an increase in modulus of 20% - 25%; an increase in strength of up to 15%; and retention of impact resistance. DRAGONITE, at a 1% loading, creates the following effects on polypropylene: an increase in modulus of 20-25%; an increase in strength of up to 20%; and retention of impact resistance.

DRAGONITE, due to the improvements it imparts at such low loading rates, can offer a value proposition when compared to certain traditional fillers.

We estimate the value of the high performance filler market to be approximately $17.2 billion.

Molecular Sieves and Catalysts. A molecular sieve is a material with very small holes of precise and uniform size. These holes are small enough to block large molecules while allowing small molecules to pass. Many molecular sieves are used as desiccants (substances that induce or sustain a state of dryness). Zeolites are a form of molecular sieve that are crystalline with a skeletal composed of aluminosilicates. DRAGONITE mixes very well with zeolites and helps entrap water and impurities both within the hollow tubular structure as well as the porous outer walls, enhancing the drying of natural gas and air, the separation of liquid from product streams, and the separation of impurities from a gas stream.

The global market for molecular sieves and other adsorbents is approximately $2.9 billion.

Crude oil petroleum must be processed in order to make it into gasoline and other fuels. Part of that process includes cracking, whereby large hydrocarbons are broken into smaller ones. There are two general types of cracking, thermal and catalytic. Catalytic cracking involves the addition of a catalyst to speed up the cracking. The reactive nature of halloysite lends itself to be an effective catalyst especially for high sulfur oil. Halloysite can also be used as a support for catalysts, which are applied to the halloysite as a coating.

Halloysite from the Dragon Mine was mined and processed as a catalyst for petroleum cracking from 1949 to 1976.

Ceramics. A ceramic is any of various hard, brittle, heat-resistant and corrosion-resistant materials made by shaping and then firing a nonmetallic mineral, such as clay, at a high temperature. We intend to market our halloysite to two ceramic markets: whiteware and technical ceramics. Whiteware is a broad class of ceramic products that are white to off-white in appearance and frequently contain a significant vitreous, or glassy, component. Including products as diverse as fine china dinnerware, lavatory sinks and toilets, dental implants, and spark-plug insulators. Whitewares depend for their utility upon a relatively small set of properties: imperviousness to fluids, low conductivity of electricity, chemical inertness, and an ability to be formed into complex shapes. Examples of technical ceramics include ceramic disc brakes, missile nose cones, gas burner nozzles, and ballistic protection.

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***Binders*.** DRAGONITE is an effective binder for traditional ceramic products. Binders are substances that improve the mechanical strength of green ceramic bodies so they can pass through production steps, before firing, without breakage. In many cases, binder additions to ceramic bodies are essential. Without them some production processes would be impossible. DRAGONITE, when used as a binder, also effectuates an improvement in the casting rate of the ceramic manufacturing process. This equates to an increase in manufacturing efficiency.

Cosmetics. The halloysite in DRAGONITE has a tubular shape that may be suited for an array of cosmetic applications. The adsorptive nature of the halloysite found in DRAGONITE clay can serve as a hypoallergenic skin cleanser capable of removing unwanted toxins and oils from the skin without the need for harsh chemicals. DRAGONITE, due primarily to its presence of halloysite, is also capable of exfoliating the skin. DRAGONITE has been shown to be capable of functioning as a non-irritating carrier and release mechanism of cosmetic ingredients for a long lasting application.

In early 2015 the Company signed a term sheet to form a joint venture with a leading developer and retailer of cosmetic products. The joint venture will own and market a brand of cosmetic products utilizing the unique characteristics of DRAGONITE-PUREWHITE. A significant amount of work related to the development and branding of these products has occurred over the last 18 months. The Company will own a significant equity stake in the joint venture. The Company expects the joint venture agreement to be executed sometime in the latter half of 2015.

Controlled Release Carriers. The halloysite present in DRAGONITE clay can act as an effective carrier of active ingredients, enabling an agent to be released from the carrier over an extended time frame. This controlled release capability can be utilized in a wide array of applications including, but not limited to, anti-corrosive and anti- mold paint applications, agricultural applications, cosmetics, and certain pharmaceutical products, which would require the prevention of overdosing. In agriculture applications

DRAGONITE can provide a delivery system for often-toxic agricultural agents. Utilizing the inner lumen of the clay as a natural reservoir, DRAGONITE is able to load, store, and control the release of a range of agents, which, in turn, allows for a lower loading of substances, such as pesticides or herbicides, without sacrificing efficacy. DRAGONITE release rates can be controlled to match the duration of a growth or reproductive cycle, resulting in a reduction of the frequency of applications of an agent. DRAGONITE can be used to control the release of the following agents: pesticides, fertilizers, insecticides, fungicides, herbicides, nutrients, and growth stimulants.

According to BCC Research, the market for materials used as carriers for controlled release applications is approximately $1.0 billion.

Environmental Remediation. DRAGONITE, due to its high selectivity of toxic compounds, high porosity, high surface area, fine particle size, fast adsorption rate and high absorption capacity, can act as a sorbent in environmental remediation and emissions capture. DRAGONITE can be utilized to facilitate the remediation of environments polluted with oil, PCB's, toluene, phenols, methylene blue, chromium-6, ammonium, heavy and alkali metals, and uranium. In a deepwater environment, DRAGONITE performs as an effective sieve to sequester pollutants released from a variety of sources such as oil spills, power plant and mine site run-off. DRAGONITE also works as a hydrocarbon remediation material through its ability to adsorb, de-emulsify and disperse micro-droplets of oil.

Sales Process for DRAGONITE

The Company sells its DRAGONITE products using employees, agents, and distributors, selling on a global basis.

The Company markets its DRAGONITE into two general types of application markets. The first type is a market in which DRAGONITE has not been previously used, or is to be used as a substitute for another additive, to enhance certain functionality of an application. This type of market requires a number of steps before a sale can be consummated. Like any new material that will be incorporated into a commercial manufacturing process, a significant amount of testing must be performed before DRAGONITE can be incorporated into both a manufacturing process and a product.

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During this process we frequently must work collaboratively with the potential customer to appropriately orient its manufacturing process to successfully incorporate our material. The length of the sales process is difficult to predict given the number of variables involved. In some instances we're creating a distinctly new market for our product. However, once we successfully obtain a customer, we believe that customer relationship will extend for a number of years.

The second type of market is one in which halloysite clay is currently being used in traditional application markets. Within these established markets, we believe our DRAGONITE products offer an enhanced value proposition with respect to purity and other properties sought by customers. The pricing of our products relative to those of our competitors, however, will always be a significant factor in determining our ability to penetrate these markets.

Non-Halloysite Clays

The mineralized clay material in the surface piles and, except to the extent that the Company uses them in DRAGONITE, the mixed clays in the Dragon Pit and Western areas may be offered for sale for the typical uses of such clays. The Company has not attempted to sell any such clays for such uses.

IRON OXIDE-BASED PRODUCTS

AMIRON

The Company markets its AMIRON line of advanced natural iron oxide-based products to the pigmentary and technical application markets. The iron oxide resource at the Dragon Mine has a high content of Fe_2O_3, is of exceptional chemical purity, possesses high surface area, fine grains, good dispersability, good tinting strength, enhanced color saturation, low color variation, and a low level of heavy metals content. For these reasons the Dragon Mine's iron oxide resource is considered an advanced natural and has applications in markets traditionally served by more expensive synthetic oxides.

For pigmentary applications the Company markets

For technical applications the Company markets:

AMIRON:OH
AMIRON:H

AMIRON:ST is an oxide-based product formulated as semi-transparent pigment to be used in applications such as artistic paint and as an interior and exterior wood stain. Demand for semi-transparent iron oxide pigments is currently constrained as they are traditionally difficult to stabilize and disperse and are very high in cost. AMIRON, in contrast, is a natural, cost-competitive solution that offers desirable dispersibility, color consistency, and UV protection. AMIRON also offers an opaque pigment product.

