

Applied Minerals, Inc.  
Form S-1  
September 22, 2016  
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As filed with the Securities and Exchange

Commission Registration No.

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

APPLIED MINERALS, INC.

(Name of small business issuer in its charter)

Delaware	1400	
(State of jurisdiction of	(Primary	82-0096527
incorporation	Standard Industrial (I.R.S. Employer	
or organization)	Classification	Identification No.)
	Code Number)	

110 Greene Street, Suite 1101, New York, NY 10012

(212) 226-4265

(Address and telephone number of principal executive offices and principal place of business)

William Gleeson

General Counsel

Applied Minerals,  
Inc.  
110 Greene Street –  
Suite 1101, New  
York,  
NY 10012 (212) 226-  
4251

(Name, address and telephone number of agent for service)

Approximate date of  
proposed sale to the  
public:

From time to time after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. X

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act Registration Statement number of the earlier effective Registration Statement for the same offering.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) X

Smaller reporting company

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Aggregate Offering Price per Security(1)		Proposed Maximum Aggregate Offering Price(1)		Amount of Registration Fee(1)(2)
Common Stock, par value \$0.001 per share	10,933,339	\$ 0.15	(2)	\$ 1,640,000		\$ 165
Common stock issuable upon exercise of Warrants	3,283,283	\$ 0.25	(3)	\$ 820,821		\$ 83
<b>TOTAL</b>	<b>14,216,622</b>			<b>\$2,460,821</b>		<b>\$ 248</b>

(1) In addition, pursuant to Rule 416 under the Securities Act of 1933, this Registration Statement includes an indeterminate number of additional shares as may be issuable on (a) the exercise of warrants as a result of antidilution provisions or (b) on then already issued shares as a result of stock splits, stock dividends or similar transactions, which occur during this offering.

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) of the Securities Act based on the average of the high and low quotations of our common stock, as reported on the

OTCBB quotation service on September 16, 2016.

(3) Exercise price of Warrants. Used for calculation of fee pursuant to Rule 457(g).

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Amendment to the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

**The prospectus contained in this registration statement is a combined prospectus relating to this registration statement and also to Registration Statements No. 333-202139 and 333-205179, which are registration statements on Form S-1, and Registration Statement No. 333-179139, which is a registration statement filed on Form S-3 and amended on Form S-1, in each case relating to the resale of shares of common stock of Applied Minerals, Inc.**

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**PROSPECTUS**

**APPLIED MINERALS, INC.**

55,066,635 Shares of Common Stock

This prospectus relates to the offer and sale by the Selling Stockholders, from time to time, of the following:

Up to 30,183,622 shares of Common Stock, issuable on conversion of certain 10% PIK-Election Convertible Notes due 2018 (the “Series A Notes” or the “Notes”) of which \$7,188,300 of principal amount is owned by Samlyn Offshore Master Fund, Ltd., \$3,836,700 of principal amount is owned by Samlyn Onshore Fund, L.P., \$888,615 of principal amount is owned by The IBS Turnaround Fund, L.P., \$1,867,635 of principal amount is owned by The IBS Turnaround Fund (QP) (A Limited Partnership) and \$584,656 of principal amount is owned by The IBS Opportunity Fund, Ltd. At the Company’s election, interest may be paid in cash or in Series A Notes (payment in the form of Notes is referred to as payment-in-kind or “PIK”). As of the date of this prospectus, 15,699,157 shares are issuable on conversion of the Series A Notes that were issued on November 3, 2014 (the date of the initial issuance of Series A Notes) and 2,474,580 shares are issuable on conversion of Series A Notes that have been issued as interest. If the Company issues additional Series A Notes in payment of interest and/or penalties, the number of shares that may be sold pursuant to this Prospectus will increase. If the Company makes all the interest payments by issuing additional Series A Notes and all the Series A Notes remain outstanding until maturity, the additional shares issuable on conversion of the Series A Notes could increase the number of shares issuable on conversion of the Notes by 12,009,885 shares. This number is based on the current conversion rate of \$0.83 and assumes that, per the terms of the Notes, the conversion price is decreased by \$0.10 after November 1, 2018, the interest is decreased to 1% after November 1, 2019 and the maturity date of the Notes is extended to August 1, 2023. Given the Company’s current financial position, it is anticipated that for the foreseeable future, the Company will likely pay interest using Series A Notes issued as payment-in-kind interest. The shares of Common Stock that may be issued on conversion of the Series A Notes are referred to as the “Shares.”

20,933,339 outstanding shares of Common Stock of which 10,933,339 were issued as part of the sale by the Company of 10,933,333 units on June 24, 2016, 6,150,000 are owned by Samlyn Offshore Master Fund, Ltd. and 3,850,000 are owned by Samlyn Onshore Fund, L.P.

666,391 shares of Common Stock issued as Liquidated Damages pursuant to Section 2c of the Registration Statement Agreement for the Series A Notes. Of these shares 333,443 are owned by Samlyn Offshore Master Fund, Ltd., 177,973 are owned by Samlyn Onshore Fund, L.P., 41,220 are owned by The IBS Turnaround Fund, L.P., 86,634 are owned by The IBS Turnaround Fund (QP) (A Limited Partnership) and 27,121 are owned by The IBS Opportunity Fund, Ltd.

3,283,283 shares of Common Stock issuable on the exercise of warrants.

The sellers of the Common Stock referred to above as collectively referred to as the “Selling Stockholders” and the shares referred to above as collectively referred to as the “Shares.

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The term “Selling Stockholders” includes the persons listed in the table under “Selling Stockholders ” and also donees, pledgees, transferees or other successors-in-interest selling Common Stock or interests in Common Stock received after the date of this prospectus from a Selling Stockholder as a gift, pledge, partnership distribution or similar transfer. The Selling Stockholders may sell all or any portion of their Common Stock in one or more transactions on any stock exchange, market or trading facility on which the shares are traded or in private, negotiated transactions. Each Selling Stockholder will determine the prices at which the Selling Stockholder’s securities will be sold. Although we will incur expenses in connection with the registration of the shares of Common Stock offered under this prospectus, we will not receive any proceeds from the sale of the shares of Common Stock by the Selling Stockholders. We will, however, receive the exercise price of \$0.25 per share for each share issued upon exercise of the Warrants. If all Warrants are exercised, we will receive \$820,821.

Our Common Stock is quoted on the OTCQB under the symbol “AMNL.” On September 16, 2016, the closing bid quotation of our Common Stock was \$0.14. Our principal executive offices are located 110 Greene Street, Suite 1101, New York, N.Y. 10012. Our telephone number is (212) 226-4265.

We may amend or supplement this prospectus from time to time by filing amendments or supplements as required. You should carefully read this entire prospectus and any amendments or supplements to this prospectus as well as material incorporated by reference into this prospectus before you make your investment decision.

*The shares of Common Stock offered under this prospectus involve a high degree of risk. See “Risk Factors” beginning at page 29.*

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The date of this prospectus is \_\_\_\_\_, 2016

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We have not authorized any person to give you any supplemental information or to make any representations for us. You should not rely upon any information about our Company that is not contained in, or incorporated by reference into, this prospectus or a supplement thereto. Information contained in this prospectus may become stale. You should not assume that the information contained in this prospectus or any prospectus supplement is accurate as of any date other than their respective dates, regardless of the time of delivery of this prospectus or of any sale of the shares. Our business, financial condition, results of operations and prospects may have changed since those dates.

The Selling Stockholders are offering to sell, and seeking offers to buy, Shares only in jurisdictions where offers and sales are permitted.

Unless otherwise specified or the context otherwise requires, references in this prospectus to the “Company,” “we,” “us,” and “our” refer to Applied Minerals, Inc., a Delaware corporation.

**NOTE REGARDING FORWARD LOOKING STATEMENTS**

This prospectus 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/or 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 “Business,” the Company discusses a wide range of forward-looking information, including the Company’s beliefs and expectations concerning business opportunities, potential sales, potential customer interest, customer activities (including but not limited to testing, scale-ups, production trials, field trials, product development), markets and potential markets, 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 forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section of this prospectus entitled “RISK FACTORS.”



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**PROSPECTUS SUMMARY**

*You should read this summary in conjunction with the more detailed information and financial statements in this prospectus and any supplement thereto. This summary does not contain all of the information you should consider before investing in our securities. You should read all of the information in this prospectus and any supplement thereto carefully, especially the risks of investing in our securities (see “Risk Factors”) before making an investment decision.*

*In this prospectus and any amendment or supplement hereto, unless otherwise indicated, the terms the “Company”, “we”, “us”, and “our” refer and relate to Applied Minerals, Inc.*

**Securities  
Being  
Offered**

This prospectus relates to the offer and sale by the Selling Stockholders, from time to time, of the following:

Up to 30,183,622 shares of Common Stock, issuable on conversion of certain 10% PIK-Election Convertible Notes due 2018 (the “Series A Notes” or the “Notes”) of which \$7,188,300 of principal amount is owned by Samlyn Offshore Master Fund, Ltd., \$3,836,700 of principal amount is owned by Samlyn Onshore Fund, L.P., \$888,615 of principal amount is owned by The IBS Turnaround Fund, L.P., \$1,867,635 of principal amount is owned by The IBS Turnaround Fund (QP) (A Limited Partnership) and \$584,656 of principal amount is owned by The IBS Opportunity Fund, Ltd. At the Company’s election, interest may be paid in cash or in Series A Notes (payment in the form of Notes is referred to as payment-in-kind or “PIK”). As of the date of this prospectus, 15,699,157 shares are issuable on conversion of the Series A Notes that were issued on November 3, 2014 (the date of the initial issuance of Series A Notes) and 2,474,580 shares are issuable on conversion of Series A Notes that have been issued as interest. If the Company issues additional Series A Notes in payment of interest and/or penalties, the number of shares that may be sold pursuant to this Prospectus will increase. If the Company makes all the interest payments by issuing additional Series A Notes and all the Series A Notes remain outstanding until maturity, the additional shares issuable on conversion of the Series A Notes could increase the number of shares issuable on conversion of the Notes by 12,009,885 shares. This number is based on the current conversion rate of \$0.83 and assumes that, per the terms of the Notes, the conversion price is decreased by \$0.10 after November 1, 2018, the interest is decreased to 1% after November 1, 2019 and the maturity date of the Notes is extended to August 1, 2023. Given the Company’s current financial position, it is anticipated that for the foreseeable future, the Company will likely pay interest using Series A Notes issued as payment-in-kind interest. The shares of Common Stock that may be issued on conversion of the Series A Notes are referred to as the “Shares.”

20,933,339 outstanding shares of Common Stock of which 10,933,339 were issued as part of the sale by the Company of 10,933,333 units on June 24, 2016, 6,150,000 are owned by Samlyn Offshore Master Fund, Ltd. and 3,850,000 are owned by Samlyn Onshore Fund, L.P.

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666,391 shares of Common Stock issued as Liquidated Damages pursuant to Section 2c of the Registration Statement Agreement for the Series A Notes. Of these shares 333,443 are owned by Samlyn Offshore Master Fund, Ltd., 177,973 are owned by Samlyn Onshore Fund, L.P., 41,220 are owned by the IBS Turnaround Fund, L.P., 86,634 are owned by The IBS Turnaround Fund (QP) (A Limited Partnership) and 27,121 are owned by The IBS Opportunity Fund, Ltd.

3,283,283 shares of Common Stock issuable on the exercise of warrants.

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The sellers referred to above as collectively referred to as the “Selling Stockholders” and the shares referred to above as collectively referred to as the “Shares.

The term “Selling Stockholders” includes the persons listed in the table under “Selling Stockholders ” and also donees, pledgees, transferees or other successors-in- interest selling Common Stock or interests in Common Stock received after the date of this prospectus from a Selling Stockholder as a gift, pledge, partnership distribution or similar transfer.

See “The Offering,” “Selling Stockholders,” and “Antidilution Provisions.”

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**Antidilution Provisions** The Series A Notes contain standard antidilution provisions whereby the conversion price of the Notes into Common Stock is reduced upon the occurrence of certain events, including sales of equity securities at price below market price and/or below the then conversion price. The conversion price has already been reduced from \$0.92 to \$0.83 due to the issuance of equity securities below the current exercise price in June, 2016. This reduction in the conversion price, and any further reduction, means that more shares of Common Stock would be issuable on conversion. The June 2016 Warrants also contain antidilution provisions but not antidilution provisions for sales of equity securities at price below market price and/or below the then conversion price See “Antidilution Provisions” for a detailed description of the antidilution provisions.

**Use of Proceeds** The Company will receive none of the proceeds from the sale of the Common Stock by the Selling Stockholders. The proceeds will go to the Selling Stockholders. See “Use of Proceeds.” However, if all of the June 2016 Warrants are exercised, we will receive \$820,821.

The Selling Stockholders may, from time to time, sell any or all of their Common Stock on any stock exchange, market or trading facility on which the Shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The Selling Stockholders may also engage in puts and calls and other transactions in our Common Stock or derivatives of our Common Stock and may sell or deliver the Common Stock in connection with these trades.

**Plan of**

**Distribution** Broker-dealers that may be engaged by the Selling Stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated.

See “Plan of Distribution.”

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Applied Minerals, Inc. (the “Company” or “Applied Minerals”) (OTCQB: AMNL) (OTCBB: AMNL) owns the Dragon Mine from which we extract, process and market halloysite clay and iron oxide for sale to a range of end markets. We also engage in research and development and frequently work collaboratively with potential customers to engineer our halloysite clay and iron oxide products to enhance the performance of our customers’ existing and new products.

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, which are not in either the development or production stage. In order to be classified as a development or production stage company, a company must have already established reserves. Notwithstanding the nature and extent of development-type or production-type activities that have been undertaken or completed, a company cannot be classified as a development or production stage company unless it has established reserves. The

**Business** mineralization indicated by the resource study is not a reserve for purpose of Industry Guide 7.

The Dragon Mine’s halloysite, marketed by Applied Minerals under the DRAGONITE™ trade name, is aluminosilicate clay with a hollow tubular morphology. DRAGONITE utilizes halloysite’s unique shape, high surface area, and reactivity to add significant functionality to applications such as plastic composites, flame retardant additives, paints and coatings, catalysts, and environmental remediation media. The Dragon Mine’s iron oxide is of high purity and is marketed under the Applied Minerals’ AMIRON™ trade name.

Over the last seven years, the Company has expended significant resources on R&D focused on exploiting the unique morphology of the mine’s halloysite and high purity of the mine’s iron oxide to develop high-value, eco-friendly solutions that either enhance product performance at minimal additional cost or reduce manufacturing costs without sacrificing product performance. We believe that DRAGONITE and AMIRON offer solutions that accomplish both of these objectives.

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The Company is marketing its halloysite-based DRAGONITE products for the following uses: flame retardant additives for plastics; nucleation of polymers; reinforcement fillers for polymers; molecular sieves and catalysts; ceramics; binders; cosmetics; cementing; controlled release carriers; and environmental remediation. The Company markets its AMIRON™ line of natural iron oxide-based products for the following uses: pigments and technical applications; adsorbents (iron oxide can be used to remove arsenic, copper, lead, chromium, cadmium from drinking water); and weighting agents for drilling muds used in oil and gas drilling. Other applications include iron oxide for agricultural use, as an additive in pet food, and for steel casing in foundries.

We have a mineral processing plant with a capacity of up to 45,000 tons per annum for certain applications. Currently, this facility is dedicated to processing our iron oxide resource. Additionally, the Company has a second processing facility with a capacity of up to 10,000 tons per annum that is dedicated to its halloysite resource. We use a dry beneficiation method to process our halloysite products through a micronizing system. Wet processing is available for some purposes through toll processors.

The Company markets and sells its products directly and through distributors. The Company's CEO spends a significant amount of his time on sales, marketing and product development. The Director of Sales focuses on the marketing of the Company's DRAGONITE products. The Head of Iron Oxide Operations focuses on the marketing of the Company's AMIRON products. The Company also uses several leading distribution organizations E.T. Horn, Brandt Technologies, LLC and Koda Distribution Group, to market its products. The Company has a non-exclusive distribution agreement with a distributor for Taiwan and an exclusive agreement with a distributor for Japan.

See "Business," "Properties," and "Financial Statements."



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**Risk Factors** An investment in our Common Stock is very speculative and involves a high degree of risk. If you decide to buy our Common Stock, you should be able to afford a complete loss of your investment. Among the risks are the following. You should read the full risk factor section within.

*Losses, deficits and the Company's ability to continue as a going concern.*

We have experienced operating losses for as long as we have financial records (since 1998). For the years ended December 31, 2015 and 2014 and for the six months ended June 30, 2016 and 2015, the Company sustained losses from operations of \$9,805,137, \$10,316,317, \$3,731,884 and \$6,923,341, respectively. At June 30, 2016 and December 31, 2015, the Company had accumulated deficits of \$85,675,310 and \$81,943,426, respectively. We have limited cash, negative cash flow, and unprofitable operations. We may need to seek additional financing to support our continued operations; however, there are no assurances that any such financing can be obtained on favorable terms, if at all, especially in light to the restrictions imposed on senior or pari passu financing by 10% PIK-Election Convertible Notes due 2018 ("Series A Notes") and 10% PIK-Election Notes due in 2023 ("Series 2023 Notes"). In view of these conditions, our ability to continue as a going concern may be dependent upon our ability to obtain such financing and is ultimately dependent on achieving profitable operations. The outcome of these matters cannot be predicted at this time.

*Maturity of outstanding PIK-election convertible notes.*

Unless the Company is able to generate significant cash flow, the Company may not have sufficient funds to pay outstanding PIK-Election Convertible Notes when such notes mature and unless the stock price increases significantly, the Company may not be able to force conversion of the notes before maturity.

*Penetrating markets*

For the Company to survive, we must penetrate our target markets and achieve sales levels and generate sufficient cash flow to break-even. To be a success, we must do better than that. There is significant uncertainty that we will be able to do so.

See "Risk Factors"



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**Common**

**Stock**

**Rights**

Holders of Common Stock are entitled to one vote per share. holders of Common Stock have no cumulative voting rights in the election of directors. Two shareholders have certain rights, which are described in the “Description of Capital Stock -- Common Stock,” to nominate directors.

