

Edgar Filing: ATLAS MINING CO - Form 10QSB

ATLAS MINING CO  
Form 10QSB  
August 15, 2005

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2005

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 each of the issuer's classes of  
common equity as of August 12, 2005 was as follows: 48,177,097 shares of  
Common Stock.

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

# Edgar Filing: ATLAS MINING CO - Form 10QSB

## ATLAS MINING COMPANY SECOND QUARTER 2005 REPORT ON FORM 10-QSB TABLE OF CONTENTS

	PAGE -----
PART I. FINANCIAL INFORMATION	
Item 1. Consolidated Financial Statements	
Unaudited Consolidated Balance Sheet	
June 30, 2005 . . . . .	3
Unaudited Consolidated Statements of Operations	
Three Months Ended June 30, 2005 and 2004, Six Months	
Ended June 30, 2005 and 2004. . . . .	4
Unaudited Consolidated Statements of Cash Flows	
Six Months Ended June 30, 2005 and 2004 . . . . .	5
Notes to Unaudited Consolidated Financial Statements . . . . .	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations . . . . .	17
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings . . . . .	20
Item 2. Changes in Securities . . . . .	21
Item 3. Defaults Upon Senior Securities . . . . .	21
Item 4. Submission of Matters to a Vote of Security Holders . . . . .	21
Item 5. Other Information . . . . .	21
Item 6. Exhibits and Reports on Form 8-K. . . . .	21
Signatures . . . . .	21
Certification under Sarbanes-Oxley Act of 2002 . . . . .	22

### Atlas Mining Company Consolidated Balance Sheets

	ASSETS -----	
	June 30, 2005	December 31, 2004
	----- (unaudited)	-----
Current Assets		
Cash	\$ 3,276,808	\$ 206,635
Accounts receivable (net of allowance of \$0)	-	273,014
Investments - available for sale	19,538	19,538

Edgar Filing: ATLAS MINING CO - Form 10QSB

Advances	-	-
Deposits and Prepaids	27,426	65,738
Advances - related party	-	-
	-----	-----
Total Current Assets	3,323,772	564,925
Property and Equipment, Net	879,632	849,746
Other Assets		
Dragon Mine Capitalized Costs	-	-
Mining supplies	9,000	9,000
	-----	-----
Total Other Assets	9,000	9,000
	-----	-----
Total Assets	\$ 4,212,404	\$ 1,423,671
	=====	=====

The accompanying notes are an integral part of these financial statements

3

Atlas Mining Company  
Consolidated Balance Sheets

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2005	December 31, 2004
	-----	-----
	(unaudited)	
Current Liabilities		
Accounts payable and accrued liabilities	\$ 97,753	\$ 304,925
Line of credit	-	-
Current portion of long-term debt	418,685	1,031,672
	-----	-----
Total Current Liabilities	516,438	1,336,597
Long-Term Liabilities		
Notes payable	58,421	811,373
Notes payable - related party	389,332	250,354
Less: current portion of long-term debt	(418,685)	(1,031,672)
	-----	-----
Total Long-Term Liabilities	29,068	30,055
Minority Interest	52,649	52,649
Stockholders' Equity		
Preferred stock, \$1.00 par value, 10,000,000 shares authorized, noncumulative, nonvoting, nonconvertible, none issued or outstanding	-	-
Common stock, no par value, 60,000,000 shares authorized, 47,201,107 and 36,826,222 shares issued and outstanding, respectively	12,251,167	6,006,657
Cost of treasury stock, 1,313,022 and 1,313,022 shares, respectively	(131,221)	131,221)

Edgar Filing: ATLAS MINING CO - Form 10QSB

Retained earnings (deficit)	(7,748,371)	(5,861,240)
Accumulated comprehensive income (loss)	174	174
Subscription Receivable	(750,000)	-
Prepaid expenses	(7,500)	(10,000)
	-----	-----
Total Stockholders' Equity	3,614,249	4,370
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 4,212,404	\$ 1,423,671
	=====	=====