The global iron oxide pigment market is approximately 1.34 million tons ($1.35 million). Synthetic pigments account for 84.5% of the market with naturals accounting for the remaining 14.5%. Domestic consumption of iron oxide pigments in 2014 was 210,000 metric tons of which 170,000 were imported. The average price realized domestically was ~ $1,454 per ton.

We currently market our AMIRON line of advanced natural iron oxide pigments to the construction, wood coatings, paints and industrial coatings, plastic and rubber markets. Traditionally, natural iron oxides, due to their variance in quality, have not been able to compete with synthetic in the pigment market. The consistency of purity (high level of Fe_2O_3) and other characteristics of our iron oxide resource qualify AMIRON as an advanced natural iron oxide, enabling it to compete with higher cost synthetic iron oxides.

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AMIRON:HP is an iron oxide-based product manufactured for use in applications such as semi-transparent cosmetics, food contact colorants, and pharmaceutical applications. These industries maintain strict quality requirements, resulting in most suppliers being forced to utilize synthetic products. AMIRON:HP presents a natural alternative that complies with the cosmetics industry standards, such as FDA 21 CFR 73.2250 subpart C.

AMIRON:OH and ***AMIRON:H*** are iron oxide-based products manufactured for use in applications such as arsenic absorption from waste and drinking water and the desulfurization of gases and certain industrial by-products. The relatively large surface area and high reactivity make AMIRON:OH and AMIRON:H an effective adsorptive material for a number of environmental remediation applications.

AMIRON has been shown to be an effective catalyst for the removal of hydrogen sulfide from both natural gas and biogas. In a natural gas drilling operation, iron oxide is used to neutralize hydrogen sulfide before much of it can escape into the atmosphere. The anaerobic conversion of biomass (i.e. manure, municipal waste and agricultural waste) produces a biogas called methane, which is used as fuel. Hydrogen sulfide is a byproduct of the production of biogas and must be neutralized to prevent the corrosion of the reactor of a biogas facility. Demand for natural gas desulphurization catalysts will continue to grow in line with the growth in natural gas drilling. The biogas industry is centered in Europe where there are approximately 10,000 biogas plants. The estimated market in Europe for biogas desulphurization catalysts is approximately $24 million (33,000 tons). The market in the United States, while smaller than that in Europe, continues to develop.

Sales Process for AMIRON

The Company sells its AMIRON products using employees, agents, and distributors, selling on global basis.

For the most part, we are marketing our AMIRON products into established markets. In some instances we believe AMIRON outperforms some competing natural iron oxide products or is a feasible replacement for a synthetic iron oxide product currently being used. We believe the pricing of our product will, in large part, be a significant factor in its adoption by customers. Currently, Lorama is marketing and distributing AMIRON on a non-exclusive basis to the paints and coatings industry. Lorama is recognized as the leading global supplier of paint emulsion technologies and products.

RESEARCH & DEVELOPMENT

The Company's research and developments efforts are focused on the continued creation of commercial applications for our halloysite-based products and our iron oxides.

Halloysite

The Company carries on significant research and development for halloysite applications internally.

We currently engage a well-regarded contract R&D firm to conduct product development activities involving the use of DRAGONITE in advanced polymer applications. This firm has a particular expertise in product development for plastics. At times, we use OPF Enterprises, LLC to conduct certain product development work focused on the traditional ceramic markets.

In 2009 we entered into a development agreement with Yuri M. Lvov, Ph.D., a professor of chemistry at Louisiana Tech University and the T.C. Pipes Eminent Endowed Chair on Micro and Nanosystems at the Institute for Micromanufacturing (Louisiana Tech University). The scope of the agreement includes, among other things, the development of the Dragon Mine halloysite as part of an anti-corrosion paint application in addition to the development of other emerging applications. Dr. Lvov is still consulting for the Company.

Iron Oxide

The Company carries on significant research and development for iron oxide applications internally.

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Certain product development activities within the pigments and coatings application areas are also carried out in conjunction with Lorama.

Geological

In 2008, we engaged Ian Wilson, Ph.D. as our consulting geologist. Dr. Wilson has supervised our drilling program and has played a critical role in classifying the mineralization of the Dragon Mine property, which is essential to the successful commercialization of the mine's deposit. Dr. Wilson is a member of iom3 (Institute of Materials, Minerals and Mining of the UK). His Ph.D. was carried out on wall rock alteration and trace element dispersion patterns around gold and tin ore bodies in Ashanti Gold Mine, Ghana and Geevor Tin Mine, Cornwall, respectively. From 1974 to 2001 he worked with English China Clays/Imerys mainly as a geologist and with management roles in Brazil, Spain, Sweden and China. Since his retirement in 2001, he has worked as an independent consultant dealing with many industrial minerals including halloysite.

Technical and Other Markets. There is significant competition in the technical markets based on performance and price.

EXPENSES FOR RESOURCE DEVELOPMENT/EXPLORATION DRILLING AND TESTING & RESEARCH

In 2014, the Company spent $3,768,034 for resource development and exploration drilling and $858,105 for testing and research.

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TRADEMARKS & PATENTS

We have trademarked the name DRAGONITE and AMIRON. We believe these trademarks are important to the successful marketing of our product offering. We do not believe that patents are material to the business. We filed a Provisional Application for Patent in October, 2010 related to the use of nucleating agents in polyethylene. As of December 31, 2014, we have been granted this patent in Great Britain, Denmark and France. A P\patent is pending approval in the United States, Canada, China and Thailand.

REGULATION

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 received a large mine permit from the Department. The Company does not believe that such regulations, including environmental regulations, have or will adversely affect the Company's business or have a material impact on capital expenditures, earnings and competitive position of the Company.

We carry a Mine Safety and Health Administration (MSHA) license (#4202383) for the Dragon Mine and report as required to MSHA. The Company is subject to extensive regulation by the Mine Safety and Health Administration, which was created by the Mine Safety and Health Act of 1977. The regulations generally are designed to assure the health and safety of miners and our mine is periodically inspected by MSHA inspectors. While the inspectors have from time to time found violations, the violations have not been serious and have been quickly corrected. The Company does not believe that such regulations have or will adversely affect the Company's business or have a material impact on capital expenditures, earnings and competitive position of the Company.

The clays that the Company mines, including halloysite, may contain various levels of crystalline silica when mined. Crystalline silica is considered a hazardous substance under regulations promulgated by the U.S. Occupational Health and Safety Administration (OSHA) and U.S. Mine Health and Safety Administration (MSHA) and as a result is subject to permissible exposure limits (PELs), both in the mine and at the workplaces of our customers. The Company is required to provide Material Safety Data Sheets (MSDS) at the mine and accompanying sales of products to customers. The Company must also apply hazard warning to labels of containers of the product sold to customers. Kaolin and halloysite are also subject to PELs.

On September 12, 2013, the Occupational Safety and Health Administration (OSHA) released a proposed standard on respirable crystalline silica. The proposed rule would lower to the PEL to 50 micrograms per cubic meter of air

(µg/m3), which is 50% of the current PEL and consistent with the NIOSH PEL. The agency also proposed an action level of 25 µg/m3. The Company cannot predict whether OSHA will adopt a rule and what, if any, adverse affect such rules may have on the Company's business.

The EPA has stated that it is developing a test rule under the Toxic Substances Control Act (TSCA) to require manufacturers (which would include the Company) of certain nanoscale materials including kaolin, halloysite, and alumina (which is present in the clays mined by the company) to conduct testing for health effects, ecological effects, and environmental fate, as well as provide material characterization data. The impact of such a rule on the Company cannot be determined at this time. It seems clear, however, that if the results of the testing of particular nanomaterials indicate adverse health, ecological, or environmental effects, the EPA may seek to regulate those nanomaterials more extensively. Such regulation could include, among other things, limiting the uses of the nanoscale materials; requiring the use of personal protective equipment, such as impervious gloves and NIOSH approved respirators, and limiting environmental releases. The EPA is developing a SNUR for nanoscale materials under TSCA.