Holders of Common Stock are entitled to receive ratably dividends if, as, and when dividends are declared from time to time by our Board of Directors out of funds legally available for that purpose, after payment of dividends required to be paid on outstanding preferred stock or series Common Stock. The Series 2023 Notes and Series A Notes prohibit dividends without the approval of the holders of a majority of the principal amount of the Series 2023 Notes and Series A Notes. The Company has never paid a dividend and does not anticipate paying one in the future.

See “Description of Capital Stock.”

**Market for Our Common Stock**

Our Common Stock is traded on the OTCBB. On September 16, 2016, the closing market price on the OTCQB was \$0.14.

See “Price Range of our Common Stock.”

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**INFORMATION ABOUT THE COMPANY**

Applied Minerals, Inc. (the “Company” or “Applied Minerals”) (OTCQB: AMNL) (OTCBB: AMNL) owns the Dragon Mine from which we extract halloysite clay and iron oxide, which we then process and sell. We also engage in research and development and frequently work collaboratively with potential customers to engineer our halloysite clay and iron oxide products to enhance the performance of our customers’ existing and new products.

The Dragon Mine is a 267-acre property located in central Utah, approximately 70 miles southwest of Salt Lake City, Utah.

We market our halloysite clay-based line of products under the tradename DRAGONITE. We market our iron oxide line of products under the tradename AMIRON.

**INFORMATION ABOUT THE DRAGON MINE**

***History of the Dragon Mine***

The Dragon Mine was first mined in the third quarter of the 19<sup>th</sup> century. It was mined for iron oxide from the late nineteenth century until approximately 1931 and it was mined for halloysite clay from approximately 1931 to 1976. From 1949 to 1976, the halloysite was sold for use as a petroleum cracking catalyst. No mining took place from 1976 until 2001 at which point the Company leased the property with an option to buy it. The Company purchased the property in 2005.

The Company acquired the Dragon Mine primarily to exploit the mine’s halloysite resources. Prior to a change in management in 2009, the Company did relatively little to explore the mineralization at the Dragon Mine or to identify and exploit markets for halloysite.

At the time that the Dragon Mine was acquired, it was assumed that the iron oxide mineralization would be useful only for steel making. Given historical market conditions, sales for such use would often not be economic and at best would yield marginal profits. It was not until 2009 that the Company explored the iron oxide mineralization and realized its high quality and the commercial possibilities it possessed. We believe the iron oxide deposit at the Dragon

Mine is a high-quality deposit due to its high Fe<sub>2</sub>O<sub>3</sub> content, relative chemical purity, good dispersibility, good tinting strength and color saturation, low color variation, low content of heavy metals, and high surface area (25 m<sup>2</sup>/g – 125 m<sup>2</sup>/g and reactivity).

***Dragon Mine's Mineralization***

There are two areas of the Dragon Mine mine site at which mining is conducted and they are referred to the “Dragon Pit” are and the “Western Area.” In addition, there are five surface piles on the site, mineralization that was left by prior operators.

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***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 of halloysite. The Dragon Pit contains 625,650 tons of this type of mineralized material.

The second type is comprised of a mix of kaolinite, illite-smectite, and halloysite clays. These clays are not used in our DRAGONITE products.

The third type of mineralized material found in the Dragon Pit is comprised of iron-bearing materials. This mineralization contains goethite and hematite. When dehydrated, goethite forms hematite. We will sometimes refer to either minerals or combinations of the minerals as “iron oxide.” The Dragon Pit contains 3,254,989 tons of this iron-bearing mineralization.

***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 clay. It is comprised primarily of a mix of kaolinite, illite-smectite, and halloysite clays. These clays are not used in our DRAGONITE products.

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 797,717 tons of this iron-bearing mineralization.



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### ***Surface Piles***

There are five surface piles that were created during the mining of halloysite clay between 1949 and 1976 when 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. These clays are not used in our DRAGONITE products.

### ***Resource Development/Exploration Drilling Expenses***

In 2015 and 2014, the Company spent \$4,245,478 and \$4,626,139, respectively, on exploration and resource development.

### ***More Detailed Description of the Mineralization 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. Halloysite is non-toxic and natural, demonstrating high biocompatibility without posing any risk to the environment.

Kaolinite is one of the world's most common minerals. U.S. production in 2014 was approximately 6.3 million tons.

Halloysite is, by comparison, a rarer mineral and we believe worldwide production is less than 25,000 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.

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

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

Mixtures of goethite and hematite are the color brown.

**STATUS OF THE COMPANY FOR SEC REPORTING PURPOSES**

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 (that is, 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. Notwithstanding the nature and extent of development-type or production-type activities that have been undertaken or completed, a company cannot be classified as a development or production stage company unless it has established reserves.

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, a competent professional engineer conducts 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 and an update 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, grad and

quantity that there are reasonable for prospects for eventual economic extraction,” a lower standard than that used for a final feasibility study. Among the differences between resources determined under the JORC Code and Industry Guide 7 is that under the JORC Code resources are measured in situ and are not net of diluting materials and mining losses, while under Industry Guide 7, the reserves are not measured in this fashion.

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Despite the fact that the Company has not established reserves for purposes of Industry Guide 7, 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.

**PROCESSING FACILITIES AT THE DRAGON MINE**

We have a mineral processing plant with a capacity of up to 45,000 tons per annum for certain applications. Currently, this facility is dedicated to processing our iron oxide resource. This facility involves a preliminary step of crushing the iron oxide in a crusher and a further step of pulverizing the iron oxide in our Hosokawa Alpine table roller mill. Depending on the customer's specifications, if we need only to process the iron oxide through the preliminary step of crushing, our production capacity would be significantly greater than 45,000 tons per annum.

Additionally, the Company has a second processing facility with a capacity of up to 10,000 tons per annum that is dedicated to its halloysite resource. We use a dry beneficiation method to process our halloysite products, which involves a preliminary step of crushing the halloysite clay in a crusher and a further step of micronizing the halloysite. The process may, in certain instances, utilize a low energy jet mill. Wet processing is available through toll processors for certain purposes.

If demand for halloysite increases beyond our current capacity, we may choose to outsource the processing of the mineral to a third party or invest in more processing capacity.

**MINING AND PROCESSING ACTIVITY IN 2015 AND 2014**

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, 2015 and 2014, respectively:

	<b>2015</b>	<b>2014</b>
<b>Tons extracted</b>		
Halloysite clay	550	650
Iron oxide	400	2,200
<b>Products produced (tons)</b>		
Halloysite clay	140	69
Iron oxide	750	166

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**SALE OF PRODUCTS**

AMIRON

At the current time, we are selling AMIRON iron oxide to one customer on an ongoing basis. That customer uses the AMIRON as a catalyst to adsorb a gas. The agreement with that company calls for the sale of \$5.0 million of AMIRON over a period of 18 months, which commenced in December, 2015. (The Company has agreed not to sell AMIRON to other customers for use in the same application for five years. The customer may elect to make another \$5 million purchase at the end of five years and extend the exclusivity for this application for a total of ten years.)

The Company is exploring whether AMIRON can be sold as an effective and cost-efficient substitute or partial substitute for barite as a weighting agent in certain drilling fluids used in the production of oil and gas. There is no certainty that the Company will be successful in penetrating this market. Additionally, the Company is pursuing opportunities for its AMIRON product line in the pigment market for paints and coatings and mulch colorants.

The path to commercialization begins with testing by the customer and ends with a customer's decision to commercialize the product after pilot scale production trials and, in certain cases, commercial scale production trials. The Company is working with many potential customers and individual potential customers are at different stages of the commercialization process. There is no certainty that any potential customer who tests our products will actually become a customer on an ongoing basis.

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## DRAGONITE

At the current time, the Company is selling halloysite on an ongoing basis to seven customers. One customer uses the halloysite to manufacture a specialty zeolite, which is used in an adsorption application. The initial purchase order of \$228,000 was placed in 2015. The Company also sells to three ceramic companies that use the halloysite as a binder; to a large manufacturing company that uses the halloysite in structural acrylic adhesives; to a customer that uses the halloysite to strengthen epoxy resins; and to a large manufacturer that uses the halloysite for nucleation in extruded polymers.

There is no certainty that any potential customer who tests our products will actually become a customer on an ongoing basis. The Company currently is cautiously optimistic that additional customers could become ongoing customers with additional revenue in 2016 or early 2017.

**Sales by Customer Use**

The table below discloses the percentage of total revenue by product category for the twelve months ended December 31, 2015 and 2014. “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 customer 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.

	<b>Percentages of Sales</b>	
	<b>Classified by</b>	
	<b>Customer Use</b>	
<b><i>Sales for:</i></b>	<b>2015</b>	<b>2014</b>
Commercial Production	70	70
Scale-Ups	20	26
Testing	10	2
Other	0	2
<b>Total</b>	<b>100</b>	<b>100</b>

**SALES AND MARKETING**

The Company markets and sells its products directly and through distributors. The Company's CEO spends a significant amount of his time on sales and marketing, directly and assisting the Company's sales staff, agents, and distributors. The Director of Sales focuses on the marketing of the Company's DRAGONITE products to high-value application markets and the establishment and management of relationships with distributors. The Head of Iron Oxide Operations focuses on the marketing of the Company's AMIRON products. The Company also uses several sales agents.



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E.T. Horn acts as exclusive distributor for AMIRON in the following states: Washington, Oregon, Idaho, Montana, Wyoming, California, Nevada, Utah, Arizona, New Mexico. It acts as exclusive distributor of DRAGONITE in those states plus Texas, Oklahoma, Arkansas, and Louisiana.

Brandt Technologies, LLC acts as exclusive distributor for DRAGONITE and AMIRON in North Dakota, South Dakota, Nebraska, Kansas, Missouri, Iowa, Minnesota, Wisconsin, Illinois, Indiana, Kentucky, Ohio, and Michigan.

Azelis, by itself and through its subsidiaries, Ribelin Sales, Inc., E.W. Kaufman Co., and GMZ Inc., acts as exclusive distributor for AMIRON in Mississippi. Alabama, Tennessee, Georgia, Florida, South Carolina, North Carolina, Virginia, West Virginia, Maryland, Delaware, Pennsylvania, New Jersey, Connecticut, New York, Vermont, Massachusetts, New Hampshire, and Maine. The Company intends to engage a distributor for DRAGONITE in these states.

The Company has a non-exclusive distribution agreement with a distributor for Taiwan and an exclusive agreement with a distributor for Japan. The Company is negotiating agreements with other distributors.

**APPLICATION MARKETS**

The following discusses the markets into which the Company is marketing its DRAGONITE and AMIRON products. It cannot be assured that we will be successful penetrating these markets. The discussion does not discuss certain problems of selling into these markets, which are discussed elsewhere in the Business section or in the Risk Factors section.

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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. 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.

Plastic manufacturers typically mix or load a small amount of flame retardant to plastic to lower the risk of flammability of their products. We believe that DRAGONITE can be used as a partial replacement for Alumina Trihydrate (ATH) and Magnesium Hydroxide (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. We believe that DRAGONITE, in conjunction with ATH and MDH, exhibits a synergistic performance without degrading the mechanical properties of a polymer matrix. Our research and development indicates that DRAGONITE can be used to replace 50% - 75% of antimony trioxide (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 \$5,000 per ton.

Generally speaking, we believe the use of DRAGONITE instead of other fire retardant products should allow a manufacturer to use less fire retardant. A further benefit of using DRAGONITE is that it may enable the manufacturer to reduce the weight of the manufactured part ("light-weighting").

Other clays compete in the markets for partially replacing ATH, MDH, and ATO.

The Company estimates the global demand for flame retardant additives to be approximately 2.2 million metric tons. It cannot be assured that we will be successful penetrating this market.

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

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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 can be increased by a nucleating agent.

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.

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

We believe DRAGONITE is one of only two products that can nucleate polyethylene. The other product, to the best of our knowledge, costs approximately \$30,000 per ton. Currently a very small portion of the polyethylene market is nucleated.

We believe DRAGONITE can also nucleate polypropylene.

It cannot be assured that we will be successful in further penetrating this market.

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**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”).

We believe that:

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: and

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. It cannot be assured that we will be successful in further penetrating this market.

***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. We believe that DRAGONITE works 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.

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It cannot be assured that we will be successful penetrating these markets.

***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 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. These include products such 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.

It cannot be assured that we will be successful in further penetrating this market.

***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. We believe that DRAGONITE, when used as a binder, also effectuates an improvement in the casting rate of the ceramic manufacturing process. This would equate to an increase in manufacturing efficiency.

It cannot be assured that we will be successful in further penetrating this market.

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***Cosmetics.*** Halloysite in DRAGONITE has a tubular shape that may be suited for an array of cosmetic applications. We believe 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. We believe that 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.

It cannot be assured that we will be successful in further penetrating this market.

***Cementing.*** The Company continues to market its DRAGONITE product to the cement admixture market as well as to consumers of high performance cement. Certain research demonstrates how DRAGONITE, when added to a cement formulation, results in significant improvements in tensile strength and compressive strength while also reducing in permeability. Cement and concrete mixtures, on their own, lack significant tensile strength and must often be reinforced with steel to achieve tensile strength required by many applications. One patent, published in April 2014 (US20140090842 A1), demonstrates how just a 1.5% loading of DRAGONITE to a cement mixture produces an increase in tensile strength of about 135%, a significant increase over a leading strength additive used in well cement. We believe the cementing market offers an attractive opportunity for DRAGONITE. The Company is pursuing a number of commercial trials with customers in the oil and gas and prefabricated-concrete industries.

It cannot be assured that we will be successful in further penetrating this market.

***Controlled Release Carriers.*** We believe that 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. We believe that 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. We believe that 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. We believe that 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.

It cannot be assured that we will be successful in further penetrating this market.

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***Environmental Remediation.*** We believe that 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. We believe that 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.

It cannot be assured that we will be successful in further penetrating this market.

AMIRON

The Company markets its AMIRON line of 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<sub>2</sub>O<sub>3</sub>. We believe that the iron oxide is of high chemical purity, possesses high surface area, fine grains, dispersability, good tinting strength, enhanced color saturation, low color variation, and a low level of heavy metals content, high surface area (25 m<sup>2</sup>/g – 125 m<sup>2</sup>/g and reactivity. For these reasons, we refer to the Dragon Mine's iron oxide resource as an "advanced" natural iron oxide.

***Pigments.*** We can produce natural iron oxide pigments. These compete with synthetic iron oxide pigments are produced from basic chemicals. The three major methods for the manufacture of synthetic iron oxides are thermal decomposition of iron salts or iron compounds, precipitation of iron salts usually accompanied by oxidation, and reduction of organic compounds by iron. Synthetic iron oxides account for approximately 80% of the market; natural iron oxides account for approximately 20%. Generally speaking, synthetic iron oxides cost much more to produce than natural iron oxides and sell for prices significantly in excess of natural iron oxides. Traditionally, natural iron oxides, due to their variance in quality, have not been able to compete with synthetic in the pigment market. We believe that the consistency of purity (high level of Fe<sub>2</sub>O<sub>3</sub>), desirable dispersibility, color consistency, and UV protection, as well as the lower price, of our iron oxide resource should enable us to compete to some extent with higher priced synthetic iron oxides.

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We currently market our AMIRON line of advanced natural iron oxide pigments for use as artistic paint, interior and semi-transparent and opaque exterior wood stain, semi-transparent cosmetics, food contact colorants, and pharmaceutical applications. We also market to the construction, wood coatings, paints and industrial coatings, plastic and rubber markets, semi-transparent cosmetics, food contact colorants, and pharmaceutical applications.

**Technical applications.** Among the technical applications for our AMIRON are the following: adsorbents (iron oxide can be used to remove arsenic, copper, lead, chromium, cadmium from drinking water and to remove moisture from gases. Other applications include iron oxide for agricultural use, as an additive in pet food, and for steel casing in foundries.

We believe we have identified a market opportunity for our AMIRON to be used as a weighting agent for oil and gas drilling fluids. Currently, barite and hematite are commonly used weighting agents. The estimated current annual U.S. consumption of barite for use as a weighting agent in oil and gas drilling fluids is approximately 3 million metric tons. The Company has had one of its AMIRON products, "OH50," assessed as a weighting agent by a third-party lab focused on the testing of oilfield products. We believe the results from the testing demonstrate that AMIRON OH50 is a viable weighting agent alternative to existing solutions. A number of potential customers focused on the manufacturing and/or distribution of oilfield products are assessing AMIRON for use in this application.

The Company encounters challenges in marketing DRAGONITE. In particular, the company must compete on price and quality in relation to competitive materials.

It cannot be assured that we will be successful in further penetrating these markets.

## **THE SALES PROCESS**

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

## DRAGONITE

The Company markets its DRAGONITE into two general types of application markets.



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The first type is a market in which halloysite has not been previously used, or is to be used as an additive in substitution 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. Sales of this type require working with the potential customers' existing formulations, which can vary from potential customer to potential customer. This could include identifying a solution, such as (i) surface coating or (ii) when to introduce DRAGONITE into the formulation or (iii) the conditions under which it should be introduced or (iv) changes, deletions, additions, or substitutions involving other elements of the customer's formulation. Without customer collaboration, DRAGONITE could be unsuccessful in achieving the customer's goals. This process can take an extended period of time (years in the case of discoloration of polymers as a result of the introduction of DRAGONITE) and, in some cases, there is no solution.

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 this type of market, price can be an important consideration and in some cases, we are not able to compete.

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.

AMIRON

The Company encounters the same types of challenges marketing AMIRON, as it faces in marketing DRAGONITE. In particular, the company must compete on price and quality in relation to competitive materials.

It cannot be assured that we will be successful in further penetrating these markets.



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**RESEARCH, DEVELOPMENT AND TESTING**

The Company's research and development and testing efforts are focused on the continued creation of commercial applications for our halloysite-based products and our iron oxides. The Company conducts significant research and development efforts internally and occasionally through consultants. The Company also conducts product research and development collaboratively with customers and potential customers.

