

Edgar Filing: ATLAS MINING CO - Form 10QSB

ATLAS MINING CO
Form 10QSB
May 17, 2004

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED March 31, 2004

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number 000-31380

ATLAS MINING COMPANY

(Exact name of registrant as specified in its charter)

IDAHO

82-0096527

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

630 EAST MULLAN AVENUE, OSBURN, IDAHO

83849

(Address of principal executive offices)

(Zip Code)

(208) 556-1181

Issuer's telephone number, including area code

Former name, former address and formal fiscal year, if changed since last
report: N/A

Indicate by check whether the registrant: (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act
of 1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to
such filing requirements for the past 90 days. YES /X/ NO /_/

The number of shares outstanding of the only class of the issuer's common
equity as of May 7, 2004 is 37,024,017 shares of Common Stock.

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

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

PAGE

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Edgar Filing: ATLAS MINING CO - Form 10QSB

Unaudited Consolidated Balance Sheet
March 31, 2004. 4

Unaudited Consolidated Statements of Operations
Three Months Ended March 31, 2004 and 2003. 5

Unaudited Consolidated Statements of Cash Flows
Three Months Ended March 31, 2004 and 2003. 6

Notes to Unaudited Consolidated Financial Statements. 9

Item 2. Management's Discussion and Analysis of Financial
Condition and Results of Operations. 9

Item 3. Controls and Procedures. 12

PART II. OTHER INFORMATION

Item 1. Legal Proceedings. 12

Item 2. Changes in Securities. 13

Item 3. Defaults Upon Senior Securities. 13

Item 4. Submission of Matters to a Vote of Security Holders. . . . 13

Item 5. Other Information. 13

Item 6. Exhibits and Reports on Form 8-K 14

Signatures. 15

Exhibits. 16

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

Atlas Mining Company
Consolidated Financial Statements
March 31, 2004

Atlas Mining Company
Consolidated Balance Sheets

ASSETS

| | |
|-------------------|----------------------|
| March 31, 2004 | December 31, 2003 |
|-------------------|----------------------|

Edgar Filing: ATLAS MINING CO - Form 10QSB

| | ----- (Unaudited) | ----- |
|---|----------------------|------------|
| Current Assets | | |
| Cash | \$ 1,944 | \$ 6,814 |
| Accounts receivable (net of allowance of \$0) | 90,175 | 32,253 |
| Investments - available for sale | 12,363 | 12,796 |
| Advances | 7,696 | 7,696 |
| Advances - related party | 74,825 | 74,693 |
| | ----- | ----- |
| Total Current Assets | 187,003 | 134,252 |
| Property and Equipment, Net | 419,492 | 356,220 |
| Other Assets | | |
| Mining supplies | 9,000 | 9,000 |
| | ----- | ----- |
| Total Other Assets | 9,000 | 9,000 |
| | | |
| Total Assets | \$ 615,495 | \$ 499,472 |
| | ===== | ===== |

4

Atlas Mining Company
Consolidated Balance Sheets

| LIABILITIES AND STOCKHOLDERS' EQUITY | March 31, 2004 | December 31, 2003 |
|---|----------------------|----------------------|
| | ----- (unaudited) | ----- |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 248,618 | \$ 214,855 |
| Line of credit | 22,060 | 23,094 |
| Current portion of long-term debt | 642,318 | 725,131 |
| | ----- | ----- |
| Total Current Liabilities | 912,996 | 963,080 |
| Long-Term Liabilities | | |
| Notes payable | 767,682 | 729,795 |
| Notes payable - related party | 70,829 | 70,829 |
| Less: current portion of long-term debt | (642,318) | (725,131) |
| | ----- | ----- |
| Total Long-Term Liabilities | 196,193 | 75,493 |
| Minority Interest | 52,652 | 52,652 |
| Stockholders' Equity | | |
| Preferred stock, \$1.00 par value, 10,000,000 shares authorized, noncumulative, nonvoting, | | |