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EMPLOYEES

As of December 31, 2014, Applied Minerals, Inc. and its subsidiary had 41 employees. None of our employees were covered by a collective bargaining agreement, we have never experienced a work stoppage, and we consider our labor relations to be excellent.

OTHER PROPERTIES

We own approximately 900 acres of fee simple property and patented mining claims, and 260 acres of mineral rights and unpatented claims, including the Atlas Mine, located in the Coeur d'Alene mining district in Shoshone County, Idaho. Several attempts were made over time to commercialize the Atlas Mine as a producer of silver, lead and other minerals, but none of those efforts were successful. No attempts at mining have been undertaken since 1980. The Company continues to own the Atlas Mine property, but has no present intention to recommence mining efforts and has listed the property for sale. The cost basis of the property is $495,000. The properties contain harvestable timber and are being marketed to potential buyers for recreational, mining, and/or timber uses.

ITEM 1A. RISK FACTORS

RISK FACTORS

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.

Our business activities are subject to significant risks, including those described below. Every investor or potential investor in our securities should carefully consider these risks. If any of the described risks actually occurs, our business, financial position and results of operations could be materially and adversely affected. Such risks are not the only ones we face and additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business.

SPECIFIC RISKS APPLICABLE TO APPLIED MINERALS

FINANCIAL HISTORY

Losses. We have experienced annual operating losses since our reactivation in September 1997. For the years ended December 31, 2014 and 2013, the Company sustained losses from continuing operations of $10,316,317 and $13,063,526, respectively.

Accumulates Deficits. At December 31, 2014 and 2013, the Company had accumulated deficits of $72,138,289 and $61,821,972, respectively, in addition to limited cash and unprofitable operations.

NO SIGNIFICANT SALES.

From January 1, 2009 when current management took over until December 31, 2014, the Company sold $547,740 of clay and iron oxide, and in 2014 the Company had sales of $234,221.

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RELIANCE OF EQUITY AND DEBT SALES TO FINANCE OPERATIONS; DILUTION

The Company has had to rely mainly on the proceeds of from the sale of stock and convertible debt to fund its operations. There is no assurance that the Company will be able to raise capital in the future. If the Company is unable to raise capital or fund its operations through the commercialization of its minerals at the Dragon Mine, it may have to file bankruptcy. If the Company is able to raise capital, the terms of such capital raise may be significantly dilutive to existing stockholders.

SURVIVAL IS DEPENDENT ON PENETRATING MARKETS

Obviously, in order for the Company to survive, we must penetrate our target markets and achieve sales levels, and generate sufficient cash flow, to break even and to be a success we must do better than that. As outlined below, there is uncertainty that we will be able to do so.

Many of the applications for which we are selling for our halloysite-based material are applications for which halloysite has not been used previously. As a result, there are a number of special obstacles that we need to overcome to achieve sales in these markets. It maybe necessary to convince manufacturers to change their manufacturing processes and substitute our halloysite-based material for the product they are currently using, and in some cases, to use our halloysite-based material where no product was used before. The process beginning with introducing our halloysite-based material to manufacturers and ending with the manufacturers using our products in their production (i) can encounter inertia, skepticism, and different corporate priorities, (ii) requires educating potential customers on the benefits of our material and how to use our material (how much to add, when to add, and so forth), and (iii) often requires working with potential customers to assure that the potential customers test the materials under proper conditions. In summary, while we believe that our halloysite-based material often adds significant value, we can say two things about the process that ends with manufacturers using our halloysite-based material: it can take a long time and there is no certainty that we will be able to convince enough manufacturers to use our halloysite-base material.

Similarly, we are trying to sell our iron oxides, which are natural, into markets where synthetic iron oxides have been used in the past. In trying to make such sales, we encounter the some of the same types of problems described in the preceding paragraph

Other applications for which we are selling for our halloysite-based material and our iron oxides are applications for which halloysite or natural iron oxides has been used previously. To penetrate these markets, we face the difficulties encountered by any company trying to enter an established market competing against established players that may be in better financial condition that we are and are already familiar to, and in many cases have relationships with, the

potential customers, which may make such competitors more attractive than us. While we believe that in many cases, our products are superior to those already in the market, there is uncertainty that we will be able to penetrate those markets to a sufficient degree.

COMPETITION

Competition from Other Miners of Halloysite

Currently we know of no companies competing with us in any significant respect in connection with the sale of halloysite-based products in our advanced applications target markets. For our DRAGONITE to penetrate advanced application target markets, we face significant competition from non-halloysite solutions often sold by larger, more established companies. The basis for competition is performance and price. If we are successful in penetrating our advanced applications target markets, we may face competition from operators of halloysite clay deposits in other locations around the world.

We do face limited direct competition in the connection with the sale of halloysite-based products in traditional markets. Depending on the location of the customer (principally customers located in Asia and South America), we may face competition from the commercial mine in New Zealand and if we are successful in penetrating the traditional markets, we may face competition from operators of halloysite clay deposits in other locations around the world. For our DRAGONITE to penetrate traditional markets, we face significant competition from non-halloysite solutions often sold by larger, more established companies. The basis for competition is performance and price.

We believe that our Dragon Mine property is one of only two large-sized halloysite deposits in the world. There are a number of other smaller deposits of halloysite in the U.S. and other parts of the world, some of which produce halloysite commercially.

The degree or extent to which the halloysite other deposits can or will compete with our halloysite-based products is subject to a variety of factors, including the following:.

Deposits of halloysite are formed under a variety of geological conditions of hydrothermal alteration and weathering. As a result, the nature and extent of impurities, the length of the tube, thickness of the walls, and the size of the pore or lumen can all vary. In many deposits, the halloysite is mixed with other clays, limiting its usefulness for certain applications. Other deposits contain significant amounts of crystalline silica, which may limit the usefulness for certain applications and/or require additional processing. Other deposits contain more iron oxide tan is acceptable, requiring additional processing

Some deposits are subject to difficulties relating to mining. Some deposits are located in geographically-isolated areas and some deposits can only be mined by hand-picking.

Nevertheless, there are many other deposits of halloysite around the world and in the U.S, including one adjacent to the Dragon Mine property that is of questionable quality (the halloysite, apparently mixed with impurities, is being sold as an ingredient in cement at a very low price) . There is a commercial halloysite mine in New Zealand. There are other small production mining operations in China and Turkey. There are other small mines known to us. Whether halloysite from any of these deposits will compete with our advanced halloysite-based products, or the extent to which they can compete, is not clear. While, based on what is known to the Company at this point, the Company does not believe that competition from the other halloysite mines known to us will significantly adversely affect sales or margins in advanced applications, such competition could arise and could adversely affect sales and margins.

Iron Oxide

We expect to compete with companies that, in some cases, may be larger and better capitalized than us.

Pigments. There is significant competition within the iron oxide pigment market. We will try to compete directly with synthetic iron oxide pigments in the coatings markets by selling our pigments at a lower price. In other iron oxide pigment markets, there is very little product differentiation with competition focused primarily on price.

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THE COMPANY'S SUCCESS DEPENDS ON OUR CEO

Andre Zeitoun is the President and CEO of the Company. Mr. Zeitoun has played a critical role in leading the effort to commercialize our halloysite-based products and iron oxides. If the Company loses the service of Mr. Zeitoun, there is no assurance that the Company would be able to attract and retain a qualified replacement.

MORE GENERALIZED RISKS

UNCERTAINTIES

The actual Dragon Mine profitability or economic feasibility may be adversely affected by any of the following factors, among others:

Changes in tonnage, grades and characteristics of mineralization to be mined and processed;
Higher input and labor costs;
The quality of the data on which engineering assumptions were made;
Adverse geotechnical conditions;
Availability of adequate and skilled labor force and supply and cost of water and power;
Availability and terms of financing;
Environmental or other government laws and regulations related to the Dragon Mine;
Changes in tax laws;
Weather or severe climate impacts;
Potential delays relating to social and community issues;
Industrial accidents, including in connection with the operation of mining transportation equipment and accidents associated with the preparation and ignition of blasting operations, milling equipment and conveyor systems;
Underground fires or floods;
Unexpected geological formations or conditions (whether in mineral or gaseous form);
Ground and water conditions;
Accidents in underground operations;
Failure of mining pit slopes;
Seismic activity; and
Other natural phenomena, such as lightning, cyclonic or tropical storms, floods or other inclement weather conditions.