In 2015 and 2014, the Company spent \$181,821 and \$403,212 for testing and research, respectively. In the first six months of 2016, the Company spent \$36,526 testing and research

**TRADEMARKS and PATENTS**

We have trademarked the name DRAGONITE and AMIRON. We believe these trademarks are important to the successful marketing of our product offering.

**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. 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 Safety Data Sheets (SDS) 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.



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In March, 2016, OSHA adopted a final rule limiting workers' exposure to respirable crystalline silica. The rule reduces the permissible exposure limit (PEL) for respirable crystalline silica to 50 micrograms per cubic meter of air, averaged over an 8-hour shift and requires employers to: use engineering controls (such as water or ventilation) to limit worker exposure to the PEL; provide respirators when engineering controls cannot adequately limit exposure; limit worker access to high exposure areas; develop a written exposure control plan, offer medical exams to highly exposed workers, and train workers on silica risks and how to limit exposures. MSHA has indicated that it is likely to adopt a similar rule. The effect of such rules on the Company is not known at this time.

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.

**EMPLOYEES**

As of September 1, 2016, Applied Minerals, Inc. had 28 employees. None of our employees are covered by a collective bargaining agreement, we have never experienced a work stoppage, and we consider our labor relations to be excellent.

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**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, 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 significantly and adversely affect our business.

**SPECIFIC RISKS APPLICABLE TO APPLIED MINERALS**

**LOSSES, DEFICITS, GOING CONCERN.**

We have experienced annual operating losses for as long as we have financial records (since 1998). For the years ended December 31, 2015 and 2014, the Company sustained losses from operations of \$9,916,808 and \$10,801,578, respectively. For the six months ended June 30, 2016 and 2015, the Company sustained losses from operations of \$2,399,009 and \$ 5,478,733, respectively. At December 31, 2015 and June 30, 2016, the Company had accumulated deficits of \$81,943,426 and \$85,675,310, respectively. We have limited cash, negative cash flow, and unprofitable operations. We may need to seek additional financing to support our continued operations; however, there are no assurances that any such financing can be obtained on favorable terms, if at all, especially in light to the restrictions imposed on senior or pari passu financing by 10% PIK-Election Convertible Notes due 2018 and 10% PIK-Election Notes due in 2023. In view of these conditions, our ability to continue as a going concern may be dependent upon our ability to obtain such financing and is ultimately dependent on achieving profitable operations. The outcome of these matters cannot be predicted at this time.

**MATURITY OF OUTSTANDING PIK-ELECTION CONVERTIBLE NOTES.**

Unless the Company is able to generate significant cash flow, the Company may not have sufficient funds to pay outstanding PIK-Election Convertible Notes when such notes mature and unless the stock price increases

significantly, the Company may not be able to force conversion of the notes before maturity.

The Company has two series of convertible, PIK notes outstanding, 10% PIK-Election Convertible Notes due 2018 ("Series A Notes") and 10% PIK-Election Notes due in 2023 ("Series 2023 Notes"). As of September 16, 2016, the outstanding balance of the Series A Notes was \$22,977,100 and the outstanding balance of the Series 2023 Notes was \$14,071,004. If the Company continues to pay interest with PIK Notes, the outstanding balances will increase significantly before maturity.

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*Series 2023 Notes.* The 2023 Notes are convertible at the option of the noteholder at any time. The entire principal amount of the Series 2023 Notes and accrued interest shall be mandatorily converted into such number of shares that both or the following conditions are satisfied: (i) the weighted average trading price of a share of the Common Stock on the principal market for trading of the Common Stock, for the preceding ten (10) trading days, is in excess of the strike price, which is currently \$1.28 per share, and (ii) either (x) a registration statement is effective and available for the resale of all of the holder's shares on the conversion date and each of the five trading days prior to the conversion date and on the conversion date the holder is not restricted from selling or distributing any of such holder's shares pursuant to the provisions of the registration rights agreement or (y) the holder may sell all such shares immediately under Rule 144 under the Securities Act.

The Series A Notes initially mature in 2018 but the maturity may, under certain circumstances, be extended until 2019 and under other circumstances may be extended until 2023. The holders may convert the Series A Notes at any time. The Series A Notes are mandatorily convertible by the Company at any time that is two years after issuance only if either of the following conditions exist: (A) (i) the maturity date of the Series A Notes has not been extended, (ii) the VWAP over the preceding 1 trading days is at or in excess of \$1.00 per share, (iii) the closing market price of the Common Stock is at or in excess of \$1.00 per share on the day before a mandatory conversion notice is issued, (iv) all outstanding amounts, if any, of the Series 2023 Notes or replacement financing for the Series 2023 Notes have been converted into Common Stock and (v) a registration statement is effective or a holder of the Series A Notes may sell the conversion shares under Rule 144 or (B) (i) the VWAP over the preceding 20 trading days is in excess of the greater of \$1.40 per share, the conversion price of the Series 2023 Notes (currently a \$0.83 per share), if any, and the conversion price of the replacement financing, if any, (ii) the closing market price of the Common Stock is in excess of the greater of \$1.40 per share, the conversion price of the Series 2023 Notes, if any, and the conversion price of the replacement financing, if any, on the day before a mandatory conversion notice is issued, (iii) all outstanding amounts, if any, of the Series 2023 Notes or replacement financing have been converted into Common Stock and (v) a registration statement is effective or a holder of the Series A Notes may sell the conversion shares under Rule 144. The Series A Notes can mature earlier in the event of an event of default under the terms of the Series A Notes. There is not now, and the Company does not anticipate the occurrence of an Event of Default.

## PENETRATING MARKETS

For the Company to survive, we must penetrate our target markets and achieve sales levels and generate sufficient cash flow to break-even. To be a success, we must do better than that. As outlined below, and in light of the disclosures above, there is significant 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.



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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 (some of whom can be resistant) on whether our product actually works for the manufacturer's particular need, the benefits of our material, and how to test and 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 to assure that our products provide the desired results, do not adversely affect the customer's product and do not interfere with the other constituents of the customer's product. 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 same or similar 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 have 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 than 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. Because individual halloysite and iron oxide deposits can differ in significant respects, we may have to demonstrate that our halloysite or iron oxide will actually work for the manufacturer's particular need and thus we can encounter the problems discussed in the second paragraph of this section.

## COMPETITION

### *Competition from Other Miners of Halloysite*

Currently there is limited competition involving the sale of halloysite-based products in our advanced applications target markets. If our DRAGONITE penetrates our advanced application target markets, we may face significant competition from operators of halloysite clay deposits in other locations around the world as well as 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.



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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 can 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 than 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 handpicking.

Nevertheless, there are many other deposits of halloysite around the world and in the U.S, including one adjacent to the Dragon Mine property, which, to our knowledge, sells halloysite as a component in cement at a relatively low price. There is a commercial halloysite mine in New Zealand. There are other production mining operations in China and Turkey that can produce halloysite at a low cost. Whether halloysite from any of these deposits will compete with our 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, prices or margins in advanced applications, such competition could arise and could adversely affect sales and margins and such competition would be based on performance and/or price.

### ***Competition from Suppliers of Alternative Solutions to Halloysite***

When we market halloysite for use in situations halloysite has not been previously used, or is to be used as an additive in substitution for another additive, to enhance certain functionality of an application we will face competition from suppliers of other solutions and the competition will be based on performance and/or price.

### ***Iron Oxide***



We expect to compete with companies that, in some cases, may be larger and better capitalized than us. Because individual iron oxide deposits can differ in significant respects, our iron oxide may not be suitable for certain uses and we may have to demonstrate that our halloysite or iron oxide will actually work for the manufacturer's particular need and we can encounter the problems in getting manufactures to test our product and if successful, to use our iron oxide.

### *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 iron oxides products. 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.

**OTHER MORE GENERALIZED RISKS AND 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 and cost 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;

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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 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/or 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, including mine closure. 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.

**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.

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DRAGON MINE

The Dragon Mine property, located in Juab County, Utah, within the 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 brought to the property from a source located approximately 1.5 miles from the site and there was no evidence of a water source on the property.

The property is located in the Tintic District of Utah, covering approximately 267 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. We leased the property in 2001 and in 2005, we purchased the property for \$500,000 in cash. As more fully explained in the "Business" section, the property has two mining areas, the Dragon Pit, which contains high purity halloysite, Dragon mixed clays and iron oxide, and the Western Area, which contains mixed clays and iron oxides. On the property, there are also five large waste piles containing significant amounts of clay.

The Company has two dry-process facilities at its Dragon Mine property. One facility, dedicated to processing the iron oxide resource, 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 is dedicated to the halloysite clay resource and has an annual capacity of up to 10,000 tons per year.

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We believe the physical plant and equipment utilized at the Dragon Mine are in satisfactory condition to continue our current activities. 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 rather than own or lease to own. The Company uses diesel fuel and electricity as its primary sources 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.

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 will be necessary before a “bankable” or “final” feasibility study can be prepared for the Company.

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.

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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.

IDAHO PROPERTIES

The Company, through its 53% ownership of Park Copper and Gold Mining Company Limited, a Idaho corporation and an administratively dissolved subsidiary of the Company, owns an interest in 100 acres of patented mining claims.

**LEGAL PROCEEDINGS**

As of the date of this prospectus, there is no pending or threatened litigation. 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.



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**MARKET PRICES FOR OUR COMMON STOCK**

Our Common Stock is quoted on OTCQB under the symbol “AMNL”.

The following table sets forth the high and low bid quotations per share of our Common Stock for the periods indicated. The high and low bid quotations reflect inter- dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

<b>2014</b>	<b>High</b>	<b>Low</b>
First Quarter	\$1.09	\$0.69
Second Quarter	\$0.85	\$0.60
Third Quarter	\$0.86	\$0.67
Fourth Quarter	\$0.78	\$0.59

<b>2015</b>	<b>High</b>	<b>Low</b>
First Quarter	\$0.74	\$0.63
Second Quarter	\$0.75	\$0.54
Third Quarter	\$0.56	\$0.22
Fourth Quarter	\$0.43	\$0.16

<b>2016</b>	<b>High</b>	<b>Low</b>
First Quarter	\$0.33	\$0.15
Second Quarter	\$0.24	\$0.12
Third Quarter through September 16, 2016	\$0.19	\$0.14

Record holders

As of September 16, 2016, there were approximately 813 holders of record of our common stock. This number does not include shareholders, estimated at 1,300, 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 relating to the declaration or payment of dividends under the terms of the Series A and the Series 2023 Notes.

## **EQUITY COMPENSATION PLANS**

Under the Applied Minerals, Inc. 2012 Long-Term Incentive Plan (“LTIP”), 8,900,000 shares were authorized for issuance. The CEO, the CFO, named executive officers, and directors, among others, are eligible to participate in the LTIP. Prior to the adoption of the LTIP, stock options were granted under individual arrangements between the Company and the grantees and approved by the Board of Directors.

Table Of Contents**Equity Compensation Information****As of December 31, 2015**

	<b>Number of securities to be issued upon exercise of outstanding options, warrants, and rights</b>	<b>Weighted-average price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Equity compensation plans approved by security holders	6,063,061	\$ 1.27	1,151,133
Equity compensation plans not approved by security holders	12,622,520 (1)	\$ 0.87	N/A
Total	18,685,581	\$ 1.00	

(1) Options to purchase common stock were issued under individual compensation plans prior to the adoption of the LTIP as follows: (a) 9,487,930 options were granted to Material Advisors LLC, the entity that provided management personnel to the Company from 2009 to 2013. Mr. Zeitoun was allocated 60% of the options and the other members of Material Advisors LLC, Christopher Carney and Eric Basroon (Mr. Zeitoun's brother-in-law and Vice President of Business Development), were allocated 20% each. 6,583,277 options have an exercise price of \$0.70 per share, vested over three years from 2009-2011, and have a ten-year term. 2,904,653 have an exercise

price of \$0.83 per share, vested over one year in 2012, and have a ten-year term; (b) 400,481 options were granted to directors in four grants during 2011 and 2012 with exercise prices ranging from \$0.83 per share to \$1.24 per share. The options had vesting periods of one year and have five-year terms. 430,481 of these options were still outstanding at December 31, 2015; (c) 650,000 options were granted in two grants to a now-former director during 2008 and 2009 in his capacity as an employee and a consultant. The exercise price was \$0.70 per share, the options vested immediately and have a ten-year term; (d) 1,622,769 options were granted to employees and consultants in five grants during 2011 and 2012. The exercise prices range from \$0.78 per share to \$2.00 per share, vesting periods ranged from one to three years, and the terms are five or ten years; and (e) 461,340 options were granted to an investment bank in April of 2011 for financial advisory services provided to the Company. The exercise price of the options was \$1.15 per share, they vested immediately and has a term of ten years. All of the foregoing options had an exercise price at or above the market price of the common stock on the date of grant.

Table Of Contents**STOCK PERFORMANCE GRAPH**

	<b>Dec-10</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15</b>
Applied Minerals, Inc.	\$ 100	\$ 159	\$ 193	\$ 138	\$ 91	\$ 35
iShares Russell Microcap ® Index ETF	\$ 100	\$ 89	\$ 105	\$ 150	\$ 154	\$ 144
S&P Metals & Mining Index ETF	\$ 100	\$ 72	\$ 67	\$ 63	\$ 47	\$ 23

\* Cumulative return assumes a \$100 investment of each respective security at December 31, 2010.

**SELECTED FINANCIAL DATA**

Year Ended December 31 (in 000's except per share data)	2015	2014	2013	2012	2011
Revenue	\$507.5	\$234.2	\$54.8	\$165.7	\$93.0
Loss from continuing operations	\$(9,805.1 )	\$(10,316.3 )	\$(13,063.5 )	\$(9,732.4 )	\$(7,424.5 )
Net loss	\$(9,805.1 )	\$(10,316.3 )	\$(13,063.5 )	\$(9,732.4 )	\$(7,430.3 )
Loss from continuing operations - basic	\$(0.10 )	\$(0.11 )	\$(0.14 )	\$(0.11 )	\$(0.10 )
Net loss - basic	\$(0.10 )	\$(0.11 )	\$(0.14 )	\$(0.11 )	\$(0.10 )
Loss from continuing operations - diluted	\$(0.10 )	\$(0.11 )	\$(0.14 )	\$(0.11 )	\$(0.10 )
Net loss - diluted	\$(0.10 )	\$(0.11 )	\$(0.14 )	\$(0.11 )	\$(0.10 )
Cash and equivalents	\$1,803.1	\$10,701.7	\$8,685.6	\$3,356.1	\$10,170.5
Total assets	\$8,339.4	\$18,457.7	\$15,215.3	\$7,818.5	\$12,874.8

Long-term liabilities	\$22,245.4	\$23,119.0	\$11,727.4	\$2,129.4	\$3,452.8
Shareholders' equity (deficit)	\$(15,739.7)	\$(7,517.0 )	\$1,486.6	\$3,966.2	\$8,828.4

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has no virtually exposure to fluctuations in interest rates or foreign currencies.

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**CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS**

**ON ACCOUNTING AND FINANCIAL DISCLOSURE**

During the years ended December 31, 2015 and 2014, there were no disagreements with our independent registered public accounting firm.

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Table Of Contents**INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS****Identification of Directors and Officers**

The following table provides the names, positions, ages and principal occupations of our current directors, and our executive officers.

<b>Name and Position with The Company</b>	<b>Age</b>	<b>Director<sup>1</sup>/Officer Since</b>	<b>Principal Occupation</b>
Mario Concha	76	Non-Executive Chairman since 2016, Director since 2013	President ,Mario Concha & Associates
John F. Levy	61	Non-executive Chairman 2009-2016, Non-executive Vice Chairman sine 2016; Director since January 2008	CEO of Board Advisory
Robert T. Betz	74	Director since 2014	Owner, Personal Care Ingredients
David A. Taft	59	Director since 2008	President, IBS Capital, LLC
Bradley Tirpak	46	Director since 2015	Professional Investor
Ali Zamani	36	Director since 2014	Portfolio Manager at Genifor Capital Management
Andre M. Zeitoun	43	Director, President and CEO since January 2009	President and CEO of Applied Minerals, Inc.
Christopher T. Carney	46	Officer since August 2015	Chief Financial Officer
William Gleeson	73	Officer since September 2011	General Counsel

- (1) The directors are elected to serve until the next annual meeting of shareholders. Officers serve at the pleasure of the Board.

**Background of Directors and Officers***Mario Concha, Chairman and Director*



Mr. Concha is the President of Mario Concha and Associates, LLC, a firm providing consulting services to senior executives and members of boards of directors. In addition to providing consulting services, he has served as a director of The Plaza Group, a chemical marketer; Arclin, Ltd., a manufacturer of specialty resins; and Auro Resources, Corp, a mineral exploration company with holdings in Colombia's gold region. Prior to founding Mario Concha and Associates in 2005, Mr. Concha was an officer of Georgia Pacific Corporation and president of its Chemical Division from 1998 to 2005. Prior to Georgia Pacific, Mr. Concha participated in the formation of GS Industries, a manufacturer of specialty steels for the mining industry, through a leveraged buyout of Armco Inc's Worldwide Grinding Systems Division. He then served as President of its International Division from 1992 to 1998. From 1985 to 1992, Mr. Concha was Vice President-International for Occidental Chemical Corporation. Prior to OxyChem, he served in several senior management positions at Union Carbide Corporation in the United States and overseas.

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Mr. Concha is a graduate of Cornell University with a degree in Chemical Engineering. He is a member of the American Chemical Society and of the American Institute of Chemical Engineers.

*Key attributes, experience and skills:* Mr. Concha has over 40 years experience as a hands-on corporate executive. He has first-hand industry knowledge, gained from senior executive positions in various industries, including chemicals, plastics, forest products, metals, and mining. In addition to manufacturing operations, he has had extensive involvement in marketing, sales, and finance. Mr. Concha also brings corporate governance experience, having served on both public and private company boards.