The accompanying notes are an integral part of these financial statements

4

Atlas Mining Company  
Consolidated Statements of Operations  
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2005	2004	2005	2004
	-----	-----	-----	-----
Revenues	\$ 15,105	\$ 229,096	\$ 158,478	\$ 387,725
	-----	-----	-----	-----
Cost of Sales	174,155	186,928	488,259	312,002
	-----	-----	-----	-----
Gross Profit (Loss)	(159,050)	42,168	(329,781)	75,723
	-----	-----	-----	-----
Operating Expenses				
Exploration & development costs	133,924	53,540	296,503	55,628
General & administrative	863,956	121,316	1,255,312	442,982
	-----	-----	-----	-----
Total Operating Expenses	997,880	174,856	1,551,815	498,610
	-----	-----	-----	-----
Net Operating Income (Loss)	(1,156,930)	(132,688)	(1,881,596)	(422,887)
	-----	-----	-----	-----
Other Income (Expense)				
Interest income	349	28	515	29
Interest expense	(6,299)	(12,492)	(39,483)	(23,526)
Miscellaneous Income	5	-	6	-
Minority Interest	3	-	3	-
Gain (loss) on sale of investments available for sale	-	-	-	1,489
Gain (loss) on settlement of debt	33,424	-	33,424	-
	-----	-----	-----	-----
Total Other Income (Expense)	27,482	(12,464)	(5,535)	(22,008)
	-----	-----	-----	-----
Income (Loss) Before Income Taxes	(1,129,448)	(145,152)	(1,887,131)	(444,895)
	-----	-----	-----	-----
Provision (Benefit) for Income Taxes	-	-	-	-

Edgar Filing: ATLAS MINING CO - Form 10QSB

Net Income (Loss)	\$ (1,129,448)	\$ (145,152)	\$ (1,887,131)	\$ (444,895)
Net Income (Loss) Per Share	\$ (0.03)	\$ (0.00)	\$ (0.05)	\$ (0.01)
Weighted Average Shares Outstanding	42,960,089	36,980,055	41,906,265	36,343,391

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

5

Atlas Mining Company  
Consolidated Statements of Cash Flows  
(Unaudited)

	For the Six Months Ended June 30,	
	2005	2004
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ (1,887,131)	\$ (444,895)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operations:		
Depreciation	54,011	6,623
Gain on sale of investments available for sale	-	(1,489)
Stock issued for services	862,966	281,650
Amortization	-	5,000
Minority Interest	-	-
Gain on settlement of debt	(33,424)	-
Change in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	273,014	(111,775)
Deposits and Prepaids	40,812	(2,473)
Accounts payable and accrued expenses	(207,172)	20,198
Net Cash (Used) by Operating Activities	(896,924)	(247,161)
Cash Flows from Investing Activities:		
Purchases of equipment	(83,897)	(266,354)
Proceeds from advances	-	149,870
Proceeds from sale of investments available for sale	-	1,921
Payments for advances	-	(100,000)
Net Cash (Used) by Investing Activities	(83,897)	(214,563)
Cash Flows from Financing Activities:		
Proceeds from notes payable	-	39,660
Payments for notes payable	(580,550)	(4,984)
Payments for line of credit	-	(1,337)
Proceeds from subscription receivable	-	440,000
Proceeds from issuance of common stock	4,631,544	-
Net Cash Provided by Financing Activities	4,050,994	473,339
Increase in Cash	3,070,173	11,615

Edgar Filing: ATLAS MINING CO - Form 10QSB

Cash and Cash Equivalents at Beginning of Period	206,635	6,814
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 3,276,808	\$ 18,429
	=====	=====

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

6

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

	For the Six Months Ended June 30,	
	2005	2004
	-----	-----
Cash Paid For:		
Interest	\$ 39,483	\$ 20,284
	=====	=====
Income Taxes	\$ -	\$ -
	=====	=====
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Stock issued for services	\$ 862,966	\$ 281,650
	=====	=====
Stock issued for notes payable	\$ -	\$ -
	=====	=====

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

7

Atlas Mining Company and Subsidiary  
 Notes to the Consolidated Financial Statements  
 June 30, 2005

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles of the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles of the United States of America for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. It is suggested that these condensed consolidated financial statements be read in conjunction with the December 31, 2004 audited financial statements and notes thereto for Atlas Mining Company and Subsidiary. The results of operations for the periods ended June 30, 2005 and 2004 are not necessarily indicative of the operating results for the full year.

### a. Revenue and Cost Recognition

The Company recognizes income and expenses on the accrual basis of accounting. Revenues from unit price contracts are recognized on the units produced method which management considers the best available measure of progress on contracts.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation costs. Costs associated with the start-up of contracts are capitalized as deferred contract costs and amortized to expense over the life of the contract. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which revisions are determined.

Contract claims are included in revenue when realization is probable and can be reliably estimated.

### b. Bad Debts

Bad debts on receivables are charged to expense in the year the receivable is determined uncollectible, therefore, no allowance for doubtful accounts is included in the financial statements. Amounts determined as uncollectible are not significant to the overall presentation of the financial statements.

8

Atlas Mining Company and Subsidiary  
Notes to the Consolidated Financial Statements  
June 30, 2005

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### c. Basis of Consolidation

The consolidated financial statements include the accounts of Park Copper & Gold Mining Ltd. All significant inter-company accounts and transactions have been eliminated in the consolidation.

### d. Earnings (Loss) Per Share

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

The computation of earnings per share of common stock is based on the weighted average number of shares outstanding at the date of the financial statements.