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

Exploration and mining 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 and mining operations and some of the products we sell are also subject to federal, state and local laws and regulations that seek to maintain health and safety standards. 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 our financial position. 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.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

PRINCIPAL OFFICE

The corporate office is located at 110 Greene Street, Suite 1101, New York, N.Y., 10012.

MINING PROPERTIES

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.

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 and iron oxide. It is located approximately 2 miles southwest of Eureka, Utah and can be accessed via state highway and county road. The Union Pacific Railroad has a spur approximately 2 miles from the property. Electrical power is located approximately 1.5 miles from the site and there was no evidence of a water source on the property except in the mine shaft.

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. We leased the property

in 2001 and on August 18, 2005, we purchased the property for approximately $500,000 in cash. As more fully explained in the “Business” section, the property has two mining areas, the Dragon Pit, which is mined for High Purity Halloysite, Dragon Mixed Clays and iron oxide and the Western Area, which is mined for Western Area Mixed Clays and iron oxides. On the property, there are also five large waste piles containing significant amounts of clay.

The property is located in the Tintic District of Utah, covering approximately 230 acres with a large mining permit covering 40 acres allowing for the extraction of minerals. The property consists of 38 patented and six unpatented mining claims located in the following sections: T10S, R2W, sections 29, 30, 31, and T10S, R3W, Section 36, all relative to the Salt Lake Base Meridian. The Company pays approximately $800 in annual maintenance fees to the U.S. Department of Interior Bureau of Land Management to maintain rights to its unpatented claims. The BLM Claim Numbers are: UMC385543, UMC 385544, UMC394659, UMC394660, UMC408539, and UMC408540. The Company has no underlying royalty agreements with any third-party with respect to the Dragon Mine.

The Company has two dry-process facilities at its Dragon Mine property. One facility, dedicated primarily to the iron oxide resource and occasionally used to process halloysite, has a capacity of up to 45,000 ton per year for certain types of processing and includes a Hosokawa Alpine mill. The other facility, dedicated to the halloysite clay resource. The facility dedicated to the halloysite clay resources has an annual capacity of up to 10,000 tons for certain types of processing.

We believe the physical plant and equipment utilized at the Dragon Mine are in satisfactory condition to continue our current mining activity. The Company continually reviews the adequacy of its physical plant and equipment inventory and expects to invest accordingly to ensure that the size and quality of its physical plant and equipment can meet its needs. Currently, our physical plant includes, but is not limited to, two processing mills, a dry house, a site office, a general storage facility, an equipment repair facility, and a structure housing three IR compressors, which are used to power the mill and certain drilling equipment used underground. Our mining equipment includes, but is not limited to, a road header, an underground drill, a deep drill, a Scooptrans, a skid steer, a front-end loader and a number of other pieces traditionally used to mine underground. There are some pieces of equipment we choose to rent on a daily basis rather than own or lease to own. The Company uses diesel fuel as its primary source of power and has water transported to the property from an external source. The property has sufficient access to roads to enable the transportation of materials and products.

As of the filing of this report, the Company was classified as an exploration stage company for purposes of Industry Guide 7 of the U.S. Securities and Exchange Commission. The Company believes that once it generates a material level of revenue from the sale of either its DRAGONITE or AMIRON products it will be able to take the steps necessary to move out of the exploration stage with respect Industry Guide 7.

Under Industry Guide 7, companies engaged in significant mining operations are classified into three categories, referred to as “stages”- exploration, development, and production. Exploration stage includes all companies engaged in the search for mineral deposits (reserves). In order to be classified as a development or production stage company, a company must have already established reserves. Unless a company has established reserves, it cannot be classified as a development or production stage company, notwithstanding the nature and extent of development-type or

production- type activities that have been undertaken or completed.

Under Industry Guide 7, a “reserve” is “that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.” Generally speaking, a company may not declare reserves, unless, among other requirements, competent professional engineers conduct a detailed engineering and economic study and prepare a “bankable” or “final” feasibility study that “demonstrates that a mineral deposit can be mined profitably at a commercial rate.”

The Company commissioned a study of “resources” under the JORC Code of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. That study indicated the existence of JORC “resources” of halloysite clay and iron oxide. A JORC resource is defined as a “mineral deposit in such form, grade and quantity that there are reasonable for prospects for eventual economic extraction,” a lower standard than that used for a final feasibility study.

Significant additional steps, including the demonstration that the Company has and can penetrate markets, will be necessary before a “bankable” or “final” feasibility study can be prepared for the Company.

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Despite the fact that the Company has not established reserves, the Company has mined, processed and sold, and intends to continue to mine, process, and sell, halloysite clay and iron oxide from the Dragon Mine.

For purposes of Industry Guide 7, a consequence of the absence of reserves is that the mining company, such as the Company, is deemed to lack an objective basis to assert that it has a deposit with mineralization that can be economically and legally extracted or produced and sold to produce revenue.

Shoshone County, ID

We own approximately 900 acres of fee simple property and patented mining claims, and 260 acres of mineral rights and unpatented claims, including the Atlas Mine, located in the Coeur d'Alene mining district in Shoshone County, Idaho, commonly referred to as the Silver Valley of North Idaho. On February 18, 2014, the Company listed the property for sale. The Company permanently discontinued its contract mining operations at the Atlas Mine as of December 31, 2008.

ITEM 3. LEGAL PROCEEDINGS

The Company was named as the defendant in a lawsuit filed on April 18, 2014 in state district court in Salt Lake City, Utah. The plaintiff is Tekko Enterprises, Inc., which was hired in 2012 as project manager for the construction of a processing plant at the Company’s Dragon Mine property and terminated in 2013 before the completion of the plant. The complaint seeks damages of $346,000, unpaid amounts that the plaintiff claims it is entitled to under the project management agreement and two purchase orders. The Company intends to vigorously defend against the claims and to counterclaim.

In addition to the matter described above, we may become involved in or subject to, routine litigation, claims, disputes, proceedings and investigations in the ordinary course of business, could have a material adverse effect on our financial condition, cash flows or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and this Item is included in exhibit 95 to this 10-K.

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PART II

ITEM 5. MARKET PRICE FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDERS MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Prices for Our Common Stock

Our common stock is quoted on the OTCBB under the symbol "AMNL." The following quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commission, and may not represent actual transactions.

	Year 2014		***Year 2013***	
	High	**Low**	**High**	**Low**
First Quarter	$1.09	$0.69	$1.72	$1.40
Second Quarter	$0.85	$0.60	$1.47	$1.11
Third Quarter	$0.86	$0.67	$1.19	$0.98
Fourth Quarter	$0.78	$0.59	$1.22	$1.00

Record Holders

As of December 31, 2014, there were approximately 929 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.

Dividends

Since we became a reporting company in 2002, we have never declared or paid any cash dividend on our common stock. We have no current plans to declare dividends and we are subject to any restrictions or limitations under note agreement relating to the declaration or payment of dividends.

Equity Compensation Plans

On November 20, 2012, the shareholders of the Company approved the adoption of the Applied Minerals, Inc. 2012 Long-Term Incentive Plan ("LTIP") and the Short-Term Incentive Plan (STIP") and the performance criteria used in setting performance goals for awards intended to be performance-based under Code Section 162(m). Under the LTIP, 8,900,000 shares are authorized for issuance. The STIP does not refer to a particular number of shares, but would use the shares authorized in the LTIP for issuance under the STIP. The CEO, the CFO, named executive officers, and

directors, among others, are eligible to participate in the LTIP and STIP. Prior to the adoption of the LTIP and STIP, stock options were granted under individual arrangements between the Company and the grantees, and approved by the Board of Directors.