John F. Levy, Non-Executive Vice Chairman and Director

Since May 2005, Mr. Levy has served as the Chief Executive Officer of Board Advisory, a consulting firm that advises public companies in the areas of corporate governance, corporate compliance, financial reporting, and financial strategies. Mr. Levy currently serves on the board of directors of four public companies including Applied Minerals. Mr. Levy has been a director of China Commercial Credit, a publicly held Chinese micro-lender, since 2013. Mr. Levy has been a director of Takung Art Co., Ltd. since March, 2016. The Hong Kong-based company is an online trading platform for acquiring shared ownership in Asian fine art, jewelry and precious gems. Mr. Levy has been a director of Washington Prime Group, Inc. since June, 2016 for which he is the Chair of the Company's Audit Committee and a member of its Governance and Nominating Committees. From 2009 through February 2015, Mr. Levy was a director and audit committee member of Applied Energetics, Inc. (AERG), a publicly-traded company that specialized in the development and application of high power lasers, high voltage electronics, advanced optical systems, and energy management systems technologies, since 2009. From 2006 to 2013, Mr. Levy was a director and chair of the audit committee of Gilman Ciocia, Inc. (GTAX), a publicly traded financial planning and tax preparation firm and served as lead director from 2007 to 2013. From 2010 to 2012, he served as director of Brightpoint, Inc. (CELL), a publicly traded company that provides supply chain solutions to leading stakeholders in the wireless industry. From 2008 through 2010, he served as a director of Applied Natural Gas Fuels, Inc. (formerly PNG Ventures, Inc.). From 2006 to 2010, Mr. Levy served as a director and Audit Committee chairman of Take Two Interactive Software, Inc., a public company, which is a global developer and publisher of video games best known for the Grand Theft Auto franchise. Mr. Levy served as Interim Chief Financial Officer from 2005 to 2006 for Universal Food & Beverage Company, which filed a voluntary petition under the provisions of Chapter 11 of the United States Bankruptcy Act on August 31, 2007. Mr. Levy is a frequent speaker on the roles and responsibilities of Board members and audit committee members. He has authored *The 21st Century Director: Ethical and Legal Responsibilities of Board Members*; *Acquisitions to Grow the Business: Structure, Due Diligence, Financing*; *Creating the Best Projections You Can: Insights Techniques*; and *Ethics and Sustainability: A 4-way Path to Success and Finance and Innovation: Reinvent Your Department and Your Company*. All five courses have initially been presented to various state accounting societies.

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Mr. Levy is a Certified Public Accountant with nine years experience with the national public accounting firms of Ernst & Young, Laventhol & Horwath, and Grant Thornton. Mr. Levy has a B.S. degree in economics from the Wharton School of the University of Pennsylvania and received his M.B.A. from St. Joseph's University (PA).

*Key attributes, experience and skills:* Mr. Levy has over 35 years of professional experience involving accounting, auditing, financial reporting, corporate governance and compliance matters, including having served as Chief Financial Officer of both public and private companies for over 13 years. Mr. Levy brings to the board expertise in corporate governance and compliance matters along with extensive experience gained from numerous senior executive positions with public companies. Further, Mr. Levy's service on the boards of directors of public companies in a variety of industries also allows him to bring a diverse blend of experiences to the Company's board.

Robert T. Betz

From 2000 through his retirement in 2002, Mr. Betz was the President of Cognis Corp., the North American division of Cognis GmbH, a \$4 billion worldwide supplier of specialty chemicals and nutritional ingredients spun off from Henkel AG & Company ("Henkel"). From 1989 through 2000, Mr. Betz held a number of management positions at Henkel including Executive VP and President of its Emery Group, a leading manufacturer of oleochemicals, and President of its Chemicals Group for North America.

From 1979 through 1989, Mr. Betz worked in a number of manufacturing and operations capacities for the Emery Division of National Distillers and Chemicals Corp., eventually rising to President of the division. Mr. Betz began his career in the specialty chemicals industry by joining Emery Industries in 1963. Between 1963 and 1979 he worked for the company as Market Development Representative, Manager of Corporate Planning, Vice President of Operations - Emery (Canada), Manager of Commercial Development, and General Manager of Business Groups. Emery Industries was sold to National Distillers and Chemicals Corp. in 1979.

Since 2003, Mr. Betz has been the owner of Personal Care Ingredients, LLC, a privately owned marketer of natural products to the personal care industry. Mr. Betz also serves as a director for Bio-Botanica, a manufacturer of natural extracts, and The Plaza Group, a marketer of petrochemicals.

Mr. Betz holds a B.S. in Chemical Engineering and an M.B.A. from the University of Cincinnati. He's also attended the Program for Management Development at Harvard University.

*Key attributes experience and skills.* During Mr. Betz's career, he has been involved in developing new products or new markets for existing products. Several of these products grew into sizeable businesses. He managed multiple

chemical manufacturing facilities and managed a multi-billion dollar polyethylene business. He was responsible for profit and loss for businesses with sales of \$900 million. While heading the chemical operations, he was responsible for all aspects of the business: manufacturing, sales, R&D, IT, HS&E, HR, purchasing, engineering, and legal. His career has continuously involved developing, manufacturing, and selling products directed at most of the markets that Applied Minerals is attempting to penetrate. Since his retirement, he has served on the boards of three chemical-related, private companies: Plaza, Syrgis, and Bio-Botanica..

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David A. Taft, Director

Mr. Taft is the President of IBS Capital LLC, a private investment company based in Boston, Massachusetts, which he founded in 1990. Prior to founding IBS Capital LLC, Mr. Taft spent ten years working in corporate finance with Drexel Burnham Lambert, Winthrop Financial and Merrill Lynch. Mr. Taft is a graduate of Amherst College and Amos Tuck School of Business Administration at Dartmouth College.

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*Key attributes, experience and skills:* Mr. Taft has over 30 years experience as a corporate investment banker and the manager of IBS Capital LLC, a private investment fund. Mr. Taft brings significant leadership, financial expertise, business development skills, and corporate restructuring experience to the Company's Board of Directors. The investments Mr. Taft has made through his management of the IBS Turnaround Fund has, on occasion, required him to advise companies on issues such as corporate governance, capital raising, balance sheet restructuring, and general business strategy. IBS Capital LLC, under Mr. Taft's direction, has been a large shareholder of Applied Minerals, Inc. for a number of years.

Bradley Tirpak, Director

Mr. Tirpak is a professional investor with twenty years of investing experience who has been a portfolio manager at Credit Suisse First Boston, Caxton Associates, and Sigma Capital Management. He is currently the Managing Member of various investment partnerships. Between 1993 and 1996, he was the founder and CEO of Access Telecom, Inc., an international telecommunications company doing business in Mexico. Mr. Tirpak has served as a director and Chairman of the Board of Directors of Full House Resorts, Inc. since 2014. Mr. Tirpak served as a director of USA Technologies, Inc. from 2010 to 2012. Mr. Tirpak earned a B.S.M.E. from Tufts University and earned his M.B.A. from Georgetown University.

*Key attributes, experience and skills:* Mr. Tirpak has knowledge and experience in managing investments and serving on public company boards. In addition to his financial expertise, Mr. Tirpak has extensive experience in corporate governance, strategy and capital allocation.

Ali Zamani, Director

Ali Zamani has served as a Portfolio Manager at Gefinor Capital Management since February 2014 and as Chief Investment Officer of the GEF Opportunities Fund, an opportunistic, value-oriented, liquid public markets fund. Prior to Gefinor, Ali Zamani was a Principal at SLZ Capital Management, a New York-based asset management firm, from July 2012 to December 2013. Prior thereto, he was a Portfolio Manager at Goldman Sachs from 2004 to 2012 where he focused on the energy, materials, utilities and industrials sectors. From 2002 to 2004, Mr. Zamani was a mergers and acquisitions analyst at Dresdner Kleinwort Wasserstein, a boutique New York-based investment bank focused on the energy and utilities sectors.

Mr. Zamani holds a B.S. in Economics from the Wharton School at the University of Pennsylvania, where he graduated magna cum laude.

*Key attributes, experience and skills:* Mr. Zamani has over 14 years of financial industry experience, including 8 years as a senior investment professional at Goldman Sachs & Co. Mr. Zamani brings significant capital markets expertise, including extensive mining and industrial sector investing experience. Additionally, Mr. Zamani brings a unique shareholder/investor perspective to the board having been a major shareholder in numerous similar companies over his career.

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Andre M. Zeitoun, Chief Executive Officer, President, Director

Mr. Zeitoun is President and CEO and has served in those positions since January 1, 2009.

Mr. Zeitoun was a Portfolio Manager at SAC Capital/CR Intrinsic Investors from March 2007 through December 2008. At SAC, he led a team of six professionals and managed a several hundred million dollar investment portfolio focused on companies that required a balance sheet recapitalization and/or operational turnaround. Many of these investments required Mr. Zeitoun to take an active role in the turnaround process. From 2003 to 2006, Mr. Zeitoun headed the Special Situations Group at RBC Dain Rauscher as a Senior Vice President and head of the division. He managed all group matters related to sales, trading, research and the investment of the firm's proprietary capital. From 1999 to 2003 Mr. Zeitoun was a Senior Vice President at Solomon Smith Barney. In this role, Mr. Zeitoun led a Special Situations sales trading research team serving middle market institutions. Mr. Zeitoun is a graduate of Canisius College.

*Key attributes, experience and skills:* Mr. Zeitoun has over 16 years experience identifying, allocating capital to, and taking an active role in corporate situations requiring a balance sheet recapitalization and/or operational restructuring. Since January 2009, Mr. Zeitoun has spearheaded effort to stabilize the Company's balance sheet, raise critically needed capital, engage industry-leading consultants to quantify and characterize the Company's Dragon Mine resource, increase processing capabilities, establish a marketing infrastructure, and lead the marketing effort. During his time as President and Chief Executive Officer of Applied Minerals, Inc., Mr. Zeitoun has developed a level of expertise in the area of the commercialization of halloysite and iron oxide applications.

Christopher T. Carney, Chief Financial Officer

From February 2009 through May 2012, Mr. Carney was the Interim Chief Financial Officer of the Company. From May 2012 through August 2015, Mr. Carney was a VP of Business Development for the Company. Mr. Carney was reappointed Chief Financial Officer of the Company in August 2015 when previous Chief Financial Officer, Nat Krishnamurti, resigned. From March 2007 until December 2008, Mr. Carney was an analyst at SAC Capital/CR Intrinsic Investors, LLC, a hedge fund, where he evaluated the debt and equity securities of companies undergoing financial restructurings and operational turnarounds. From March 2004 until October 2006, Mr. Carney was a distressed debt and special situations analyst for RBC Dain Rauscher Inc., a registered broker-dealer. Mr. Carney graduated with a BA in Computer Science from Lehman College and an MBA in Finance from Tulane University.



Table Of ContentsWilliam Gleeson, General Counsel

Prior to joining the Company, Mr. Gleeson was a partner at K&L Gates, LLP for eleven years, focusing on various areas of corporate and securities law. From January 2008 until September 2011 when he joined the Company, he served as Applied Minerals, Inc.'s outside counsel, a time during which he acquired an in-depth understanding of the Company's business. Mr. Gleeson received his J.D. from the University of Michigan, from which he also received his undergraduate degree.

**Board Meetings**

There were ten meetings of the Board of Directors held in 2015. Every director attended all board meetings and also attended all committee meetings of which that director was a member. It is the policy of the Board that all Board members attend the annual meeting of shareholders, if possible.

**Committees of the Board**

The following sets forth the Committees of the Board and membership of the committees. The charters of the committees are available at the Company's website, [appliedminerals.com](http://appliedminerals.com). The Board of Directors has determined that all committee members are independent under the independence definition used by NASDAQ except for Mr. Zeitoun.

	Audit Committee	Governance and Nominating Committee	Compensation Committee	Health, Safety and Environment Committee	Operations Committee
John Levy	X	X	X		
Mario Concha		X	X	X	X
Robert Betz		X	X	X	X
Bradley Tirpak	X				
Ali Zamani	X			X	
Andre Zeitoun				X	

In 2015, the Audit Committee met eight times. The Compensation Committee and the Governance and Nominating Committee each met four times. The Health, Safety and Environment Committee and Operations Committee were established in 2016.

### **Audit Committee Financial Expert**

The Board of Directors has determined that Mr. Levy is an audit committee financial expert as the term is defined in the rules of the Securities and Exchange Commission and is independent under the independence standards of NASDAQ (the independence standard used by the Company) and the enhanced independence standards of Section 10A-3 of the Securities Exchange Act.

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**The Nomination Process**

The general criteria that our Board uses to select nominees includes the following: reputation for integrity, honesty and adherence to high ethical standards; demonstrated business acumen, experience, and ability to exercise sound judgments in matters that relate to the current and long-term objectives of the Company; willingness and ability to contribute positively to the decision-making process of the Company; commitment to understand the Company, its risk factors and its industry and to regularly attend and participate in meetings of the Board and its committees; interest and ability to understand the sometimes conflicting interests of the various constituencies of the Company, which include stockholders, employees, customers, creditors and the general public; ability to act in the interests of all stakeholders; and the absence of any appearance of a conflict of interest that would impair the nominee's ability to represent the interests of all of the Company's stockholders and to fulfill the responsibilities of a director. There are, however, no specific minimum qualifications that nominees must have in order to be selected. The Board will consider director candidates recommended by our stockholders. In evaluating candidates recommended by our stockholders, the Board of Directors applies the same criteria discussed above. Any stockholder recommendations for director nominees proposed for consideration by the Board should include the nominee's name and qualifications for Board membership and should be addressed in writing to the President, Applied Minerals, Inc., 110 Greene St., Suite 1101, New York, NY 10012. There have been no changes in the procedures by which shareholders may recommend candidates for director.

**Compensation Committee**

The Committee's charter provides that the Committee meet at least twice a year and the committee will have the resources and authority necessary to discharge its duties and responsibilities and the committee has sole authority to retain and terminate outside counsel, compensation consultants, or other experts or consultants, as it deems appropriate, including sole authority to approve the fees and other retention terms for such persons.

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The principal responsibilities of the Compensation Committee are as follows:

1. Board Compensation. Periodically review the compensation paid to non-employee directors and make recommendations to the Board for any adjustments.
2. Chief Executive Officer Compensation.
  - a. Assist the Board in establishing CEO annual goals and objectives, if appropriate.
  - b. Recommend CEO compensation to the other independent members of the Board for approval.
3. Other Executive Officer Compensation.
  - a. Oversee an evaluation of the performance of the Company's executive officers and approve the annual compensation, including salary and incentive compensation, for the executive officers.

Review the structure and competitiveness of the Company's executive officer compensation programs considering the following factors: (i) the attraction and retention of executive officers; (ii) the motivation of executive officers
  - b. to achieve the Company's business objectives; and (iii) the alignment of the interests of executive officers with the long-term interests of the Company's shareholders.
  - c. Review and approve compensation arrangements for new executive officers and termination arrangements for executive officers.

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The Compensation Committee may form and delegate authority to subcommittees and may delegate authority to one or more designated members of the Committee. The Committee may delegate to the Chief Executive Officer the authority to make grants of equity-based compensation in the form of rights or options to eligible officers and employees who are not executive officers, such authority including the power to (i) designate officers and employees of the Company or of any of its subsidiaries to be recipients of such rights or options created by the Company, and (ii) determine the number of such rights or options to be received by such officers and employees; provided, however, that the resolution so authorizing the Chief Executive Officer shall specify the total number of rights or options the Chief Executive Officer may so award. If such authority is delegated, the Chief Executive Officer shall regularly report to the Committee grants so made and the Committee may revoke any delegation of authority at any time. The Compensation Committee has not delegated any authority to the Chief Executive Officer.

**Compensation Committee Interlocks and Insider Participation**

There have not been any interlocks.

Mr. Zeitoun participated in deliberations of the board of directors concerning executive officer compensation other than his own.

**Shareholder Communications to the Board of Directors**

Stockholders may communicate with the Board of Directors by sending a letter to Applied Minerals, Inc. Board of Directors, c/o President & CEO, 110 Greene Street, Suite 1101, New York, New York, 10012. The President will receive the correspondence and forward it to the individual director or directors to whom the communication is directed or to all directors, if not directed to one or more specifically.

Table Of Contents**EXECUTIVE COMPENSATION**SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary \$	Bonus (Cash) (\$)	Option Award (\$)(1)	All Other Comp. (\$)	Total (\$)
Andre M. Zeitoun, CEO, Director (2)	2015	600,000	299,000	50,000	-	949,000
	2014	600,000	400,000	-	-	1,000,000
	2013	600,000	400,000	-	-	1,000,000
Christopher T. Carney, CFO (4) (5) (6)	2015	200,000	\$37,500	54,062	-	291,562
	2014	200,000	-	31,055	-	231,055
	2013	200,000	-	-	-	200,000
Nat Krishnamurti, CFO (7)	2015	70,323	-	16,562	2,917	115,902
	2014	225,000	-	31,055	5,000	261,055
	2013	225,000	-	400,200	2,917	508,117
William Gleeson, General Counsel (5) (8)	2015	300,000	37,500	37,500	-	375,000
	2014	300,000	-	270,486	-	545,486
	2013	250,000	-	100,065	-	350,065

Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information, refer to Note 10 to the Notes to Consolidated Financial Statements.

- (1) These amounts reflect the Company's accounting expense for these awards, and do not correspond to the amount, if any, that will be recognized as income by the named executive officers or the amount that will be recognized as a tax deduction by the Company, if any, upon exercise. The options awards were valued using the Black Scholes Option Valuation Model.

- (2) Mr. Zeitoun's 2015 potential bonus arrangement, as determined in February, 2015, was as follows: the total amount of the possible bonus compensation to Mr. Zeitoun would be \$500,000; \$200,000 would be based on personal performance metrics; \$300,000 would be based on revenue goals. Revenues could include the amount of firm commitment and take-and-pay arrangements. The last \$100,000 based on revenue goals would be payable in stock or options. If revenues were below \$2 million, no revenue-based bonus would be paid; if between \$2 million and \$2,999,999, \$100,000 in cash would be paid; if between \$3 and \$3,999,999, a total of \$150,000 would be paid; if

between \$4 million and \$4,999,999, a total of \$200,000 in cash would be paid; if \$5 million, a total of \$200,000 in cash and \$100,000 in stock options would be paid.