	Net Loss (Numerator)	Shares (Denominator)	Per-Share Amount
	-----	-----	-----
For the quarter ended June 30, 2005:			
Basic EPS			
Net loss to common Shareholders	\$ (1,887,131)	40,840,731	\$ (0.05)
	=====	=====	=====
For the quarter ended June 30, 2004:			
Basic EPS			
Net loss to common Shareholders	\$ (444,895)	36,343,391	\$ (0.01)
	=====	=====	=====

### e. Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Company had \$3,176,808 in excess of federally insured amounts in its bank accounts at June 30, 2005.

### f. Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss, tax credit carry-forwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

9

Atlas Mining Company and Subsidiary  
Notes to the Consolidated Financial Statements  
June 30, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### g. Available for Sale Investments

Management determines the appropriate classification of marketable equity security investments at the time of purchase and reevaluates such designation as of each balance sheet date. Unrestricted



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

marketable equity securities have been classified as available for sale. Available for sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported as a net amount in accumulated other comprehensive income. Realized gains and losses and declines in value judged to be other-than-temporary on available for sale securities are included in investment income or loss. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available for sale are included in investment income.

The following is a summary of available for sale equity securities which are concentrated in companies in the mining industry:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	-----	-----	-----	-----
June 30, 2005	\$ 19,364	\$ 174	\$ -	\$ 19,538
December 31, 2004	\$ 19,364	\$ 174	\$ -	\$ 19,538

### h. Mining Supplies

Mining supplies, consisting primarily of bits, steel, and other mining related equipment, are stated at the lower of cost (first-in, first-out) or market. In addition, equipment repair parts and maintenance items are also included at cost.

### i. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. In these financial statements assets and liabilities involve extensive reliance on management's estimates. Actual results could differ from those estimates.

10

Atlas Mining Company and Subsidiary  
Notes to the Consolidated Financial Statements  
June 30, 2005

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### j. Property and Equipment

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

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

	Estimated Useful Life -----
Building	39 years
Mining equipment	2-8 years
Office and shop furniture and equipment	5-8 years
Vehicles	5 years

In accordance with Financial Accounting Standards Board Statement No. 144, the Company records impairment of long-lived assets to be held and used or to be disposed of when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount. At June 30, 2005 and 2004, no impairments were recognized. Depreciation expense for the quarters ended June 30, 2005 and 2004 totaled \$54,011 and \$6,623, respectively.

### k. Financial Instruments

The recorded amounts of financial instruments, including cash equivalents, receivables, investments, accounts payable and accrued expenses, and long-term debt approximate their market values as of June 30, 2005 and 2004. The Company has no investments in derivative financial instruments.

### l. Mining Exploration and Development Costs

The company has elected to expense all mining exploration and development costs due to the uncertainty of bringing its projects into production, and in accordance with generally accepted accounting principles in the mining industry. At such a time as mining continues in any of the Company's properties, the Company will capitalize costs of successfully developing the properties, when future benefit of the costs can be identified.

11

Atlas Mining Company and Subsidiary  
Notes to the Consolidated Financial Statements  
June 30, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### m. Stock Options

The Company has stock option plans that provide for stock-based employee compensation, including the granting of stock options, to certain key employees. The plans are more fully described in Note 7. The Company accounts for the stock option plans in accordance with the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price.

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

During the periods presented in the accompanying financial statements the Company has granted options under the 1998 Stock Options Plans. The Corporation has adopted the disclosure-only provisions under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost under SFAS No.123 has been recognized for the stock option plans or other agreements in the accompanying statement of operations. Had compensation cost for the Company's stock option plans and agreements been determined based on the fair value at the grant date for awards during the second quarter of 2005 and 2004 consistent with the provisions of SFAS No. 123, the Company's net earnings net of taxes and earnings per share would have been reduced to the pro forma amounts indicated below:

	2005	2004
	-----	-----
Net Loss		
As reported	\$ (1,887,131)	\$ (444,895)
Deduct: Total stock-based employee compensation expense determined under fair value based method	(101,100)	-
Proforma	\$ (1,988,231)	\$ (444,895)
	-----	-----
Basic earnings per share		
As reported	\$ (0.05)	\$ (0.01)
Proforma	\$ (0.05)	\$ (0.01)

### NOTE 2 -GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company is dependent upon raising capital to continue operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. It is management's plan to reduce the Company's debt through a negotiated settlement with its major creditor (see Note 6) and the initiation of the operations at the Dragon Mine. The Company has been able to sell shares of its restricted stock to help support its financing activities. Management believes settlement of its debts, the mining operations, and the sale of stock will provide sufficient cash flows to continue as a going concern.