Equity Compensation Information
As of December 31, 2014

	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	4,978,526	$ 1.39	3,644,490
Equity compensation plans not approved by security holders	13,251,341	$ 0.87	--
Total	18,229,867	$ 1.01	

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COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

AMONG APPLIED MINERALS, INC.

	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14
Applied Minerals, Inc.	$ 100	$ 138	$ 219	$ 266	$ 190	$ 126
iShares Russell Microcap ® Index ETF	$ 100	$ 128	$ 114	$ 134	$ 192	$ 197
S&P Metals & Mining Index ETF	$ 100	$ 133	$ 95	$ 87	$ 82	$ 60

* Cumulative return assumes a $100 investment of each respective security at December 31, 2009.

ITEM 6. SELECTED FINANCIAL DATA

Year Ended December 31 (in 000's except per share data)	2014	2013	2012	2011	2010
Revenue	$234.2	$54.8	$165.7	$93.0	$0
Loss from continuing operations	$(10,316)	$(13,063.5)	$(9,732.4)	$(7,424.5)	$(4,891.5)
Net loss	$(10,316)	$(13,063.5)	$(9,732.4)	$(7,430.3)	$(4,767.7)
Loss from continuing operations - basic	$(0.11)	$(0.14)	$(0.11)	$(0.10)	$(0.07)
Net loss - basic	$(0.11)	$(0.14)	$(0.11)	$(0.10)	$(0.07)
Loss from continuing operations - diluted	$(0.11)	$(0.14)	$(0.11)	$(0.10)	$(0.07)
Net loss - diluted	$(0.11)	$(0.14)	$(0.11)	$(0.10)	$(0.07)
Cash and equivalents	$10,701.7	$8,685.6	$3,356.1	$10,170.5	$1,642.3
Total assets	$18,457.7	$15,215.3	$7,818.5	$12,874.8	$4,215.1
Long-term liabilities	$23,119	$11,727.4	$2,129.4	$3,452.8	$5,055.0
Shareholders' equity (deficit)	$(7,517)	$1,486.6	$3,966.2	$8,828.4	$(1,561.3)

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Applied Minerals, Inc. is a leading global producer of DRAGONITE halloysite clay and AMIRON advanced natural iron oxides. We are a vertically integrated operation focused on developing grades of DRAGONITE and AMIRON that can be utilized for both traditional and advanced end-market applications. We have mineral production capacity of up to 55,000 tons per year. See "ITEM 1. BUSINESS" for further details regarding both our business strategy and our recent developments.

CRITICAL ACCOUNTING POLICIES

The following accounting policies have been identified by management as policies critical to the Company's financial reporting:

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. In these consolidated financial statements, the derivative liability, stock compensation, impairment of long-lived assets and valuation allowance on income taxes involve extensive reliance on management's estimates. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all highly-liquid investments with a maturity of three months or less at the date of purchase. The Company minimizes its credit risk by investing its cash and cash equivalents, which sometimes exceeds FDIC limits, with major financial institutions located in the United States with a high credit rating. The Company's management believes that no concentration of credit risk exists with respect to the investment of its cash and cash equivalents.

Property and Equipment

Property and equipment are carried at cost. Depreciation and amortization is computed on the straight-line method over the estimated useful lives of the assets, or the life of the lease, whichever is shorter, as follows:

	Estimated Useful Life *
Building and Building Improvements	5 – 40 years
Mining equipment	2 – 7 years
Office and shop furniture and equipment	3 – 7 years
Vehicles	5 years

* See Note 4 of the Company's financial statements for explanation of change in useful life in 2014.

Fair Value

ASC Topic 820, *Fair Value Measurement and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This topic also establishes a fair value hierarchy, which requires classification based on observable and unobservable inputs when measuring fair value. The fair value hierarchy distinguishes between assumptions based on market data (observable inputs) and an entity’s own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1 – quoted prices in active markets for identical assets and liabilities

Level 2 – observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 –significant unobservable inputs

The recorded value of certain financial assets and liabilities, which consist primarily of cash and cash equivalents, accounts receivable, other current assets, and accounts payable and accrued expenses approximate the fair value at December 31, 2014 and 2013 based upon the short-term nature of the assets and liabilities. Based on borrowing rates currently available to the Company for loans with similar terms, and the remaining short term period outstanding, the carrying value of notes payable materially approximate fair value. For the Company’s warrant and PIK note derivative liabilities fair value was estimated using a Monte Carlo Model.

Revenue Recognition

Revenue includes sales for halloysite and iron oxide and is recognized when title passes to the buyer and when collectability is reasonably assured. Title passes to the buyer based on terms of the sales contract. Product pricing is determined based on contractual arrangements with the Company’s customers.

Mining Exploration and Development Costs

Land and mining property are carried at cost. The Company expenses prospecting and mining exploration costs. At the point when a property is determined to have proven and probable reserves, subsequent development costs are capitalized. When these properties are developed and operations commence, capitalized development costs will be charged to operations using the units-of-production method over proven and probable reserves. Upon abandonment or sale of a mineral property, all capitalized costs relating to the specific property are written off in the period abandoned or sold and a gain or loss is recognized.

Through December 31, 2014 all costs associated with prospecting and exploration of the Company's mines have been deemed to have indeterminable recoverability and therefore have been expensed.

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Impairment of Long-Lived Assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. When such events occur, the Company compares the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset to its carrying amount. If this comparison indicates that there is impairment, the amount of the impairment is typically calculated using discounted expected future cash flows where observable fair values are not readily determinable.

Provision for Income Taxes

We use the asset and liability method of accounting for income taxes. Deferred income taxes are provided for the temporary difference between the financial reporting basis and tax basis of our assets and liabilities. Deferred tax benefits result principally from certain tax carryover benefits and from recording certain expenses in the financial statements that are not currently deductible for tax purposes and from differences between the tax and book basis of assets and deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax liabilities result principally from deductions recorded for tax purposes in excess of that recorded in the financial statements or income for financial statement purposes in excess of the amount for tax purposes. The effect of changes in tax rates is recognized in the period the rate change is enacted.

Stock Options and Warrants

The Company follows ASC 718 (Stock Compensation) and 505-50 (Equity-Based Payments to Non-employees), which provide guidance in accounting for share-based awards exchanged for services rendered and requires companies to expense the estimated fair value of these awards over the requisite service period. The Company instituted a formal long-term and short-term incentive plan on November 20, 2012, which was approved by its shareholders. Prior to that date, we did not have a formal equity plan, but all equity grants, including stock options and warrants, were approved by our Board of Directors. We determine the fair value of the stock-based compensation awards granted as either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. If the fair value of the equity instruments issued is used, it is measured using the stock price and other measurement assumptions as of the earlier of either of (1) the date at which a commitment for performance by the counterparty to earn the equity instruments is reached, or (2) the date at which the counterparty’s performance is complete. During the quarter ended June 30, 2013 the Company employed the simplified method to determine the expected term for any options granted because the Company did not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term. The Company previously utilized the contractual term as the expected term.

RECENT ACCOUNTING PRONOUNCEMENTS

In August 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"). ASU 2014-15 is intended to define management's responsibility to evaluate

whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, ASU 2014-15 provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued. It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. Management is currently evaluating the impact of the adoption of ASU 2014-14 on our financial statement disclosures.