Revenues for purposes of the 2015 bonus, including a \$5 million take-or-pay agreement for the delivery of iron oxide over a period of 18 months, exceeded \$5 million. The actual bonus paid was agreed upon by the Compensation Committee and Mr. Zeitoun.

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(3) Mr. Krishnamurti resigned on August 8, 2015. Other Compensation consists of a car allowance.

(4) Mr. Carney has served as Vice President Business Development since 2011. On August 12, 2015, he was appointed Chief Financial Officer while retaining his position as Vice President Business Development. His compensation did not change upon being appointed CFO.

The 2015 bonus arrangements for each of Messrs. Carney, Gleeson, and Krishnamurti (rendered inapplicable to Mr. Krishnamurti because of his resignation) were as follows: the total amount of the possible bonus compensation for each would be \$100,000; \$25,000 would be based on personal performance metrics; \$75,000 would be based on revenue goals. Revenues could include the amount of firm commitment and take-and-pay arrangements. The (5) last \$25,000 based on revenue goals would be payable in five-year stock options. If revenues were below \$2 million, no revenue-based bonus would be paid; if between \$2 million and \$2,999,999, \$25,000 in cash would be paid; if between \$3 and \$3,999,999, a total of \$35,000 would be paid; if between \$4 million and \$4,999,999, a total of \$50,000 in cash would be paid; if \$5 million or more, a total of \$50,000 in cash and \$25,000 in stock options would be paid.

Revenues for purposes of the 2015 bonus, including a \$5 million take-or-pay agreement for the delivery of iron oxide over a period of 18 months, exceeded the \$5 million. In January, 2016, the Board reduced the total value of the bonuses to be paid to Messrs. Carney and Gleeson from \$100,000 to \$75,000. Messrs. Carney and Gleeson would receive a bonus for 2015 consisting of \$75,000 of value to be paid, at their election, in stock, five-year options, or cash (up to \$37,500) or any combination thereof, payable on March 31, 2016.

In March, 2016 Mr. Carney elected to receive \$37,500 of his 2015 bonus in cash and the remaining \$37,500 of value in options to purchase common stock of the Company. These options will enable Mr. Carney the right to purchase 248,344 shares of common stock of the Company at a price of \$0.24 per share over a five-year period. His 2015 bonus, while paid in March, 2016, has been included as part of his 2015 compensation for purposes of the above table. During February, 2015 Mr. Carney was granted options to purchase 50,000 shares of common stock of (6) the Company. The fair value of the options at the time of grant was \$16,562. They were granted to Mr. Carney for his performance as VP of Business Development during 2014 but were not part of a pre-defined bonus arrangement. During June, 2014 Mr. Carney was granted options to purchase 75,000 shares of common stock of the Company. The fair value of the options at the time of grant was \$31,055. They were granted to Mr. Carney for his performance as VP of Business Development during 2013 but were not part of a pre-defined bonus arrangement.



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- (7) During February, 2015 Mr. Krishnamurti was granted options to purchase 50,000 shares of common stock of the Company. The fair value of the options at the time of grant was \$16,562. They were granted to Mr. Krishnamurti for his performance as Chief Financial Officer during 2014 but were not part of a pre-defined bonus arrangement. During June, 2014 Mr. Krishnamurti was granted options to purchase 75,000 shares of common stock of the Company. The fair value of the options at the time of grant was \$31,055. They were granted to Mr. Krishnamurti for his performance as VP of Business Development during 2013 but were not part of a pre-defined bonus arrangement.

- (8) In March, 2016 Mr. Gleeson elected to receive \$37,500 of his 2015 bonus in cash and the remaining \$37,500 in options to purchase common stock. These options provide Mr. Gleeson the right to purchase 248,344 shares of common stock of the Company at a price of \$0.24 per share over a five-year period. His 2015 bonus, while paid in March, 2016, has been included as part of his 2015 compensation for purposes of the above table. During June, 2014 Mr. Gleeson was granted options to purchase 600,000 shares of common stock of the Company. The fair value of the options at the time of grant was \$270,486. They were granted to Mr. Gleeson for his performance as General Counsel.

**Pensions**

The Company does not have any pension plan nor does it have any nonqualified defined contribution and other nonqualified deferred compensation plans.

**Potential Payments upon Termination or Change-in-Control.**

In accordance with SEC rules, the following statements are based on the assumption that the triggering event took place on December 31, 2015.

In the event Mr. Zeitoun was terminated without Cause or terminated for Good Reason, he would receive, in addition to the accrued obligations, (i) six months of base salary (that is, \$300,000), (ii) one-half of bonus amounts not yet earned, and (ii) an amount equal to six months of COBRA payments. For 2015, Mr. Zeitoun's was eligible to receive a bonus of up to \$500,000, of which \$100,000 would be paid in common stock or options, upon achievement of predetermined performance goals, which were achieved.



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*Mr. Carney.* In the event Mr. Carney was terminated by the Company without Cause or he terminated his employment for Good Reason, he shall receive (i) not less than two months of his base salary and (ii) continuation of benefits on the same terms as in effect immediately prior to the date of termination for a period of two months. Mr. Carney's base salary was \$200,000.

*Mr. Gleeson.* In the event Mr. Gleeson terminated by the Company without Cause or he terminates his employment for Good Reason, he shall receive (i) not less than two months of his base salary and (ii) continuation of benefits (including his family) on the same terms as in effect immediately prior to the date of termination for a period of two months. Mr. Gleeson's base salary is \$250,000.

**Grants of Plan-Based Awards**

The following table lists the plan-based awards granted under the Long-Term Incentive Plan to Named Executive Officers in 2015:

Name	Grant date	All other option awards:	Number of securities underlying options (#)	Exercise or base price of option awards (\$/Share)	Grant date fair value of stock and option awards (\$)
Nat Krishnamurti, CFO (1) (2)	02-5-2015		50,000	0.68	16,562
Christopher Carney (2)	02-5-2015		50,000	0.68	16,562

(1) Mr. Krishnamurti resigned on August 1, 2015.

(2) Does not include options not granted in 2016 in connection with 2015 bonus arrangements for Messrs. Zeitoun, Carney, and Gleeson.

Table Of Contents**Outstanding Equity Awards at December 31, 2015**

The following table provides information on the holdings as of December 31, 2015 of stock options granted to the named executive officers. This table includes unexercised and unvested option awards. Each equity grant is shown separately for each named executive officer

**OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2015**

Name	Grant Date	Number of Securities Underlying Unexercised Options: Exercisable	Number of Securities Underlying Unexercised Options: Unexercisable	Equity Incentive Plan Awards Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Option Expiration Date
Andre Zeitoun	01-01-09	3,949,966	--	--	\$ 0.70	01-01-19
	02-08-11	1,742,792	--	--	\$ 0.83	01-01-22
	11-20-12	1,742,792	--	--	\$ 1.66	01-01-23
Christopher T. Carney (2)	01-01-09	1,316,655	--	--	\$ 0.70	01-01-19
	02-08-11	580,930	--	--	\$ 0.83	01-01-22
	11-20-12	580,931	--	--	\$ 1.66	01-01-23
	06-10-14	75,000	--	--	\$ 0.84	06-10-24
	02-05-15	16,665	33,335	--	\$ 0.68	02-5-25
Nat Krishnamurti (1)	05-29-12	300,000	--	--	\$ 1.55	05-01-22
	05-29-13	65,000	--	--	\$ 1.35	05-29-23
	06-10-14	75,000	--	--	\$ 0.84	06-10-24
	02-05-15	--	50,000	--	\$ 0.68	02-5-25
William Gleeson	08-18-11	900,000	--	--	\$ 1.90	08-18-21
	11-20-12	72,406	--	--	\$ 1.66	11-20-22
	06-10-14	316,667	283,333	--	\$ 0.84	06-10-24

- (1) Mr. Krishnamurti resigned as Chief Financial officer on August 8, 2015.
- (2) Mr. Carney was appointed Chief Financial Officer on August 12, 2015.

Beginning November 20, 2012, all awards were made under the Company's Long Term Incentive Plan approved by stockholders on November 20, 2012.

Table Of Contents**Director Compensation for the Year Ended December 31, 2015**

The following sets forth compensation to the persons who served as directors in 2015. Mr. Tirpak joined the Board in March, 2015 and his fees are adjusted for time served as a director. Mr. Zeitoun receives no fees for service as a director.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Common Stock Awards (\$)</b>	<b>Options Awards(\$) (1)</b>	<b>Total (\$)</b>
John Levy (1) (2)	52,500	50,500	14,738	117,739
Robert Betz (1) (2) (3)	34,500	60,000	14,738	109,238
Mario Concha (1) (2)	45,000	48,000	14,738	107,738
David Taft (1) (2)	39,738	58,000	--	97,738
Bradley Tirpak (1) (2)	7,728	58,423	12,748	78,899
Ali Zamani (1) (2)	17,500	65,500	14,738	97,738
Andre Zeitoun (1) (2)	--	--	--	--

During 2015, each director received an annual fee of \$50,000. A director who served as a committee chair or a board chair received an additional \$10,000 annual fee. Until the third quarter of 2015, directors could elect to (1) receive their fees in cash, equity, or any combination thereof. Beginning in the third quarter of 2015, directors were required to receive at least 50% of such fees in equity. Mr. Zeitoun does not receive fees for serving as a director.

(2) On February 5, 2015, in addition to their annual fees, each member of the Board was granted 50,000 shares of restricted common stock (50% cannot be sold for at least one year and the other 50% cannot be sold for at least two years) and options to purchase 50,000 shares of common stock at an exercise price of \$0.66 per share except for Mr. Tirpak who, on April 15, 2015, was granted 38,356 shares and 38,356 options to purchase common stock at an exercise price of \$0.73 per share. In lieu of the option to purchase 50,000 shares of stock, Mr. Taft was paid \$14,738, the Black-Scholes value of the option. Mr. Zeitoun did not receive a common stock and option grant.

(3) For the cash portion of his Q1 2015 fees, Mr. Betz was mistakenly overpaid by \$1,500. An adjustment will be made in 2016 to correct this error.





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**Compensation Discussion and Analysis**

**Objectives and Strategy**

The Company's objectives are to develop a range of commercial applications for its halloysite clay-based and iron oxide-based products and to market those applications to industries seeking enhanced product functionality and to market its iron oxides for pigment and other uses. We believe the successful marketing of such applications will generate material profits for the Company, which, in turn, will create significant value for its stockholders. To realize this objective, the Company must attract and retain individuals, including our Named Executive Officers ("*Named Executive Officers*" or "*NEOs*") (Messrs. Zeitoun, Carney and Gleeson), who possess the skill sets and experience needed to effectively develop and implement the business strategies and corporate governance infrastructure necessary to achieve commercial success.

Accordingly, compensation for the Named Executive Officers is designed to:

Attract, motivate, and retain qualified Named Executive Officers;

Incentivize the Named Executive Officers to lead the Company to profitable operations and to increase stockholder value;

Assure that over time a significant part of NEO compensation is linked to the Company's long-term stock price performance, which aligns the Named Executive Officers' financial interests with those of the Company's stockholders

Motivate the Named Executive Officers to develop long-term careers at the Company and contribute to its future prospects; and

Permit the Named Executive Officers to remain focused on the development of the Company's business in the midst of actual or potential change-in-control transactions.

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The Company does not have a policy concerning minimum ownership or hedging by officers of Company securities.

**Compensation of Mr. Zeitoun**

Mr. Zeitoun has been president and CEO of the Company since 2009.

**2013 Compensation.**

On November 20, 2012, the Board determined the 2013 compensation for Mr. Zeitoun. The 2013 cash compensation for Mr. Zeitoun would be \$600,000. Options to purchase 1,742,581 shares of common stock were granted to Mr. Zeitoun (with a Black-Scholes value of \$2,408,539). The options vested over the period of the employment agreement (2013), vesting on the first day of the month following a month of the employment agreement beginning February 1, 2013 with the last vesting on January 1, 2014. The options have an exercise price equal to market price of the common stock on the date of grant (\$0.83). The Board also agreed that Mr. Zeitoun would be eligible for a target bonus for 2013 of \$400,000 but that the amount could be more or less depending on Mr. Zeitoun's 2013 performance. The criteria for determining performance would be decided at the time the Board made a decision as to whether to award a bonus. These criteria could include quantitative and qualitative considerations such as sales, entering to arrangements with joint ventures and similar "reach through" arrangements, increases in market capitalization, development of corporate staff, management of plant expansions.

To assist in determining 2013 compensation for Mr. Zeitoun, the Compensation Committee sought advice from a compensation consultant from Hay Associates.

The compensation consultant used market data in his analysis that was drawn from the following sources: public peer group in the mining and metals sector (13 companies; Comstock Mining Inc., General Moly Inc., Gold Reserve Inc., Golden Minerals Co., Midway Gold Corp, Mines Management Inc, Paramount Gold and Silver, Prospect Global Resources, Rare Element Resources Ltd , Revett Minerals Inc. Ruby Creek Resources Inc., Searchlight Minerals Corp, and Vista Gold Corp) and specialty chemical sector (7 companies; Monarch Cement Co, Northern Tech Intl, ADA-ES Inc, Chase Corp, Material Sciences Corp, Senonyx Corp, and Zoltek Cos Inc); the 2012 Hay Group Global Mining Compensation Review for pay-mix purposes; and a sample of companies recently completing an initial public offering as set forth in the Hay Group IPO Reporter (Matador Resources Company, Bonanza Creek Energy, Inc., Carbonite, Inc, C&J Energy, SunCoke Energy, KiOR, Compressco Partners, L.P., Solazyme, Inc., Energy Partners LP, International Corp., Kinder Morgan, Inc., Gevo, Inc., Primo Water Corporation, Amyris, Inc., Molycorp, Inc., Oasis Petroleum LLC, Aluminum Holding Corporation, Douglas Dynamics, Inc., Global Geophysical Services, Inc., Metals USA Holdings Corp., Graham Packaging Company Inc., Cellu Tissue Holdings, Inc.) The consultant stated that the analysis focused on annual compensation mix and levels relative to market as well as CEO equity ownership relative to other companies recently completing an initial public offering. The basis for selecting peer group companies consisted of the following factors: assets, market capitalization, nature of the business, the talent market, complexity, and the market share.

Compared to the peer group companies in the mining sector as well as the specialty chemicals sector and the IPO Reporter sample, the Board determined that Mr. Zeitoun's 2012 compensation was above the 75th percentile. It also determined that Mr. Zeitoun's 2012 pay mix (as among salary, bonus, and options) was generally well aligned with the pay mixes in the samples noted above.

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The consultant stated that there is no perfect model for determining what the appropriate compensation for a CEO should be. He said that the Compensation Committee would have to review the data presented in his report and use its business judgment to create a package that would be motivational to the CEO and also retain him, as the Board believed that the CEO is key to the success of the business. The compensation consultant also said that while the Company's CEO position may have a certain "market value," it is imperative that the Committee should also consider the contribution and value that Mr. Zeitoun brings to the position and, in particular, the facts that (i) Mr. Zeitoun had raised substantial sums of money without the Company having to use investment bankers thereby saving substantial commissions, (ii) Mr. Zeitoun is leading the Company's technology development to further commercialize its products, and (iii) Mr. Zeitoun was serving multiple roles (CEO and COO).

Members of the Board noted differences between the Company and many of the mining companies in the peer group. In particular, many of the peer group companies were gold companies. They noted that entities involved in the gold-mining business are not engaged in businesses that have anywhere near the complexity of the Company's business. In particular, the Board noted that gold companies have a product with a ready market; thus, they do not have to develop a market, as the Company must do for halloysite. The Board also noted that the stockholder return under Mr. Zeitoun's leadership and, in particular, the Company's market capitalization, had increased from \$10 million to \$150 million under Mr. Zeitoun's leadership. Mr. Zeitoun indicated that he believed that for peer-group comparison purposes, the Company was more like a developmental pharmaceutical company. Other members of the Board also agreed that the Company was more like developmental pharmaceutical, biotech and software companies.

At the end of 2013, the Board reviewed the quantitative and qualitative criteria relating to Mr. Zeitoun's bonus against his actual performance in 2013 and determined to award him a \$400,000 bonus.

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**2014 Compensation**

Compensation Consultant. In November, 2013, the Compensation Committee retained Compensation Resources, Inc. ("CRI"), a compensation consultant located in Upper Saddle River, New Jersey, as a compensation consultant regarding the 2014 compensation of Mr. Zeitoun.

Interactions of CRI with the Compensation Committee and the Board. Representatives of CRI attended meetings of the Board and/or the Compensation Committee in December, 2013 and February and March, 2014, met (telephonically or in person) with members of the Compensation Committee on four occasions, met with Mr. Zeitoun twice, and met with the Company's General Counsel (in his capacity of as agent for the Compensation Committee in due diligence matters) four times.

Summary of CRI's Report to the Compensation Committee. CRI's "Executive Compensation Study: Report of Findings" was delivered to the Compensation Committee and the Board in March, 2014. Below is a summary of the report.

While the company has previously been identified as a mining company, its operations are much more diversified than what would be considered as typical mining activities. The Company engages in significant research and development activities that are aimed at producing uses for its products with broader applications and thus considers itself more of a specialty chemical company rather than a traditional mining company. Based on the nature of the halloysite clay and its "exclusivity," the Company believes itself more closely aligned with the pharmaceutical industry, which itself has significant research and development activities associated with the development and marketing of proprietary pharmaceuticals. Given that the nature of the Company's business, and the talent needed to expand the business and make it successful, extends into various industry sectors. CRI considered the nature of the Company's operations in the identification of a relevant peer group for purposes of executive compensation benchmarking.

The process of selecting a group of related peers was based on the nature of the Company's operations and future strategic direction. The selection was based on the following parameters:

**Industry** - Comparable industry sectors, from a business perspective, as well as other industries that cultivate a similar level of talent and ability, we used to conduct the analysis. CRI identified comparable companies within the following industry sectors: specialty chemical manufacturing; biotech and pharmaceuticals; software; mining; and environmental/sustainable.