Edgar Filing: ATLAS MINING CO - Form 10QSB

| | | |
|---|-------------|-------------|
| nonconvertible, none issued or outstanding | 0 | 0 |
| Common stock, no par value, 60,000,000 shares authorized, 36,826,222 and 34,725,151 shares issued and outstanding, respectively | 5,237,627 | 4,994,977 |
| Cost of treasury stock, 1,313,022 and 18,106 shares, respectively | (131,221) | (131,221) |
| Retained earnings (deficit) | (5,214,709) | (4,914,966) |
| Accumulated comprehensive income (loss) | (10,843) | (10,843) |
| Prepaid expenses | (2,500) | (5,000) |
| Subscription receivable | (424,700) | (524,700) |
| | ----- | ----- |
| Total Stockholders' Equity | (546,346) | (591,753) |
| | ----- | ----- |
| Total Liabilities and Stockholders' Equity | \$ 615,495 | \$ 499,472 |
| | ===== | ===== |

5

Atlas Mining Company
Consolidated Statements of Operations
(Unaudited)

| | For the Three Month Ended March 31, | |
|--|--|-----------|
| | 2004 | 2003 |
| | ----- | ----- |
| Revenues | \$ 158,629 | \$ 58,434 |
| Cost of Sales | 127,162 | 41,576 |
| | ----- | ----- |
| Gross Profit (Loss) | 31,467 | 16,858 |
| Operating Expenses | | |
| Exploration & development costs | 2,088 | 50,268 |
| General & administrative | 319,578 | 271,685 |
| | ----- | ----- |
| Total Operating Expenses | 321,666 | 321,953 |
| | ----- | ----- |
| Net Operating Income (Loss) | (290,199) | (305,095) |
| Other Income (Expense) | | |
| Interest income | 1 | 2 |
| Interest expense | (11,034) | (60,859) |
| Gain (loss) on sale of investments available for sale | 1,489 | - |
| Gain (loss) on settlement of debt | 0 | 28,500 |
| | ----- | ----- |
| Total Other Income (Expense) | (9,544) | (32,357) |
| | ----- | ----- |
| Income (Loss) Before Income Taxes | (299,743) | (337,452) |

Edgar Filing: ATLAS MINING CO - Form 10QSB

| | | |
|--------------------------------------|--------------|--------------|
| Provision (Benefit) for Income Taxes | - | - |
| | ----- | ----- |
| Net Income (Loss) | \$ (299,743) | \$ (337,452) |
| | ===== | ===== |
| Net Income (Loss) Per Share | \$ (0.01) | \$ (0.03) |
| | ===== | ===== |
| Weighted Average Shares Outstanding | 35,706,726 | 11,220,501 |
| | ===== | ===== |

6

Atlas Mining Company
Consolidated Statements of Cash Flows
(Unaudited)

| | For the Three Months Ended | |
|---|----------------------------|--------------|
| | March 31, | |
| | 2004 | 2003 |
| | ----- | ----- |
| Cash Flows from Operating Activities: | | |
| Net Income (Loss) | \$ (299,743) | \$ (337,452) |
| Adjustments to Reconcile Net Loss to Net Cash Provided by Operations: | | |
| Depreciation | 1,526 | 2,221 |
| (Gain) loss on sale of investments available for sale | (1,489) | - |
| Stock issued for services | 242,650 | 136,800 |
| Amortization | 2,500 | 2,500 |
| Gain) loss on settlement of debt | - | (28,500) |
| Change in Operating Assets and Liabilities: | | |
| (Increase) Decrease in: | | |
| Accounts receivable | (57,922) | (47,792) |
| Other current receivables | - | - |
| Increase (Decrease) in: | | |
| Accounts payable and accrued expenses | 33,763 | 34,312 |
| | ----- | ----- |
| Net Cash Provided(Used) by Operating Activities | (78,715) | (237,911) |
| Cash Flows from Investing Activities: | | |
| Purchases of equipment | (64,798) | - |
| Proceeds from advances | 99,869 | 15,938 |
| Proceeds from sale of investments available for sale | 1,921 | - |
| Purchase of investments | - | - |
| Payments for advances | (100,000) | - |
| | ----- | ----- |
| Net Cash Provided (Used) by Investing Activities | (63,008) | 15,938 |
| Cash Flows from Financing Activities: | | |
| Proceeds from notes payable | 39,660 | - |
| Payments for notes payable | (1,773) | (26,484) |
| Payments for line of credit | (1,034) | (843) |
| Proceeds from subscription receivable | 100,000 | - |
| Proceeds from issuance of common stock | - | 250,000 |
| | ----- | ----- |