On June 2014, the FASB issued ASU No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, which clarifies that entities should treat performance targets that can be met after the requisite service period of a share-based payment award as performance conditions that affect vesting. Under the ASU, an entity would not record compensation expense related to an award for which transfer to the employee is contingent on the entity's satisfaction of a performance target until it becomes probable that the performance target will be met. The adoption of this ASU will be required, either on a retrospective basis or prospective basis, beginning with our Quarterly Report on Form 10-Q for the quarter ending March 31, 2016. The adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

In June 2014, the FASB issued Accounting Standards Update (“ASU”) ASU 2014-10 Development Stage Entities. The amendments in ASU 2014-10 remove the definition of a development stage entity from Topic 915 Development Stage Entities, thereby removing the distinction between development stage entities and other reporting entities from US GAAP. In addition, the amendments eliminate the requirements for development stage entities to (1) present inception-to-date information in the statements of operations, cash flows, and shareholder’s equity, (2) label the financial statements as those of a development stage entity, (3) disclose a description of the development stage activities in which the entity is engaged, and (4) disclose in the first year in which the entity is no longer a development stage entity that in prior years it had been in the development stage. The amendments also clarify that the guidance in Topic 275, Risks and Uncertainties, is applicable to entities that have not commenced planned principal operations. ASU 2014-10 is effective for annual reporting periods beginning after December 15, 2014, and interim periods therein. The Company could early adopt ASU 2014-10 for any annual reporting period or interim period for which the entity’s financial statements have not yet been issued. The Company has elected to adopt this ASU effective with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 and its adoption resulted in the removal of inception-to-date information in the Company’s statements of operations and cash flows.

In May 2014, the FASB issued ASU 2014-09 *Revenue from Contracts with Customers*. The amendments in ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605 *Revenue Recognition*, and most industry-specific guidance, and creates a Topic 606 *Revenue from Contracts with Customers*.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The Company is currently evaluating these new requirements to determine the method of implementation and any resulting estimated effects on the financial statements.

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Results of Operations- 2014 Compared to 2013

The following sets forth, for the periods indicated, certain components of our operating earnings, including such data stated as percentage of revenues:

	Twelve Months Ended December 31,				Variance	
	2014	% of Rev.	2013	% of Rev.	Amount	%
REVENUES	$234,221	100 %	$54,825	100 %	$179,396	327 %
OPERATING EXPENSES:						
Production costs	49,464	21 %	17,244	31 %	32,220	187 %
Exploration costs	4,626,139	1975 %	4,551,666	8302 %	74,473	2 %
General and administrative *	5,195,830 *	2218 %	8,569,413 *	15630 %	(3,373,583)	(39 %)
Depreciation expense	1,164,366	497 %	317,570	579 %	846,796	267 %
Loss on impairment and disposition of land and equipment	--	0 %	2,482	5 %	(2,482)	(100 %)
Total Operating Expenses	11,035,799	4712 %	13,458,375	24548 %	(2,422,576)	(18 %)
Operating Loss	(10,801,578)	(4612 %)	(13,403,550)	(24448 %)	2,601,972	(19 %)
OTHER INCOME (EXPENSE):						
Interest expense, net, including amortization of deferred financing cost and debt discount	(1,667,285)	(712 %)	(497,187)	(907 %)	(1,170,098)	235 %
Gain on revaluation of warrants derivative	830,000	354 %	995,000	1815 %	(165,000)	(17 %)
Gain on revaluation of stock awards	110,000	47 %	44,000	80 %	66,000	150 %
Gain (Loss) on revaluation of PIK Notes	1,470,798	628 %	(195,000)	(356 %)	1,665,798	854 %
Other (expense)	(258,252)	(110 %)	(6,789)	(12 %)	(251,463)	3,704 %
Total Other Income (Expense)	485,261	207 %	340,024	620 %	145,237	43 %
Net Loss	$(10,316,317)	(4405 %)	$(13,063,526)	(23828 %)	$2,747,209	(21 %)

* Includes $865,716 and $4,707,381 of noncash stock compensation expense for 2014 and 2013, respectively, relating to employee and consultant stock options.

Revenue generated during 2014 was $234,221, compared to $54,825 of revenue generated during the same period in 2013. Sales of halloysite clay increased to existing and new customers for various uses, including as a nucleating agent, a binder for ceramic-based sanity ware, and a binder for clay-based molecular sieves. The increase in iron oxide sales stems mainly from usage as a hydrogen sulfide scavenger. We believe that a number of potential customers are at various stages of the commercialization process and there are positive indications (but no assurances) that such potential customers may commercialize the use of our halloysite or iron oxide.

Total operating expenses for 2014 were $11,035,799 compared to $13,458,375 of expenses incurred during the same period in 2013, a decrease of $2,422,576 or 18%. The decrease was due primarily to a $3,373,583, or 39%, decrease in general and administrative expenses due primarily from lower stock compensation expense incurred from the vesting of stock options, partially offset by increases in exploration costs and depreciation expense from the new mill plant, which was commissioned in 2014.

Exploration costs incurred during 2014 were $4,626,139 compared to $4,551,666 of costs incurred during the same period in 2013, an increase of $74,473 or 2%. The majority of our exploration expenses were related to the continued exploration activities at our Dragon Mine property and the mineralogical analysis of the material mined from the property. The Company hired new mining personnel in 2014 to facilitate the sorting and processing of our minerals, leading to increased personnel costs, including health benefits and workers compensation. The new mill plant constructed also increased utilities, maintenance, insurance and property taxes. These increases were offset by reduced laboratory testing expenses as the Company utilized the newly constructed laboratory and the absence of exploratory drilling cost.

General and administrative expenses for 2014 totaled $5,195,830 compared to $8,569,413 of expense incurred during the same period in 2013, a decrease of $3,373,583 or 39%. The reduction was driven primarily by a $3,841,665 decrease in noncash stock compensation expense due primarily to the absence of expense associated with the vesting of certain management options, partially offset by expenses associated with the hiring of additional personnel in late 2013, including the head of our iron oxide business, increased shareholder expenses relating to additional meetings held during 2014 to increase awareness of the company stock, increased travel-related expenditures, and increased expenses related to the election of two additional directors.

Net Loss for 2014 was $10,316,317 compared to a loss of $13,063,526 incurred during 2013, a decrease of $2,747,209 or 21%. The reduction in the Net Loss was mainly due to reduced stock compensation expense, as described above, and an increase in Other Income, mainly due to a reduction in the derivative liability during 2014.

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Results of Operations- 2013 compared to 2012

The following sets forth, for the periods indicated, certain components of our operating earnings, including such data stated as percentage of revenues:

	Twelve Months Ended December 31,				Variance	
	2013	% of Rev.	2012	% of Rev.	Amount	%
REVENUES	$54,825	100 %	$165,742	100 %	$(110,917)	(67 %)
OPERATING (INCOME) EXPENSES:						
Production costs	17,244	31 %	103,238	62 %	(85,994)	(83 %)
Exploration costs	4,551,666	8302 %	3,542,977	2138 %	1,008,689	28 %
General and administrative	8,569,413	15630 %	6,541,043	3947 %	2,028,370	31 %
Depreciation expense	317,570	579 %	280,991	170 %	36,579	13 %
Loss on impairment and disposition of land and equipment	2,482	5 %	9,913	6 %	(7,431)	(75 %)
Total Operating Expenses	13,458,375	24548 %	10,478,162	6322 %	2,980,213	28 %
Operating Loss	(13,403,550)	(24448%)	(10,312,420)	(6222%)	(3,091,130)	30 %
OTHER INCOME (EXPENSE):						
Interest expense, net, including amortization of deferred financing cost and debt discount	(497,187)	(907 %)	(12,993)	(8 %)	(484,194)	3727%
Gain on revaluation of warrants derivative	995,000	1815 %	630,000	380 %	365,000	58 %
Gain (Loss) on revaluation of stock awards	44,000	80 %	(27,000)	(16 %)	71,000	(263 %)
(Loss) on revaluation of PIK Notes	(195,000)	(356 %)	--	--	(195,000)	n/a
Other (expense)	(6,789)	(12 %)	(9,986)	(6 %)	3,197	(32 %)
Total Other Income	340,024	620 %	580,021	350 %	(239,997)	(41 %)
Net Loss	$(13,063,526)	(23828%)	$(9,732,399)	(5872%)	$(3,331,127)	34 %

Revenue for 2013 was $54,825, compared to $165,742 generated during the same period in 2012. The Company originated and increased sales of its Dragonite ™ product to select customers for use as a reinforcing additive for certain plastic applications in the past year. We are in various stages of product development, ongoing trials and building our stockpile levels. In 2012, we were approved as vendors for approximately 23 potential customers, which we believe can materialize into future business.