**Geographic location** - Based on national averages, but in this case, however, CRI applied a geographic differential to the peer data to account for differences in the cost of living between the geographic locations of the peer companies

and that of Applied Minerals, which is located in an area with a high cost of living (New York City);

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**Market Cap** - Guidelines set forth by ISS indicate that the generally accepted approach is to identify companies that are approximately 0.2x to 5.0x of the Market Cap of the target company being analyzed. CRI utilized Applied Minerals' Market Cap of approximately \$100 million; this would place the Market Cap range of peer companies between \$20 million and \$500 million. Market Cap, rather than revenue, was utilized as the financial metric for peer selection, as the Company is considered more of a startup with very limited revenue. CRI reviewed the list of peer group companies with the Compensation Committee, the CEO, and the General Counsel, and the list was further refined to reflect more closely a group of companies that would be considered competitors for similar talent.

The peer group consisted of the following companies: Accelrys Inc., American Pacific Corp., Amyris, Inc. Amicus Therapeutics Inc., Authentidate Holding Corp., Biondology Sciences, Cytokinetics Inc. International Inc., Energy Recovery, Inc., General Moly Inc., Hemispherx Biopharma Inc., Kior Inc., Metabolix Inc., Pmfg Inc., Pozen Inc., Simulations Plus Inc., Streamline Health Solutions Inc., U S Lime & Minerals, and United-Guardian Inc.

This compensation study analyzed the position of CEO of the Company, comparing it against other top executives within the identified peer marketplace. Based on the discussion of peer selection above, CRI concluded that the larger context of Mr. Zeitoun's responsibilities, based on his knowledge and ability to translate his ideas into creative uses for the Company's products, validated the use of a broader industry view of competitive compensation. CRI found that (I) Mr. Zeitoun's commitment to the Company's success was evidenced through his ability to gain financing for the Company through his personal connections, which enabled him to secure \$10 million of capital in 2013 and (ii) Mr. Zeitoun also had become totally conversant in the chemical properties of the clay and its potential commercial applications, and realized the value of its iron oxide deposits and thus developed a new business for this product over the prior two years. CRI indicated that the Company was then at a transition point, where its operations had to move from "process" to "results"; therefore, the CEO's compensation package needed to be structure in a way that recognized the competitive marketplace, with sufficient financial motivation to reward the CEO to move forward with the Company's strategic direction.

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CRI presented its findings with respect to the competitive marketplace for the components of Base Salary and Total Cash Compensation (Base Salary and Annual Bonus/Incentive), along with the value of Total Direct Compensation (Total Cash Compensation, the value of equity, and any other compensation). It said that compensation theory suggests that a Market Range of Compensation around the Market Consensus, rather than a fixed number, is appropriate. CRI said that typically, the Market Range of Base Salary is conservatively considered to be  $\pm 10\%$  of the Market Consensus, while the range for Total Cash Compensation varies by  $\pm 20\%$  of the Market Consensus, while the range for Total Direct Compensation is wider and usually varies by  $\pm 25\%$  of the Market Consensus. Therefore, CRI's comparative analysis of actual compensation to the marketplace was based on the identified Market Range for the indicated component.

For Mr. Zeitoun's actual compensation, CRI represented the following figures: Base Salary of \$600,000, equivalent to his 2013 fixed compensation; Total Cash Compensation which includes Base Salary of \$600,000 plus an annual target incentive opportunity of 100% of Base Salary, or \$600,000, for a total of \$1,200,000; and Total Direct Compensation, which typically includes Base Salary and Total Cash Compensation, plus the three year average of equity compensation, in order to conduct a preliminary comparative analysis with the market findings. However, the Compensation Committee indicated to CRI that (i) the most recent equity grant was specifically provided to Mr. Zeitoun as a one-time award, with the clear understanding that future at-risk compensation will be in the form of short-term incentives; (ii) the short-term incentive opportunity is intended to drive performance towards the Company's most immediate goals of revenue generation and is commensurate with the Compensation Committee's short-term incentive target and (iii) over the next two to three years, it is anticipated that additional equity will not be provided; therefore, CRI's analysis did not include or provide for any long-term compensation. In this connection, it was noted that the beneficial stock ownership for the majority of the CEO among the peer companies ranged between 1.10% and 6.80% (excluding the outliers which are 13.7% to 38.03%). Mr. Zeitoun's beneficial ownership is 8.6%.

CRI noted that at market average (50% percentile) without equity compensation, Mr. Zeitoun's represented Base Salary and Total Cash Compensation were above the Market Range and the Total Direct Compensation was within the Market Range, but that at the 75% percentile without equity compensation, Mr. Zeitoun's represented Base Salary and Total Cash Compensation were within the Market Range and the Total Direct Compensation was below the Market Range.

CRI noted that the methodology used to conduct the competitive market analysis was based on the typical duties and responsibilities associated with the top executive position within the competitive marketplace, and the comparative analysis did not take into consideration the incumbent or any factors relating to that incumbent. CRI noted, however, that it was at the Compensation Committee's discretion to consider Mr. Zeitoun in determining whether his value to the Company was considerable and therefore would justify a higher level of compensation as compared to the marketplace. CRI said that in some cases, a premium can be applied to the market findings to reflect on the incumbent's knowledge, expertise, and contributions (both past and anticipated in the future), and therefore would reflect on a higher percentile positioning due to these factors. CRI noted that in discussions with the Compensation Committee, the Committee believed that it had a significant level of confidence in Mr. Zeitoun's abilities to drive the Company.





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CRI noted that based on multiple in-depth discussions with the Compensation Committee and their strong belief that Mr. Zeitoun is a crucial and extremely valuable asset to the Company, CRI presented both the Market Average and 75th percentile calculations so that the Compensation Committee would have a broader perspective of the marketplace for pay in consideration of the peer group examined herein.

Compensation Committee Actions. The Compensation Committee met four times regarding Mr. Zeitoun's compensation and the Board met three times. At its meeting on June 9, 2014, the Compensation Committee determined to recommend to the Board that:

Mr. Zeitoun's salary for 2014 would be \$600,000, which was the same salary as in 2013 and was justified by Mr. Zeitoun's exceptional knowledge and accomplishments.

Mr. Zeitoun's annual target incentive for 2014 would be \$400,000 rather than \$600,000 (as represented in CRI's report) and that this would bring the Total Direct Compensation at Market Average (no equity) within the Market Range and Total Cash Compensation at the 75<sup>th</sup> percentile would still be within the Market Range, but would be below the Market Consensus. The Compensation Committee further determined that the bonus would be payable in cash in two tranches: (i) \$200,000 payable if there were a commercial sale of iron oxide in 2014 and (ii) \$200,000 payable if one of the following three were accomplished in 2014: cumulative revenue (accrued or realized) and/or backlog of \$1 million; sale of all or a substantial portion of Idaho properties; raising at least \$2 million of capital by sale of equity and/or sale of PIK Notes;

Mr. Zeitoun would not be awarded any equity compensation for 2014 because he already beneficially owned (through direct ownership and options) 8.6% of the equity of the Company and that ownership provided him with sufficient long-term incentive.

On the same day, the Board adopted the recommendations of the Compensation Committee.

In December, 2014, the Nominating and Governance Committee determined that Mr. Zeitoun had satisfied the conditions of both tranches for payment of the bonus and recommended that the Board approve payment of the bonus. Thereafter, the Board approved payment of a \$400,000 bonus.

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**2015 Compensation**

In October, 2014, the Compensation Committee determined that because of shareholder sensitivity to compensation matters and because of the Company's cash burn, it was deemed necessary to get the latest comparative data on CEO compensation in order to make good decisions regarding 2015 compensation for Mr. Zeitoun. Accordingly, Committee engaged Compensation Resources to provide an executive compensation study to the Compensation Committee.

Compensation Resources had provided an executive compensation study to the Compensation Committee in March, 2014 in connection with Mr. Zeitoun's 2014 compensation. Compensation Resources delivered its 2015 executive compensation to the Committee on December 3, 2014.

On December 9, 2014, representatives of Compensation Resources met with the Compensation Committee and told the Committee the following. Compensation Resources was retained to prepare a competitive compensation study of the Company's President and Chief Executive Officer in order to determine the competitive levels of compensation for comparable positions among similar publicly traded companies. The study presented findings with regard to the current competitive levels of the total compensation package (cash and equity compensation) and the findings in the report reflect an update to a study completed on behalf of the Compensation Committee dated March, 2014 and was meant to provide the most recent compensation data from peer organizations, which reflects, for the most part, fiscal years ending December 31, 2013. The study utilized the same list of publicly traded companies benchmarked as part of the March 2014 study, with the exception of Accelrys, Inc., which had been recently acquired.

For purposes of valuing equity awards, the study continued to use a three-year average to more accurately recognize the variety and timing of long-term plans. All data inputs were increased on an annual factor of 3.0% to a common date of January 1, 2015, the percentage representing the average of the actual 2014 merit increase factors for executive positions within the various industries represented in the analysis. To determine "Market Consensus," Compensation Resources calculated the competitive market level of each compensation element from the peer market analysis and published survey analysis, utilizing multiple measures of central tendency, which included mean: simple average; median: the middle number, 50th percentile; trimmed mean: average that eliminates the highest and lowest data elements (outliers); regression: calculated based on statistical analysis using "Line of Least Square," which is a mathematical computation used to model a presumed linear relationship between two variables, a dependent variable (compensation element) and an independent variable (Market Cap) (peer analysis only). Market Consensus is the average of the Mean, Median, Trimmed Mean, and Regression; represents the best estimate of the market value (consensus) for the position. To calculate the overall Market Consensus, Compensation Resources calculated a weighted average of peer and published survey data at a ratio of 2:1.

Typically, the market range of base salary is conservatively considered to be  $\pm 10\%$  of the market consensus. This range represents the central tendency of the market data. The range for total cash compensation is wider and usually varies by  $\pm 20\%$  of the market consensus. The range for total direct compensation is  $\pm 25\%$ .

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With respect to Mr. Zeitoun's current compensation opportunity, Compensation Resources utilized the following figures: base salary of \$600,000; total cash compensation which includes base salary of \$600,000 plus an annual incentive opportunity of \$400,000, for a total of \$1,000,000; and total direct compensation of \$1,000,000. Because equity grants in 2011 and 2012 were considered by the Compensation Committee to be one-time awards, Compensation Resources excluded them from the analysis. At the 50<sup>th</sup> percentile, Mr. Zeitoun's base salary and total cash compensation are well above the market consensus as of January 1, 2015 and his total direct compensation is within the market consensus. At the 75<sup>th</sup> percentile, Mr. Zeitoun's base salary and total cash compensation are within the market consensus as of January 1, 2015 and his total direct compensation is below the market consensus.

Mr. Concha, chairman of the Compensation Committee, indicated that the goal of the Compensation Committee with respect to Mr. Zeitoun's compensation was to provide incentives to Mr. Zeitoun consistent with the desires of shareholders. He noted the difficulties of finding good comparables for Mr. Zeitoun's compensation and said that compensating Mr. Zeitoun under a strategic leadership model may be more useful.

Thereafter, the directors discussed with Mr. Zeitoun present and later at great length in executive session without Mr. Zeitoun, the structure and amount of Mr. Zeitoun's 2015 bonus.

It was preliminarily decided at a time when Mr. Zeitoun was not present that Mr. Zeitoun's bonus would be broken into two parts, one part related to revenues and the other to the achievement of non-revenue goals. The total amount of the possible bonus compensation to Mr. Zeitoun would be \$500,000, with the last \$100,000 of revenue-based compensation being paid in stock or option and the maximum amount of the revenue-based bonus payable at \$5 million in revenues, which could include the amount of firm commitment and take-and-pay arrangements. If Mr. Zeitoun achieved his personal goals and revenue was at least \$4 million, his bonus compensation would be \$1 million.

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It was determined that Mr. Zeitoun should prepare goals and objectives and submit them to the Compensation Committee and the Board for approval. At the same time that the Compensation Committee and the Board approved the personal goals, it would approve the amounts of the bonus allocated to personal goals and the revenues, the percentages of the revenue-based amounts to be paid on partial achievement of the revenue based-goals, and the revenue points at which such amounts would be paid.

On February 4, 2015, the Compensation Committee reported to the Board that, between December 9, 2014 and February 4, 2015, the it met several times and had discussed and approved the following compensation proposal for Mr. Zeitoun ("Zeitoun Compensation Proposal"): Salary of \$600,000, potential bonus of \$500,000 of which 40% would depend on the achievement of four personal goals and 60% would be dependent on revenues. If revenues were below \$2 million, no revenue-based bonus would be paid; if between \$2 million and \$2,999,999, \$100,000 in cash would be paid; if between \$3 million and \$3,999,999, a total of \$150,000 would be paid; if between \$4 million and \$4,999,999, a total of \$200,000 in cash would be paid; if \$5 million or above, a total of \$200,000 in cash and \$100,000 in stock options would be paid.

Mr. Concha on behalf of the Compensation Committee explained (i) the revenue and non-revenue goals that the Compensation Committee had worked out with Mr. Zeitoun regarding Mr. Zeitoun's 2015 bonus arrangements, (ii) salary and bonus amounts, and (iii) the reason for not awarding Mr. Zeitoun any equity compensation in respect of 2015.

Mr. Concha, on behalf of the Compensation Committee, recommended to the Board that the Board approve the revenue and non-revenue goals related to Mr. Zeitoun's 2015 bonus as well as the salary and bonus arrangements.

Mr. Concha noted the Executive Compensation Study Update performed by Compensation Resources (the compensation consultant hired by the Compensation Committee) indicated that (i) at the 50<sup>th</sup> percentile, Mr. Zeitoun's base salary and total cash compensation are well above the market consensus and his total direct compensation is within the market consensus and (ii) at the 75<sup>th</sup> percentile, Mr. Zeitoun's base salary and total cash compensation are within the market consensus as of January 1, 2015 and his total direct compensation is below the market consensus.

There was a general discussion, with Mr. Zeitoun abstaining, of the goals and the compensation elements and amounts and relative mix of elements. After such discussion, the Board, with Mr. Zeitoun abstaining, adopted the Zeitoun Compensation Proposals.

In January, 2016 Mr. Zeitoun and the Board agreed that Mr. Zeitoun satisfied the metrics for the payment of the full bonus amount, but Mr. Zeitoun would receive a bonus for 2015 consisting of \$299,000 in cash and \$50,000 of

five-year options. Cash payments of \$200,000 have been made and remaining payments are subject to the condition that no payments will be made unless after such payments the Company's cash balance is in excess of \$1.5 million.

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**2015 Compensation for Messrs. Krishnamurti, Gleeson, and Carney**

At the February 4, 2015, Board meeting, Mr. Concha, acting on behalf of the Compensation Committee, indicated that the Compensation Committee has discussed and approved a compensation proposal for certain employees, which included Messrs. Krishnamurti, Gleeson, and Carney (“Management Compensation Proposals”) and that he had sent to each Board member who was not a member of the Compensation Committee a copy of the Management Compensation Proposals. Mr. Concha explained the revenue and non-revenue goals that the Compensation Committee, with the assistance of Mr. Zeitoun, had worked out, with each regarding 2015 bonus arrangements for such persons. He also explained the proposed salary, bonus and equity compensation arrangements for senior management, which had the approval of Mr. Zeitoun.

Under the Management Compensation Proposals,

Salaries remained at 2014 levels.

Messrs. Krishnamurti and Carney received ten-year at-the-market options to purchase 60,000 shares of common stock vesting annually over a three-year period.

Each of Messrs. Krishnamurti, Gleeson, and Carney would be eligible for possible bonus compensation of up to \$100,000; \$25,000 would be based on personal performance metrics; \$75,000 would be based on revenue goals. Revenues could include the amount of firm commitment and take-and-pay arrangements. The last \$25,000 based on revenue goals would be payable in five-year stock options. If revenues were below \$2 million, no revenue-based bonus would be paid; if between \$2 million and \$2,999,999, \$25,000 in cash would be paid; if between \$3 and \$3,999,999, a total of \$35,000 would be paid; if between \$4 million and \$4,999,999, a total of \$50,000 in cash would be paid; if \$5 million or more, A total of \$50,000 in cash and \$25,000 in stock options would be paid. Revenues in 2015, including a \$5 million take-or-pay agreement for the delivery of iron oxide over a period of 18 months, exceeded the \$5 million goal for the calculation of bonus arrangements.

Mr. Concha, on behalf of the Compensation Committee, recommended to the Board that the Board approve the revenue and non-revenue goals related to management’s 2015 bonus as well as the salary and bonus arrangements, all as set forth in the Senior Management Compensation Proposals. After a general discussion, the Board gave its approval.



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No compensation consultant was used by the Board for the Management Compensation Proposals and no benchmarking against peers was used.

Mr. Krishnamurti resigned in August, 2015.

Revenues for 2015, including a \$5 million take-or-pay agreement for the delivery of iron oxide over a period of 18 months, exceeded the \$5 million goal for the calculation of bonus arrangements. In January, 2016, the Board reduced the total value of the bonuses to be paid to Messrs. Carney and Gleeson to \$75,000. Messrs. Carney and Gleeson would receive a bonus for 2015 consisting of \$75,000 of value to be paid, at their election, in stock, five-year options, or cash (up to \$37,500) or any combination thereof, payable on March 31, 2016. Each of Messrs. Carney and Gleeson elected to take \$37,500 in five year options and \$37,500 in cash.

**2013 and 2014 Compensation of Mr. Carney**

Mr. Carney served as Chief Financial Officer from February, 2009 through May, 2012. From May 2012 through early August 2015, he served as Vice President - Business Development. In August, 2015, upon the resignation of Nat Krishnamurti, he was appointed Chief Financial Officer while also continuing his duties as Vice President – Business Development. During 2013 and 2014 Mr. Carney received an annual salary of \$200,000. On June 10, 2014, Mr. Carney was granted options to purchase 75,000 shares of the Company's common stock at a price of \$0.84 per share. The options vested immediately and had a term of 10 years. At the time of the grant, the options had a Black-Scholes value of \$31,055.