Edgar Filing: ATLAS MINING CO - Form 10QSB

| | | |
|--|---------|---------|
| Net Cash Provided (Used) by Financing Activities | 136,853 | 222,673 |
| Increase (Decrease) in Cash | (4,870) | 700 |
| Cash and Cash Equivalents at Beginning of Period | 6,814 | 5,246 |
| | ----- | ----- |
| Cash and Cash Equivalents at End of Period | 1,944 | 5,946 |

7

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

| | For the Three Months Ended March 31, | |
|--|---|------------|
| | 2004 | 2003 |
| | ----- | ----- |
| Cash Paid For: | | |
| Interest | \$ 9,431 | \$ 48,885 |
| Income Taxes | \$ - | \$ - |
| Supplemental Disclosure of Non-Cash Investing and Financing Activities: | | |
| Stock issued for services | \$ 242,650 | \$ 136,800 |
| Stock issued for notes payable | \$ - | \$ 100,000 |

8

Atlas Mining Company
Notes to the Consolidated Financial Statements
March 31, 2004

GENERAL

Atlas Mining Company (the Company) has elected to omit substantially all footnotes to the financial statements for the three months ended March 31, 2004 since there have been no material changes (other than indicated in other footnotes) to the information previously reported by the Company in their Annual Report filed on the Form 10-KSB for the twelve months ended December 31, 2003.

UNAUDITED INFORMATION

Edgar Filing: ATLAS MINING CO - Form 10QSB

The information furnished herein was taken from the books and records of the Company without audit. However, such information reflects all adjustments which are, in the opinion of management, necessary to properly reflect the results of the interim period presented. The information presented is not necessarily indicative of the results from operations expected for the full fiscal year.

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

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

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

Contract Mining

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

Property Exploration

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

9

In August 2001, we acquired the Dragon Mine in Juab, Utah and began our halloysite clay exploration. During the first three months of 2004, we had \$2,088 in exploration expenses compared to \$50,268 for the same period in 2003. The difference was because of a drilling program conducted in the period ending 2003, while minor work was done in 2004.

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

Edgar Filing: ATLAS MINING CO - Form 10QSB

future.

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

We are not aggressively looking for silver properties at this time, as we have been concentrating on our efforts to bring the clay property from the exploration stage to the development stage. However once the clay property is further developed it is our intent to look for other properties that can be acquired, developed and mined with minimal costs, and environmental problems.

In anticipation of our clay exploration activities reaching the development and/or production stages, we have submitted a mining and reclamation plan to the proper state authorities, and have received acceptance of our plan. In the future, we may pursue additional acquisitions and exploration of other properties for metals and industrial minerals, development of which will require submission of new mining and reclamation plans to the proper state and federal authorities.

Timber

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

Results of Operations

Revenues for the three month period ending March 31, 2004 were \$158,629, and \$58,434 for the same period in 2003, or an increase of 171% for 2004. These revenues came mostly from contracting activities. Timber revenue in the first quarter 2004 was \$8,346. There were no timber sales during this period ended 2003 due to weather restraints.

Gross profit for the three months ended March 31, 2004 was \$31,467, compared to \$16,858 for the same period in 2003, or an increase of 86%. The company recognized more revenues in the period ended 2004, however we found it necessary to hire a supervisor to assist with the increased workload, thus reducing our gross profits to revenues from 34% in 2003 to 20% in 2004.

As of the three month period ended March 31, 2004, our general and administrative expenses were \$319,578 compared to \$271,685 for the same period in 2003, or a 17.6% increase. The increase in this category resulted mainly from increases in professional fees during 2004.

10

Our net income (loss) for the three month period ended March 31, 2004, was (\$299,743) compared to (\$337,452) for the same period in 2003, a difference of 11%. This was contributed mostly from higher revenue in the first quarter of 2004 compared to the same period in 2003.