Total operating expenses for 2013 were $13,458,375 compared to $10,478,162 of expenses incurred during 2012, an increase of $2,980,213 or 28%. The increase was due primarily to a $867,960, or 32%, increase in exploration costs, and a $2,284,184, or 54%, increase in general and administrative expense.

Exploration costs incurred during 2013 were $4,551,666 compared to $3,542,977 of costs incurred during the same period in 2012, an increase of $1,008,689 or 28%. The majority of our exploration costs during the respective periods were related to the continued exploration activities at our Dragon Mine property and the mineralogical analysis of the material mined from the property. The increase in exploration costs was related, primarily, to management's decision to further expand its drilling and testing program, both for clay and iron ore, to additional areas of the Dragon Mine property, the testing of which has indicated the presence of clay mineral and an iron ore deposit. The additional mining activity was also performed to prepare for potential client visits and to break ground on a more innovative and efficient mining facility with more cutting-edge technology. The Company has invested in its minesite as it continues its commercialization and research efforts. See Property, Plant and Equipment schedule in the Liquidity and Capital Resources section below for further details. The primary drivers of the increase in exploration costs included a $332,712, or 46%, increase in employee wages primarily due to an increase in the number of miners from 15 to 20 and additional overtime required for the additional mining activity described above; the incurrence of $153,227 of employee health insurance expense not incurred during the same period in 2011 as the health insurance plan was not previously offered; a $146,097, or 41% increase in geologist consulting and sample testing activity; a $99,052, or 97%, increase in materials and supplies due to the increase in drilling and development activity at the mine; and a $159,660, or 270%, increase in equipment rentals utilized for the new facility.

General and administrative expenses incurred during 2013 totaled $8,569,413 compared to $6,541,043 of expense incurred during the same period in 2012, an increase of $2,028,370 or 31%. The increase was driven primarily by performance bonus payments to key management totaling $1,150,000; a $111,705, or 5% increase, in expense related to the issuance of options to certain employees; a $267,395, or 89%, increase in wage expense due to the addition of a Chief Technology Officer, General Counsel and Chief Financial Officer; a $112,853 increase in travel and related expense due primarily to a change in the terms of the Management Agreement with Material Advisors, LLC- prior to 2012, under the Management Agreement, Material Advisors was required to pay all travel, entertainment, office and marketing expenses and all other ordinary and necessary business expenses incurred by the Material Advisors and the Management Personnel in connection with the performance of the Management Agreement ("Expenses"); the incurrence of $132,533 of additional rent expense related to the lease of the corporate office; a $111,942 increase in legal, audit and accounting service fees; and a $322,828 increase in consulting partially relating to financial and investment banking services.

Other Income decreased by $239,997, or 41%. About $500,000 of this variance was due to additional interest expense recorded in 2011 due to an increase in the average balance of our PIK Notes, which we converted into common stock in October 2011. In addition, the Company also recorded an additional $405,000 gain on the revaluation of our warrant derivative liability in 2012 when compared to 2011.

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Net loss for 2013 was $13,063,526 compared to a loss of $9,732,399 incurred during 2012, an increase of $3,331,127 or 34%.

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LIQUIDITY AND CAPITAL RESOURCES

The Company has incurred material recurring losses from operations while in the process of developing and commercializing halloysite clay and iron oxide. At December 31, 2014, we had a total accumulated deficit of $72,138,289. For the year ended December 31, 2014 and 2013, we sustained losses from continuing operations of $10,316,317 and $13,063,526, respectively. From December 2008 through December 2014, our activities have been financed primarily through the sale of convertible debt and equity securities. During the first quarter of 2013, the Company raised $5,560,000 of cash proceeds through the sale of common stock, and in August 2013, the Company raised $10,500,000 of financing through the private placement of 10% Mandatorily Convertible PIK Notes due 2023. In November 2014, the Company raised $12,500,000 of financing through the private placement of 10% Mandatorily Convertible PIK Notes due 2018, but containing various terms that may effectively reduce or increase the maturity. We believe that we have sufficient resources to fund operations for the next 12 months and are continuing to evaluate our strategic direction aimed at achieving profitability and positive cash flow.

Cash used in operating activities in 2014 was $8,003,851 compared to $8,205,101 of cash used during the same period in 2013. The key difference is in the timing of certain payments made over both periods.

Cash used in investing activities during 2014 was $2,039,562 compared to a use of $2,046,358 during the same period in 2013. The costs during both periods mainly relate to the construction of the new mill.

Cash provided by financing activities during 2014 was $12,059,527 compared to $15,580,908 of cash generated during the same period in 2013. The following capital raises occurred over the last two years:

January 2013- Sale of 3,756,757 shares of its common stock at $1.48 per share for gross proceeds of $5,560,000.
August 2013- the Company announced that it successfully raised an additional $10,500,000 of financing through the private placement of 10% Mandatorily Convertible PIK Notes due 2023. The Series 2023 Notes have a strike price of $1.40 per share and convert into 7,500,000 shares of the common stock of Applied Minerals, Inc.
November 2014- the Company raised $12,500,000 of financing through the private placement of $19,848,486 10% Series A Convertible Notes due 2018 with a strike price of $0.92. The Series A Notes are mandatorily convertible by the Company after the second anniversary of their issuance, if certain conditions are satisfied. Additionally, under certain conditions, the Company has an option to extend the maturity date of the Notes.

No broker was used and no commission was paid for any of the foregoing transactions.

Our total assets as of December 31, 2014 were $18,457,702 compared to $15,215,287 as of December 31, 2013, or an increase of $3,242,415. As described above, the Company raised $12.5 million in financing in November 2014 and plans to utilize this cash in operational investments into the corporate infrastructure. The Company also utilized part of its proceeds from the August 2013 capital raise to fund its new mill plant. Total liabilities were $25,974,467 at December 31, 2014 compared to $13,728,720 at December 31, 2013. The increase is mainly due to the establishment of a new PIK Note liability and related derivative resulting from the issuance of PIK Notes in November 2014 (See next section- Issuance of Convertible Debt).

ISSUANCE OF CONVERTIBLE DEBT

The Company raised $23 million of financing through the issuance of two series of Paid-In-Kind ("PIK")-Election Convertible Notes in 2013 and 2014, with key terms highlighted in the table below:

Key Terms	Series 2023 Notes	Series A Notes
Inception Date	08/05/2013	11/03/2014
Cash Received	$10,500,000	$12,500,000
Principal	$10,500,000	$19,848,486
Original Issue Discount (OID)	N/A	$7,348,486
Maturity (Term)	10 years, but convertible after 1 year based on the market price of the Company's stock	4 years, but may range between 2 years to the full maturity of the Series 2023 Notes, depending on whether a Specified Event occurs and/or an Extension Option is elected (see below for further details)
Exercise Price	$1.40 at inception, adjusted downward based on antidilution provisions/downround protection	$0.92 at inception, adjusted downward based on antidilution provisions; also may be reduced by $0.10 if Extension Option is elected (see below)
Stated Interest	10% per annum, due semiannually	10% per annum, due semiannually, may be reduced to 1% if Specified Event (see below) occurs
Derivative Liability	$2,055,000 established at inception due to existence of antidilution provisions; revalued every quarter using Monte Carlo model	$9,212,285 established at inception due to existence of antidilution provisions; revalued every quarter using Monte Carlo model

Series A Notes

On November 3, 2014 ("Issue Date"), the Company issued, in a private placement pursuant to investment agreements, $19,848,486 principal amount of 10% PIK-Election Convertible Notes due 2018 ("Series A Notes") in exchange for $12,500,000 in cash and the cancellation of previously-issued warrants held by one investor.