**Compensation of Mr. Gleeson**

William Gleeson, the General Counsel, was hired as of September 15, 2011. Mr. Gleeson's three-year employment agreement provides for annual cash compensation of \$200,000 plus a 10-year option to purchase up to 900,000 shares of common stock at an exercise price of \$1.90 per share, which was above the \$1.74 market price on the date of grant, September 15, 2011. The Black-Scholes value of the options was \$1,370,340 on the date of grant. The options vested in 36 monthly installments beginning September 15, 2011. Mr. Gleeson's employment may be terminated at will. The Company did not use a compensation consultant in connection with the employment agreement.

The compensation package in the employment agreement reflected Mr. Gleeson's familiarity with the Company and its legal issues resulting from his representation of the Company beginning in January, 2008. The relative mix of cash and options reflected the Company's strained cash position and its near-term revenue prospects at the time of the hiring, with the number of options designed to compensate for the relatively low cash compensation. The vesting of the options was not tied to any performance standards because at the time, given the Company's limited amount of sales and its lack of profitability, it was deemed that meaningful performance standards could not be established. For

the same reason, the Company did not establish performance standards for bonus awards. No cash bonus was awarded to Mr. Gleeson.

On November 20, 2012, the Board, on the recommendation of Mr. Zeitoun, awarded Mr. Gleeson 72,406 stock options having an exercise price equal to market price on the date of grant with a Black-Scholes value of \$100,065 and increased his compensation to \$250,000 per year for 2013 because of exemplary performance.

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For 2014, as a result of exceptional performance, Mr. Gleeson's salary was increased to \$300,000 and he was awarded 600,000 options to purchase common stock at \$0.83 per share, such options vesting monthly over a three-year period and having an exercise price equal to the market price on the date of grant.

The Company has not used compensation consultants in connection with Mr. Gleeson's compensation and has not benchmarked his compensation.

**Compensation of Mr. Krishnamurti**

In May, 2012, the Company, on the recommendation of Mr. Zeitoun, hired Mr. Krishnamurti under a three year employment agreement calling for an annual salary \$180,000 and an option grant to purchase 300,000 shares of the Company's common stock with a exercise price equal to the market price on the day of grant. The options had a Black-Scholes value of \$400,200 determined as of the date of grant. The terms, including the compensation amounts and the number of options, as well as the mix between those elements, were negotiated by the parties and the Board believed that the compensation package reflected Mr. Krishnamurti's expertise and experience and gave him appropriate long-term incentive through the stock options.

In May 2013, the Board, on the recommendation of Mr. Zeitoun due to Mr. Krishnamurti's excellent performance, increased Mr. Krishnamurti's cash compensation to \$225,000 and granted a 10-year option vesting immediately to purchase 65,000 shares of common stock with an exercise price equal to the market price on the day of grant. The options had a Black-Scholes value of \$49,686 of the date of grant.

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Mr. Krishnamurti's 2014 cash compensation remained the same as in 2013, but he was awarded options to purchase 75,000 shares of common stock at \$0.84 per share, and the options vested immediately and had an exercise price equal to the market price on the day of grant. The options had a Black-Scholes value of \$31,055 of the date of grant.

The Company has not used compensation consultants in connection with Mr. Krishnamurti's compensation and has not benchmarked his compensation.

### **Tax and Accounting Treatment of Compensation**

#### **Tax Deductibility Cap on Executive Compensation**

The Compensation Committee is aware that Section 162(m) of the Internal Revenue Code treats certain elements of executive compensation in excess of \$1 million a year as an expense not deductible by the Company for federal income tax purposes. Depending on the market price of the Company's common stock on the date of exercise of options that are not performance-based, the compensation of certain executive officers in future years may be in excess of \$1 million for purposes of Section 162(m). The Compensation Committee reserves the right to pay compensation that may be non-deductible to the Company if it determines that it would be in the best interests of the Company.

#### **Tax and Accounting Treatment of Options**

We are required to recognize in our financial statements compensation cost arising from the issuance of stock options. GAAP requires that such that compensation cost is determined using fair value principles (we use the Black-Scholes method of valuation) and is recognized in our financial statements over the requisite service period of an instrument. However, the tax deduction is only recorded on our tax return when the option is exercised. The tax benefit received at exercise and recognized in our tax return is generally equal to the intrinsic value of the option on the date of exercise.

#### **Compensation of Policies and Practices as they relate to Risk Management**

The Company does not believe that its compensation policies and practices (cash compensation and at-the-market or above-market five- and ten-year options without or without performance standards and with or without vesting schedules) are reasonably likely to have a material adverse effect on the Company as they relate to risk management practices and risk-taking incentives.



Table Of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth, as of September 16, 2016, information regarding the beneficial ownership of our common stock with respect to each of the named executive officers, each of our directors, each person known by us to own beneficially more than 5% of the common stock, and all of our directors and executive officers as a group. Each individual or entity named has sole investment and voting power with respect to shares of common stock indicated as beneficially owned by such person, subject to community property laws, where applicable, except where otherwise noted. The percentage of common stock beneficially owned is based on 108,404,767 shares of common stock outstanding as of September 16, 2016 plus the shares that a person has a right to acquire within 60 days of September 16, 2016.

Name and Address (1)	Number of Shares of Common Stock Beneficially Owned (2)	Percentage of Common Stock Beneficially Owned
John Levy (3) (4)	1,348,201	1.2
Robert Betz (3) (5)	1,152,155	1.1
Mario Concha (3) (6)	1,168,438	1.1
David Taft (3) (7)	28,871,904	25.6
Bradley Tirpak (3) (8)	369,508	*
Ali Zamani (3) (9)	501,983	*
Andre Zeitoun (3) (10) (16)	9,134,022	7.9
Christopher T. Carney (11) (16)	3,747,703	3.4
William Gleeson (12) (16)	1,720,751	1.46
All Officers and Directors as a Group	48,014,665	37.4
IBS Capital, LLC (7)	28,871,904	25.6
Samlyn Capital, LLC (13)	25,156,070	20.4
Berylson Master Fund, L.P. (14)	6,492,180	5.8
John Berylson (14)	7,765,180	6.9
Kingdon Capital Management, LLC (15)	7,055,149	6.41

\* Less than 1%

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- (1) Unless otherwise indicated, the address of the persons named in this column is c/o Applied Minerals, Inc., 110 Greene Street, Suite 1101, New York, NY 10012.
- Included in this calculation are shares deemed beneficially owned by virtue of the individual's right to acquire
- (2) them within 60 days of the date of March 10, 2016 as determined pursuant to Rule 13d-3 of the Securities Exchange Act of 1934.
- (3) Director
- Mr. Levy's holdings include: (i) options to purchase 100,000 shares of common stock at \$1.24 per share expiring in January, 2018; (ii) options to purchase 100,000 shares of common stock at \$1.66 per share expiring November, 2022; (iii) options to purchase 50,000 shares of common stock at \$0.83 per share expiring in March, 2024; (iv) options to purchase 50,000 shares of common stock at \$0.66 per share, expiring in February, 2025; (v) options to purchase 37,500 shares of common stock at \$0.28 per share, vesting equally on March 31, June 30, September 30 and December 31, 2016, expiring in January, 2026; (vi) options to purchase 51,170 shares of common stock at \$0.29 per share, expiring in January, 2026; (vii) options to purchase 37,500 shares of common stock at \$0.25 per share, expiring in May, 2021; (viii) warrants to purchase 100,000 shares of common stock at \$0.25 per share, expiring in June, 2021; and (ix) options to purchase 70,000 shares of common stock at \$0.25 per share, expiring in August, 2021.
- Mr. Betz's holdings include: (i) options to purchase 50,000 shares of common stock at \$0.83 per share expiring in March, 2024; (ii) options to purchase 50,000 shares of common stock at \$0.66 per share expiring in February 2025; (iii) options to purchase 37,500 shares of common stock at \$0.28 per share, vesting equally on March 31, June 30, September 30 and December 31, 2016 and expiring in January, 2026; (iv) options to purchase 33,937 shares of common stock at \$0.29 per share expiring in January, 2021; (v) options to purchase 30,000 shares of common stock at \$0.25 per share and expiring in May, 2021; (vi) options to purchase 150,000 shares of common stock at \$0.25 per share and expiring in May, 2021; and (vii) options to purchase 60,000 shares of common stock at \$0.25 per share, expiring in August, 2021.
- (5) Mr. Concha's holdings include: (i) options to purchase 50,000 shares of common stock at \$0.83 per share expiring in March, 2024; (ii) options to purchase 50,000 shares of common stock at \$0.66 per share expiring in February, 2025; (iii) options to purchase 37,500 shares of common stock at \$0.28 per share, vesting equally on March 31, June 30, September 30 and December 31, 2016 and expiring in January, 2026; (iv) options to purchase 43,885 shares of common stock at \$0.29 per share expiring in January, 2021; options to purchase 30,000 shares of common stock at \$0.35 per share, expiring in May, 2021; options to purchase 600,000 of common stock at \$0.25 per share, expiring in May, 2021; and options to purchase 70,000 shares of common stock at \$0.25 per share, expiring in August, 2021.
- (6)

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- Mr. Taft is President of IBS Capital LLC and deemed to be the beneficial owner of shares held by the funds it manages by virtue of the right to vote and dispose of such securities. The IBS Turnaround Fund (QP) (A Limited Partnership) owns (i) 15,220,583 shares of common stock; (ii) 2,480,804 shares of common stock issuable upon conversion of 10% PIK Election Convertible Notes due 2018 (“Series A Notes”); (iii) options to purchase 30,100 shares of common stock at \$0.25 per share expiring in August, 2021; and (iv) warrants to purchase 244,745 shares of common stock at \$0.25 per share, expiring in June 2021. The IBS Turnaround Fund (A Limited Partnership)
- (7) owns (i) 7,290,997 shares of common stock; (ii) 1,180,359 shares of common stock issuable upon conversion of the Series A Notes; (iii) options to purchase 16,000 shares of common stock at \$0.25 expiring in August, 2021; and (iv) warrants to purchase 124,625 shares of common stock at \$0.25 per share, expiring in June 2021. The IBS Opportunity Fund, Ltd. owns (i) 1,472,154 shares of common stock; (ii) 776,606 shares of common stock issuable upon conversion of the Series A Notes; (iii) options to purchase 3,900 shares of common stock at \$0.25 per share expiring in August, 2021; and (iv) warrant to purchase 31,031 shares of common stock at \$0.25 per share, expiring in June 2021.
- Mr. Tirpak’s holdings include: (i) options to purchase 38,356 shares of common stock \$0.73 per share expiring in April, 2025; (ii) options to purchase 37,500 shares of common stock at \$0.28 per share, expiring in January 2026; (iii) options to purchase 18,275 shares of common stock at \$0.285 per share expiring in January, 2021; (iv)
- (8) options to purchase 14,140 shares of common stock at \$0.285 per share expiring in January, 2026; (v) options to purchase 50,000 shares of common stock at \$0.25 per share, expiring in May 2021; and (vi) options to purchase 50,000 shares of common at \$0.25 per share, expiring in August 2021..
- Mr. Zamani’s holdings include: (i) options to purchase 50,000 shares of common stock at \$0.83 per share expiring in March, 2024; (ii) options to purchase 50,000 shares of common stock at \$0.66 per share expiring in February, 2025; (iii) options to purchase 37,500 shares of common stock at \$0.28 per share, expiring in January, 2026; (iv)
- (9) options to purchase 73,099 shares of common stock at \$0.285 per share expiring in January, 2021; (v) options to purchase 50,000 shares of common stock at \$0.25 per share, expiring in May 2021; and options to purchase 50,000 shares of common at \$0.25 per share, expiring in August 2021.
- Mr. Zeitoun’s holdings include (i) options (held through Material Advisors) to purchase 3,949,966 shares of common stock at \$0.70 per share, expiring in January, 2019; (ii) options (held through Material Advisors) to
- (10) purchase 1,742,792 shares of common stock at \$0.83 per share, expiring in January, 2021; (iii) options to purchase 1,742,792 shares of common stock at \$1.66 per share, expiring in November, 2022; and (iv) options to purchase 331,123 shares of common stock at \$0.24 per share, expiring in March, 2021.
- Mr. Carney’s holdings include: (i) options to purchase 1,316,655 shares of common stock at \$0.70 per share expiring in January, 2019; (ii) options to purchase 580,930 shares of common stock at \$0.83 per share expiring in January, 2022; (iii) options to purchase 580,931 shares of common stock at \$1.66 per share expiring in January, 2023; (iv) options to purchase 75,000 shares of common stock at \$0.84 per share expiring in June, 2024; (v)
- (11) options to purchase 16,665 shares of common stock at \$0.68 per share expiring in February, 2025; (vi) options to purchase 248,344 shares of common stock at \$0.24 per share expiring in March, 2021; and (vii) options to purchase 500,000 shares of common stock at \$0.16 per share, vesting equally over 12 months beginning August 2016 and expiring in August 2019 .
- Mr. Gleeson’s holdings include: (i) options to purchase 900,000 shares of common stock at \$1.90 per share, expiring in September, 2021; (ii) options to purchase 72,406 shares of common stock at \$1.66 per share, expiring
- (12) in November, 2022; (iii) options to purchase 600,000 shares of common stock at \$0.84 per share, vesting equally over 36 months beginning June, 2014 and expiring in June, 2024; and (iv) options to purchase 248,344 shares of common stock at \$0.24 per share, expiring in March, 2021.





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- Samlyn Capital, LLC, 500 Park Avenue, 2nd Floor, New York, N.Y. 10022, is the beneficial owner of shares held by funds it manages by virtue of the right to vote and dispose of the securities. Samlyn Onshore Fund, L.P. owns 9,124,312 shares, including 5,096,339 shares of common stock issuable upon conversion of the Series A (13) Notes and Samlyn Offshore Master Fund, Ltd., owned 16,031,757 shares of common stock, including 9,548,314 shares of common stock issuable upon conversion of the Series A Notes. Robert Pohly is the president of Samlyn Capital, LLC. He has beneficial ownership of shares owned by funds of which Samlyn Capital, LLC is the general partner or investment manager, Mr. Pohly having sole voting and investment power. James Berylson is the sole managing member of Berylson Capital Partners, LLC, which manages the Berylson Master Fund, L.P. Of the 6,492,180 shares owned by the Berylson Master Fund, L.P., 4,187,799 shares are (14) issuable upon conversion of Series 2023 Notes owned by the Berylson Master Fund, L.P. Mr. Berylson may be deemed to beneficially own the 6,492,180 shares. Mr. Berylson owns and additional 1,273,000 shares. The address of Berylson Capital Partners, LLC is 200 Clarendon Street, Boston, MA 02116. Based on a Schedule 13G/A filed on February 16, 2016, Kingdon Capital Management, LLC, 152 West 57<sup>th</sup> Street, 50<sup>th</sup> Floor, New York, N.Y. 10019, is the beneficial owner of shares of the Company, which are held by funds it manages by virtue of the right to vote and dispose of the securities. Kingdon Associates owns 2,267,947 (15) shares through the conversion of its ownership of Series 2023 and Series A Convertible PIK Notes, Kingdon Family Partnership, L.P. owns 522,155 shares through the conversion of its ownership of Series 2023 and Series A Convertible PIK Notes, and M. Kingdon Offshore Mast Fund, L.P. owns 4,265,087 shares through the conversion of its ownership of Series 2023 and Series A Convertible PIK Notes. Mark Kingdon is the President of Kingdon Capital Management, LLC and may be deemed to beneficially own these shares. (16) Executive officer.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Review, approval or ratification of transactions with related persons.**

Our Board of Directors reviews any transaction, except for ordinary business travel and entertainment, involving the Company and a related party before the transaction or upon any significant change in the transaction or relationship. For these purposes, the term "related-party transaction" includes any transaction required to be disclosed pursuant to Item 404 of Regulation S-K of the SEC.

**Transactions with Related Persons**

In 2014, funds managed by IBS Capital LLC, of which Mr. Taft, a director is president, purchased \$3,030,303 of Series A Notes and funds managed by Samlyn Capital, LLC purchased \$10,000,000 of Series A Notes. The Series A Notes bear interest at 10% per year and may be paid, at the Company's election, in cash or Series A Notes. In 2014, 2015, and 2016, the Company issued as interest \$477,651 and \$1,576,250 of Series A Notes to the funds managed by IBS Capital LLC and funds managed Samlyn Capital LLC, respectively.

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On June 24, 2016, the Company sold 10,933,333 units (each unit consisting of one share of Common Stock and one five-year warrant to purchase .3 of a share of Common Stock) for \$0.15 per unit and an aggregate purchase price of \$1,640,000. 3.33 Warrants can be exercised for one share of Common Stock for an aggregate exercise price of \$0.25. The closing market price of the Company's common stock on June 24, 2016 was \$0.24. Mr. Levy and Mr. Betz each purchased \$50,000 of units and funds managed by Mr. Taft purchased an aggregate of \$200,000 of units.

Eric Basroon, Mr. Zeitoun's brother-in-law, is currently employed and, during 2015, was employed by the Company as Vice President of Business Development. During 2015, he received an annual salary of \$200,000, options to purchase 50,000 shares of stock, such options having a Black Scholes value of \$16,562. During 2016, he will receiving a salary of \$180,000 plus \$20,000 to be issued at various times during the year upon Mr. Basroon's request. On March 10, 2016, Mr. Basroon was granted a bonus consisting of (i) \$37,500 in cash and (ii) options to purchase 248,344 shares of common stock of the Company at \$0.24 per share, which had a Black-Scholes value of \$37,500 at March 10, 2016. The bonus granted to Mr. Basroon was for his performance during 2015.