LIQUIDITY AND CAPITAL RESOURCES

To date our activities have been financed primarily through the sale of equity securities, borrowings, and revenues from AFC and logging operations. We intend to continue pursuing contract mining work and logging

Edgar Filing: ATLAS MINING CO - Form 10QSB

of our timber properties to help pay for our operations. For the three month periods ended March 31, 2004 contract mining accounted for 95% of the revenue and 100% of the revenue for the same period in 2003. Due to weather conditions we normally do not log during the first quarter. We have also borrowed from various sources to finance our activities.

Our current debt structure is explained below.

We have a note payable to William Jacobson, an officer and director, which is payable on demand and bears no interest. The proceeds from this note were used for general working capital. The current amount due as of March 31, 2004 is \$70,829. We have an unsecured line of credit with Textron Financial at an interest rate of prime plus 6%. The balance of the line of credit at March 31, 2004 was \$22,060. The funds were used for general working capital and are on a revolving credit line. In 2000, we entered into an agreement with Universal Funding for a secured revolving credit line, immediately payable by accounts receivable. The funds are used for general working capital. As of March 31, 2004 the amount owing Universal funding is 0-. Accounts payable and accrued expenses due as of March 31, 2004 were \$248,618 and are the result of daily operations and taxes owed.

We have a note payable to Moss Adams, LLP, an accounting firm, for \$53,250 at 9% per annum, due in monthly payments of \$1,000 with a balloon payment due at maturity. The note was for accounting services provided to us in 1999 and 2000. As of March 31, 2004 our current balance, including interest is \$72,338. The note matured on August 16, 2001. We have renegotiated terms of repayment, and can pay this debt for approximately 50% of the amount otherwise due. We have notes payable to American National Mortgage due in monthly interest installments of \$35,788.39. The notes matured on May 31, 2003, at which time the principal became due, and is secured by property in northern Idaho. American Mortgage has filed bankruptcy, and we are negotiating a settlement on this debt. We also have a note payable to CLS Mortgage Company, due in monthly installments of \$1,614, including interest at 16%. The note has a current balance of \$119,151 and is due in August 2005, secured by the proceeds of our logging activities and collateralized by land and a building on our property in northern Idaho.

If we are unable to reduce our debts or if we do not renegotiate any of this debt, we would be obligated to pay an average of \$53,527 per month or \$642,318 for the next fiscal year.

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

11

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

Our principal sources of cash flow during the first quarter 2004 was from Contracting activities which provided an average of \$50,000 per month

Edgar Filing: ATLAS MINING CO - Form 10QSB

for the period ended March 31, 2004, and \$19,478 per month for the same period in 2003. In addition, we rely on our credit facilities and any public or private sales of equity for additional cash flow.

Cash flow from financing activities for the three month period ended March 31, 2004 was \$136,853 compared to \$222,673 for the same period in 2003, a difference of \$85,820. The major factor for the difference was additional sales of common stock in 2003.

The Company spent \$63,008 from investing activities for the three month period ended March 31, 2003, compared to receiving \$15,938 in the same period in 2003. This was mostly attributed from transactions with affiliates.

Cash flow used by operating activities for the three month period ended March 31, 2004, was \$78,715 compared to \$237,911 for the same period in 2003, a difference of \$159,196. In the three month period in 2004 net losses were \$37,000 less however cash paid for general and administrative expenses increased by approximately \$47,893.

Item 3. CONTROLS AND PROCEDURES

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

(b) Changes in internal controls

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

12

Item 2. Changes in Securities

On March 5, 2004, the Company issued 1,071 shares of its common stock for \$150. The issuance was exempt from registration pursuant to Section 4(2) or rule 506 of Regulation D of the Securities act of 1933.

Item 3. Defaults Upon Senior Securities

None

Edgar Filing: ATLAS MINING CO - Form 10QSB

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

None

Item 5. Other Information

None

13

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

(a) EXHIBITS

The following exhibits are included in this Report:

| EXHIBIT NUMBER ----- | DESCRIPTION OF EXHIBITS ----- |
|----------------------------|--|
| 31.1 | Certification pursuant to Rule 13a-14 of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer and Principal Financial Officer |
| 32.1 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer and Principal Financial Officer |

(b) The following reports on Form 8-K were filed during the quarter ended March 31, 2003:

None.

14

SIGNATURES

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

ATLAS MINING COMPANY

Dated: May 14, 2004

/s/ William Jacobson

By: William Jacobson
Chief Executive Officer, Chief Financial