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Below are key terms of the Series A Notes:

- Maturity- November 3, 2018, provided that the Stated Maturity Date may be extended to November 3, 2019 at the option of the Company (the "Extension Option") if (i) the Company has delivered written notice of its exercise of the Extension Option to the Holder not more than ninety (90) nor less than thirty (30) days prior to November 3, 2018 and (ii) the Company has delivered a certificate, dated as of November 3, 2018, certifying that no Default or Event of Default has occurred and is continuing; provided, further that the Stated Maturity Date shall be extended to the maturity date of the Series 2023 Notes or any Replacement Financing, as applicable, upon the occurrence of a Specified Event ("Specified Extension").

- Exercise Price- initially $0.92 per share and will be (i) adjusted from time to time pursuant antidilution provisions and (ii) reduced by $0.10 per share if the Company elects to exercise its Extension Option.

- Stated Interest: 10% payable semiannually in arrears, provided that the interest rate shall be reduced to 1% per annum on the principal amount of the Note upon the occurrence of the Specified Event, as defined below.

- Specified Event- means the event that may occur after the second anniversary of the Issuer Date if: (i) any amounts under the Series 2023 Notes or any Replacement Financing are outstanding, (ii) the VWAP for the preceding 30 consecutive Trading Days as determined by the Board of Directors of the Issuer in good faith is in excess of the Exercise Price, (iii) the closing Market Price of the Common Stock is in excess of the Exercise Price on the date immediately preceding the date on which the Specified Event occurs, (iv) no Default or Event of Default has occurred and is continuing and (v) the Issuer has delivered a certificate to each holder of Series A Notes certifying that the conditions set forth in clauses (i) through (iv) above have been met.

    - Extension Option- If stock price is lower than current exercise price ($0.92) prior to the stated maturity (November 3, 2018), then the Company can elect an Extension Option, whereby the maturity is extended by one year (see Maturity definition), but with a reduction in exercise price by $0.10.

- Liquidated Damages- The company is required to pay the noteholders 1% of the principal amount of the Series A Notes if a Registration statement is not filed and effective within 90 days of the inception date (and further damages for every 30 days thereafter). The Company has accrued $200,000 as Other Expense as of December 31, 2014 due to a delay in such filing.

- The number of shares issuable under the Notes may be affected by the antidilution provisions of the Notes. The antidilition provisions adjust the Exercise Price of the Notes in the event of stock dividends and splits, issuance below the market price of the Common Stock, issuances below the conversion price of the Notes, pro rata distribution of assets, rights plans, tender offers, and exchange offers.

Series 2023 Notes

In August 2013, the Company received $10,500,000 of financing through the private placement of 10% mandatory convertible Notes due 2023 ("Series 2023 Notes"). The principal amount of the Notes is due on maturity. The Company can elect to pay semi-annual interest on the Series 2023 Notes with additional PIK Notes containing the same terms as the Series 2023 Notes, except interest will accrue from issuance of such notes. The Company can also elect to pay interest in cash. In February 2014 and August 2014, the Company issued $525,000 and $551,250, respectively, in additional PIK Notes to the holders to pay the semi-annual interest.

The Series 2023 Notes convert into the Company's common stock at a conversion price of $1.40 per share, which is subject to customary anti-dilution adjustments; these antidilution adjustments reduced the conversion price to $1.36 after the issuance of the Series A Notes. As of issuance, the Series 2023 Notes were convertible into 7,500,000 shares of the common stock. The holders may convert the Series 2023 Notes at any time. The Series 2023 Notes are mandatorily convertible after one year when the weighted average trading price of a share of the common stock for the preceding ten trading days is in excess of the conversion price. The Series 2023 Notes contain customary representations and warranties and several covenants. The proceeds are being used for general corporate purposes. No broker was used and no commission was paid in connection with the sale of the Series 2023 Notes.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements between the Company and any other entity that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations as of December 31, 2014 that require us to make future cash payments. For contractual obligations, we included payments that we have an unconditional obligation to make:

	Payment due by period				
	Total	< 1 year	1 – 3 years	3 – 5 years	> 5 years
Contractual Obligations:					
Rent obligations	$309,871	$152,296	$157,575	--	--
Total	$309,871	$152,296	$157,575	--	--

Rent expense for the years ended December 31, 2014, 2013 and 2012 was $174,091, $164,961 and $138,100, respectively. Facility lease obligation is under a 2-year extension period and does not contain escalation clauses.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has no exposure to fluctuations in interest rates, foreign currencies, or other market factors.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Applied Minerals, Inc.

We have audited the accompanying consolidated balance sheets of Applied Minerals, Inc. (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2014. Our audits also included the financial statement schedule of Valuation and Qualifying Accounts included in Item 15(a)(2). We also have audited the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for these consolidated financial statements and financial schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A of the Company's December 31, 2014 annual report on Form 10-K. Our responsibility is to express opinions on these consolidated financial statements, financial schedule and the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of the internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that

transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Applied Minerals, Inc. as of December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial schedule referred to above, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information stated therein. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control - Integrated Framework issued by COSO.

/s/ EisnerAmper LLP

New York, New York

March 27, 2015

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APPLIED MINERALS, INC.

(An Exploration Stage Mining Company)

CONSOLIDATED BALANCE SHEETS

	December 31, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	$10,701,666	$8,685,552
Accounts receivable	112,831	5,756
Deposits and prepaid expenses	289,644	282,639
Total Current Assets	11,104,141	8,973,947
Property and Equipment, net	7,055,874	6,031,549
Other Assets		
Deferred Financing Costs	28,750	--
Deposits	268,937	209,791
Total Other Assets	297,687	209,791
TOTAL ASSETS	$18,457,702	$15,215,287
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$2,608,364	$1,580,146
Stock award payable	--	110,000
Current portion of notes payable	246,894	311,165
Total Current Liabilities	2,855,258	2,001,311
Long-Term Liabilities		
Long-term portion of notes payable	59,145	40,826
Warrant derivative	--	950,000
PIK notes payable, net of $18,400,297 and $2,020,750 debt discount, respectively	13,024,439	8,486,583
PIK Note derivatives	10,035,625	2,250,000
Total Long-Term Liabilities	23,119,209	11,727,409
Total Liabilities	25,974,467	13,728,720
Commitments and Contingencies (Note 15)		
Stockholders' (Deficit) Equity		

Preferred stock, $0.001 par value, 10,000,000 shares authorized, none issued and outstanding		
Common stock, $0.001 par value, 200,000,000 shares authorized, 95,054,552 and 94,646,013 shares issued and outstanding at December 31, 2014 and 2013, respectively	95,055	94,646
Additional paid-in capital	64,526,469	63,213,893
Accumulated deficit prior to the exploration stage	(20,009,496)	(20,009,496)
Accumulated deficit during the exploration stage	(52,128,793)	(41,812,476)
Total Stockholders' (Deficit) Equity	(7,516,765)	1,486,567
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	$18,457,702	$15,215,287

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

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APPLIED MINERALS, INC.

(An Exploration Stage Mining Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31,		
	2014	2013	2012
REVENUES	$234,221	$54,825	$165,742
OPERATING EXPENSES:			
Production costs	49,464	17,244	103,238
Exploration costs	4,626,139	4,551,666	3,542,977
General and administrative	5,195,830	8,569,413	6,541,043
Depreciation expense	1,164,366	317,570	280,991
Loss from disposition and impairment of land and equipment	--	2,482	9,913
Total Operating Expenses	11,035,799	13,458,375	10,478,162
Operating Loss	(10,801,578)	(13,403,550)	(10,312,420)
OTHER INCOME (EXPENSE):			
Interest expense, net, including amortization of deferred financing cost and debt discount	(1,667,285)	(497,187)	(12,993)
Gain on revaluation of warrant derivative	830,000	995,000	630,000
Gain (Loss) on revaluation of stock awards	110,000	44,000	(27,000)
Gain (Loss) on revaluation of PIK Note derivatives	1,470,798	(195,000)	--
Other expense	(258,252)	(6,789)	(9,986)
Total Other Income (Expense), net	485,261	340,024	580,021
Net loss	(10,316,317)		