## Director Independence

The directors who are deemed to be independent under the independence standards of NASDAQ (the independence standard used by the Company) are Messrs. Levy, Concha, Betz, Tirpak, and Zamani. They are also independent under the enhanced independence standards of Section 10A-3 of the Securities Exchange Act. Messrs. Zeitoun and Taft are not independent under the NASDAQ standards of independence. Mr. Zeitoun is an employee. Mr. Taft is deemed not independent because of his role as a director and the size of his security holdings.

## **PRINCIPAL ACCOUNTING FEES AND SERVICES**

EisnerAmper LLP was selected by our Board of Directors as the Company's independent accountant for the years ending December 31, 2015 and 2014.

The following table presents fees for audit services rendered by EisnerAmper, the independent auditor for the audits of the Company's annual consolidated financial statements for the years ended December 31, 2015 and 2014, respectively.

December	December
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	31, 2015	31, 2014
Audit Fees (1)	\$ 151,500	\$ 121,500
Audit-Related Fees	--	--
Tax Fees (2)	7,500	7,500
Total	\$ 159,000	\$ 129,000

(1) Audit fees represent the aggregate fees paid for professional services including: (i) audit, (ii) S-1 filings and (iii) SEC comment letters.

(2) Tax fees represent aggregate fees paid for professional services, principally including fees for tax compliance and tax advice.

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**SEC POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES**

As permitted by the Delaware General Corporation Law, the Bylaws of the Company provide that (i) the Company is required to indemnify its directors and officers to the fullest extent permitted by the Delaware General Corporation Law, (ii) the Company is required to advance expenses, as incurred, to its directors and officers in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to certain very limited exceptions, (iii) the Company may indemnify any other person as set forth in the Delaware General Corporation Law, and (iii) the indemnification rights conferred in the Bylaws are not exclusive.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers, and controlling persons pursuant to the provisions described above or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment of expenses incurred or paid in a successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the Common Stock being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to the court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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**THE OFFERING**

This prospectus relates to the offer and sale by the Selling Stockholders, from time to time, of the following:

Up to 30,183,622 shares of Common Stock, issuable on conversion of certain 10% PIK-Election Convertible Notes due 2018 (the “Series A Notes” or the “Notes”) of which \$7,188,300 of principal amount is owned by Samlyn Offshore Master Fund, Ltd., \$3,836,700 of principal amount is owned by Samlyn Onshore Fund, L.P., \$888,615 of principal amount is owned by The IBS Turnaround Fund, L.P., \$1,867,635 of principal amount is owned by The IBS Turnaround Fund (QP) (A Limited Partnership) and \$584,656 of principal amount is owned by The IBS Opportunity Fund, Ltd. At the Company’s election, interest may be paid in cash or in Series A Notes (payment in the form of Notes is referred to as payment-in-kind or “PIK”). As of the date of this prospectus, 15,699,157 shares are issuable on conversion of the Series A Notes that were issued on November 3, 2014 (the date of the initial issuance of Series A Notes) and 2,474,580 shares are issuable on conversion of Series A Notes that have been issued as interest. If the Company issues additional Series A Notes in payment of interest and/or penalties, the number of shares that may be sold pursuant to this Prospectus will increase. If the Company makes all the interest payments by issuing additional Series A Notes and all the Series A Notes remain outstanding until maturity, the additional shares issuable on conversion of the Series A Notes could increase the number of shares issuable on conversion of the Notes by 12,009,885 shares. This number is based on the current conversion rate of \$0.83 and assumes that, per the terms of the Notes, the conversion price is decreased by \$0.10 after November 1, 2018, the interest is decreased to 1% after November 1, 2019 and the maturity date of the Notes is extended to August 1, 2023. Given the Company’s current financial position, it is anticipated that for the foreseeable future, the Company will likely pay interest using Series A Notes issued as payment-in-kind interest. The shares of Common Stock that may be issued on conversion of the Series A Notes are referred to as the “Shares.”

20,933,339 outstanding shares of Common Stock of which 10,933,339 were issued as part of the sale by the Company of 10,933,333 units on June 24, 2016, 6,150,000 are owned by Samlyn Offshore Master Fund, Ltd. and 3,850,000 are owned by Samlyn Onshore Fund, L.P.

666,391 shares of Common Stock issued as Liquidated Damages pursuant to Section 2c of the Registration Statement Agreement for the Series A Notes. Of these shares 333,443 are owned by Samlyn Offshore Master Fund, Ltd., 177,973 are owned by Samlyn Onshore Fund, L.P., 41,220 are owned by the IBS Turnaround Fund, L.P., 86,634 are owned by The IBS Turnaround Fund (QP) (A Limited Partnership) and 27,121 are owned by The IBS Opportunity Fund, Ltd.

3,283,283 shares of Common Stock issuable on the exercise of warrants.

The sellers referred to above as collectively referred to as the “Selling Stockholders” and the shares referred to above as collectively referred to as the “Shares.”

The term “Selling Stockholders” includes the persons listed in the table under “Selling Stockholders ” and also donees, pledgees, transferees or other successors-in- interest selling Common Stock or interests in Common Stock received after the date of this prospectus from a Selling Stockholder as a gift, pledge, partnership distribution or similar transfer.

See “The Offering,” “Selling Stockholders,” and “Antidilution Provisions.”



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**ANTIDILUTION PROVISIONS**

The number of shares issuable under the Series A Notes and the June 2016 Warrants may be affected by the antidilution provisions of the Notes. The Series A Notes' antidilution provisions adjust the conversion 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 Series A Notes, pro rata distribution of assets, rights plans, tender offers, and exchange offers. The June, 2016 Warrants' antidilution provisions adjust the conversion price of the Notes in the event of stock dividends and splits, pro rata distribution of assets, rights plans, tender offers, and exchange offers

The anti-dilution provisions may be characterized as "broad-based, weighted-average." Broad-based refers to the fact that the antidilution formulas take into account convertible securities as well as Common Stock. Weighted-average refers to the fact that the adjustment takes into account the number of shares of shares before and after the event in question.

The Company believes that it is unlikely that the antidilution provisions relating to stock dividends and splits, pro rata distribution of assets, rights plans, tender offers, and exchange offers will be triggered in the foreseeable future.

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Set forth below are the antidilution provisions of the Series A Notes in the event of sales of Common Stock by the Company below market price and below conversion price (initially \$0.92 now \$0.83 due to a below exercise price equity issuance on June 24, 2016 and reduced to but \$0.74 in the event of a certain extension of the maturity date).

Below Market Issuances. If the Issuer, at any time while this Note is outstanding, shall issue shares of Common Stock or Convertible Securities at an Effective Consideration per share that is less than the Market Price on the Trading Day immediately before the issuance is announced, then the Exercise Price shall be adjusted pursuant to the following formula:

$$N0 + C/M$$

$$E = E0 \times \frac{N0 + C/M}{N0 + NA}$$

$$N0 + NA$$

where:

E = the Exercise Price in effect immediately after the Open of Business on the Trading Day of such issuance;

E0 = the Exercise Price in effect immediately prior to the Open of Business on the Trading Day of such issuance;

N0 = the number of shares of Common Stock outstanding immediately prior to the Open of Business on the Trading Day of such issuance;

NA = the number of shares of Common Stock issued and/or issuable upon exercise, conversion or exchange of any Convertible Securities, full physical settlement assumed;

C = the total consideration receivable by the Issuer on issuance and/or the exercise, conversion or exchange of any Convertible Securities, full physical settlement assumed; and

M = the Five-Day VWAP as of the Trading Day immediately preceding the date on which such issuance is announced.

Issuances Below the Exercise Price. If the Issuer, at any time while this Note is outstanding, shall issue shares of Common Stock or Convertible Securities at an Effective Consideration per share that is less than the Exercise Price in effect at the Close of Business on the Trading Day immediately preceding such issuance (other than issuances to directors, officers, employees or consultants of the Issuer as compensation for services rendered to the Issuer by such Persons), then the Exercise Price shall be adjusted pursuant to the following formula:

$$N0 + C/E0$$

$$E = E0 \times \frac{N0 + C/E0}{N0 + NA}$$

N0 + NA

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where:

E = the Exercise Price in effect immediately after the Open of Business on the Trading Day of such issuance;

E0 = the Exercise Price in effect immediately prior to the Open of Business on the Trading Day of such issuance;

N0 = the number of shares of Common Stock outstanding immediately prior to the Open of Business on the Trading Day of such issuance;

NA = the number of shares of Common Stock issued and/or issuable upon exercise, conversion or exchange of any Convertible Securities, full physical settlement assumed; and

C = the total consideration receivable by the Issuer on issuance and/or the exercise, conversion or exchange of any Convertible Securities, full physical settlement assumed.

**USE OF PROCEEDS**

The Company will receive none of the proceeds for the sale of the Common Stock. The proceeds will go to the Selling Stockholders. However, if all of the June 2016 Warrants are exercised, we will receive \$820,821.

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**DESCRIPTION OF CAPITAL STOCK**

Set forth below is a description of certain provisions relating to our capital stock. For additional information regarding our capital stock please refer to our Certificate of Incorporation and Bylaws.

**COMMON STOCK**

Each share of Common Stock entitles the holder to one vote on each matter that may come before a meeting of the stockholders.

There is no right to cumulative voting thus, except as noted below, the holders of fifty percent or more of the shares outstanding can, if they choose to do so, elect all of the directors.

Samlyn Onshore Fund, LP and Samlyn Offshore Masterfund Ltd are referred hereafter to as the “Samlyn Stockholders.” Until the Samlyn Stockholders, together with their respective affiliates, cease to beneficially own at least 9,700,000 shares of Common Stock (they beneficially own 10,511,416 shares of Common Stock prior to this offering), the Samlyn Stockholders jointly shall have the right to designate one person to be nominated for election to the Board (an “Initial Nominee”), and the Samlyn Stockholders jointly shall exercise this right, in their sole discretion, anytime and from time to time by providing written notice to the Company.

Until the earlier of (i) the Samlyn Stockholders, together with their respective affiliates, ceasing to beneficially own at least 9,700,000 shares of Common and (ii) December 22, 2016, if Andre Zeitoun ceases to serve as a named executive officer of the Company or as chairman of the Board, the Samlyn Stockholders jointly, during such period in which Mr. Andre Zeitoun is not serving in such capacity, shall be entitled to designate a number of additional nominees (each an “Additional Nominee,” and together with the Initial Nominee, the “Nominees”) who, together with the Initial Nominee, shall comprise at least 20% of the total number of Directors, and the number of Directors representing such 20% shall be rounded up to the nearest whole number. The Samlyn Stockholders jointly shall exercise the rights in their sole discretion, anytime and from time to time by providing written notice to the Company.

In the event of a voluntary or involuntary liquidation, all stockholders are entitled to a pro rata distribution after payment of liabilities and after provision has been made for each class of stock, if any, having preference over the Common Stock.



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The holders of the Common Stock have no preemptive rights with respect to future offerings of shares of Common Stock except that the Samlyn Stockholders have preemptive rights by contract under investment agreements (“Investment Agreements”) as follows. If the Company proposes to issue any (i) equity securities or (ii) securities convertible into or exercisable or exchangeable for equity securities, other than any Excluded Securities (the “Dilutive Securities”), the Company shall deliver to each Samlyn Stockholder a written notice (which notice shall state the number of Dilutive Securities proposed to be issued, the purchase price thereof and any other material terms or conditions of the proposed Dilutive Securities and of their issuance, including any linked or grouped securities which comprise Dilutive Securities) of such issuance (the “Preemptive Offer Notice”) at least 5 business days prior to the date of the proposed issuance (such period beginning on the date that the Preemptive Offer Notice is delivered to the Investors and the 5 Business Days following such date being the “Preemptive Offer Period”). Each Investor shall have the option, exercisable at any time during the Preemptive Offer Period by delivering a written notice to the Company (a “Preemptive Offer Acceptance Notice”), to subscribe for up to a number of such Dilutive Securities, equal to the number of such Dilutive Securities proposed to be offered multiplied by a fraction, the numerator of which is the total number of shares of Common Stock beneficially owned by such Investor and any of its affiliates at the time the Company proposes to issue any the securities and the denominator of which is the total number of shares of Common Stock issued and outstanding at such time (“Pro Rata Portion”). The preemptive rights do not apply to the following securities issued by the Company at any time in compliance with the Investment Agreements (the “Excluded Securities”): (i) equity securities or securities convertible into or exercisable or exchangeable for equity securities, in each case issued to directors, officers, employees, or consultants of the Company as compensation for services rendered by such directors, officers, employees, or consultants (ii) shares of Common Stock issued as a dividend on shares of Common Stock or upon any stock split, reclassification, recapitalization, exchange or readjustment of shares or other similar transaction (iii) securities issued as consideration in a merger, consolidation, acquisition of all or substantially all of the another person’s assets or any similar transaction involving the Company and a Person (other than the Investors or an Affiliate of the Company), in each case to the extent that such transaction is conducted in compliance with this Agreement and (iv) securities issued upon the exercise, conversion or exchange of any options, warrants or other derivative securities of the Company issued in compliance with (or otherwise not in violation of) the Investment Agreements.

Holders of Common Stock are entitled to dividends if, as, and when declared by the Board out of the funds legally available therefore. The Series A Notes prohibit dividends without the approval of the holders of a majority of the principal amount of the Series A Notes. It is our present intention to retain earnings, if any, for use in our business. The payment of dividends on our Common Stock is unlikely in the foreseeable future.

The Board of Directors is not classified.

The Company’s Certificate of Incorporation and Bylaws have no restrictions on alienability of the Common Stock and do not contain any provision discriminating against any existing or prospective holder of such Common Stock as a result of such security holder owning or acquiring a substantial amount of Common Stock.





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The Delaware General Corporation Law (“GCL”) has a provision called “Business Combinations with Interested Stockholders Act,” by which the Company has elected to be governed.

The Delaware Business Combinations with Interested Stockholders Act generally operates to prevent a wide variety of transactions between the corporation, on one hand, and an “interested shareholder” and its affiliates, on the other hand. It generally prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless prior to such date the Board of Directors of the corporation approved either the business combination or the transaction in which the person became an interested stockholder, (ii) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owns at least 85% of the outstanding voting stock of the corporation excluding shares owned by officers or directors of the corporation and by certain employee stock plans, or (iii) on or after such date the business combination is approved by the Board of Directors of the corporation and by the affirmative vote of at least 66 2/3% of the outstanding voting stock of the corporation that is not owned by the interested stockholder. The term “business combination” generally includes mergers, asset sales, and similar transactions between the corporation and the interested stockholder, and other transactions resulting in a financial benefit to the stockholder. An “interested stockholder” is a person who, together with affiliates and associates, owns 15% or more of the corporation’s voting stock or who is an affiliate or associate of the corporation and, together with his affiliates and associates, has owned 15% or more of the corporation’s voting stock within three years.

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**SELLING STOCKHOLDERS**

The Selling Stockholders are named in the table below. Each Selling Stockholder acquired the Common Stock to be sold using this prospectus in a private transaction offered and sold by the Company in reliance upon exemptions from registration pursuant to Section 4(2) of the Securities Act or in open market transactions.

The term “Selling Stockholders ” includes persons listed in the table below and also includes donees, pledgees, transferees or other successors-in-interest selling shares of Common Stock, or interests in shares of Common Stock, received after the date of this prospectus from a Selling Stockholder as a gift, pledge, partnership distribution or similar transaction. The Selling Stockholders may sell all or any portion of their shares of Common Stock in one or more transactions on any stock exchange, market or trading facility on which the shares are traded or in private, negotiated transactions. Each Selling Stockholder will determine the prices at which the Selling Stockholder’s shares will be sold.

The information below is based in part on information provided by or on behalf of the Selling Stockholders. Beneficial ownership is determined in accordance with the rules of the SEC, and includes voting or investment power with respect to shares, as well as any shares as to which the Selling Stockholder has the right to acquire beneficial ownership within sixty (60) days after September 16, 2016 through the exercise or conversion of any stock options, warrants, convertible debt or otherwise. No estimate can be given as to the amount or percentage of our Common Stock that will be held by the Selling Stockholders after any sales or other dispositions made pursuant to this prospectus because the Selling Stockholders are not required to sell any of the shares being registered under this prospectus. The table below assumes that the Selling Stockholders will sell all of the shares listed in this prospectus.

Unless otherwise indicated in the footnotes to the table, (i) the named persons possess sole voting and investment control with respect to the shares listed (except to the extent such authority is shared with spouses under applicable law) as of April 14, 2016, (ii) the Selling Stockholders have not held any position or office or had any material relationship with our Company or any of its subsidiaries within the past three years, and (iii) the Selling Stockholder is not a broker-dealer, or an affiliate of a broker-dealer.

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	Shares	Maximum	Shares	Percentage
		number of		
Selling	beneficially	shares	beneficially	owned after
		owned before		
Stockholder		to be sold in the	Owned after the	
		the offering(1)		
		offering(2)	the offering	offering(3)
Samlyn Offshore Master Fund Ltd. (4)	21,586,409	21,586,409	0	0
Samlyn Onshore Fund LP (4)	12,089,108	12,089,108	0	0
IBS Turnaround Fund, L.P. (5)(6)	9,298,655	2,447,878	6,850,777	6.3
IBS Turnaround Fund QP (A Limited Partnership) (5)(7)	19,419,440	5,070,391	14,349,049	13.2
IBS Opportunity Fund (5)(8)	2,735,722	1,389,883	1,345,833	1.2
Fimatec Ltd.(9)	4,334,335	4,334,335	0	
Daniel Fitzgerald (10)	1,233,434	433,434	800,000	*
Mark Weinberger(11)	3,946,251	520,120	3,426,131	3.2
Robert Betz(12)	1,151,155	433,434	717,721	*
Joseph Mark(13)	2,867,088	433,434	2,433,654	2.2
Dune Road LLC(14)	2,994,399	433,434	2,560,965	2.4
Goeffrey Scott(15)	5,492,997	910,210	4,582,787	4.2
Kenneth Cornick(16)	1,966,867	866,867	1,080,000	1.0
Justin Erlich	2,600,600	2,600,600	0	*
Jeffrey Silver	827,343	216,717	610,626	*
Cognisant Ltd.	866,867	866,867	0	*
Jon Levy				