12

Atlas Mining Company and Subsidiary  
Notes to the Consolidated Financial Statements  
June 30, 2005

### NOTE 3 - LONG-TERM LIABILITIES

Long- term liabilities are detailed in the following schedules:

June 30, 2005	December 31, 2004
-----	-----

Note payable to a company, due in monthly

Edgar Filing: ATLAS MINING CO - Form 10QSB

payments of \$1,000 with a balloon payment due at maturity, including interest at 9%. The note matured August 16, 2001, past due.	\$ -	53,455
Note payable to a lending company, due in Monthly installments of \$688, including interest at 7.59%. The note matures in March 2010 and is collateralized by a vehicle.	32,813	35,630
Note payable to a lending company, due in monthly installments of \$578, including interest at 11.99%. The note matured August 2003, secured by a vehicle, past due.	-	-
Note payable to a mortgage company, due in monthly installments of \$1,614, including interest at 16%. The note is due in August 2005, secured by the proceeds of a logging agreement and collateralized by land and a building.	-	118,920
Note payable to a lending company, balloon payment due at maturity, bears interest at 8% per month. The note is secured by land owned by a related party and matured in March 2003, past due.	-	120,700
Note payable to a mortgage company, principal due at maturity and bears interest at 3.5% per month. The note matured in October 2003, secured by property, past due.	25,608	86,100
Note payable to a lending company, principal due at maturity and bears interest at 5% per month. The note matured in May 2003, secured by land, past due.	-	345,508

13

Atlas Mining Company and Subsidiary  
Notes to the Consolidated Financial Statements  
June 30, 2005

NOTE 3 - LONG-TERM LIABILITIES (Continued)

Long- term liabilities are detailed in the following schedules:

	June 30, 2005	December 31, 2004
	-----	-----
Note payable to a company, principal due at maturity with no interest. The note matures in May 2005.	-	17,000
Note payable to a company, principal due at maturity with interest at 10.2%. The note matures in February 2005.	-	34,060

Edgar Filing: ATLAS MINING CO - Form 10QSB

Total Notes Payable	\$ 58,421	\$ 811,373
Notes payable - related party:		
Note payable to a company with a common officer, payable on demand and bears no interest	\$ 314,556	\$ 158,866
Note payable to an officer, payable on demand and bears no interest.	\$ 74,776	\$ 91,488
Total Notes Payable - Related Party	389,332	250,354
Total Long-Term Liabilities	447,753	1,061,727
Less Current Portion	(29,353)	(781,318)
Less Current Portion-Related Party	(389,332)	(250,354)
Total Current Portion	418,685	1,031,672
Total Long-Term Liabilities	\$ 29,068	\$ 30,055

Future minimum principal payments on notes payable are as follows at June 30, 2005:

2005	\$ 389,332
2006	6,201
2007	6,688
2008	7,214
2009	7,781
Thereafter	1,997
Total	\$ 419,213

14

Atlas Mining Company and Subsidiary  
Notes to the Consolidated Financial Statements  
June 30, 2005

NOTE 4 -RELATED PARTY TRANSACTIONS

During 2005 and 2004, the Company paid advances to a company with a common officer. The balance of the advances at June 30, 2005 and December 31, 2004 was \$0 and \$0, respectively.

During 2005 and 2004, an officer loaned the Company \$1,670 and \$34,659, respectively. During the first two quarters of 2005, the Company paid off \$18,382 in credit card receipts as partial payment for the note. During 2004, the Company paid cash of \$14,000 as partial payment for the note. During 2003, the Company paid cash of \$1,009 and issued 1,000,000 shares of stock valued at \$10,000 as partial payment for the note. The balance of the note payable at June 30, 2005 and 2004 was \$74,776 and \$70,829, respectively.

NOTE 5 - COMMON STOCK AND STOCK OPTIONS

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

In 1998, the Company adopted a non-qualified stock option plan authorizing the granting to officers, directors, or employees options to purchase common stock. Options are granted by the Administrative Committee, which is elected by the Board of Directors. The number of options granted under this plan and any other plans active may not exceed 10% of the currently issued and outstanding shares of the Company's common stock. The term of each option granted is determined by the Committee, but cannot be for more than five years from the date the option is granted. The option price per share with each option granted will be fixed by the Administrative Committee on the date of grant.

The Company adopted an incentive stock option plan in 1998. The stock option plan permits the Company to grant to key employees options to purchase shares of stock in the Company at the direction of the Committee. The price of shares purchased must be equal to or greater than fair market value of the common stock at the date. At June 30, 2005, no options have been granted under this plan.

During 2004, the company's board of directors approved an option to the Company's CEO to acquire up to 3.5 million shares of common stock over a five year period at \$0.18 per share under the non-qualified stock option plan. The options vest 43% on January 1, 2005, and 14% on January 1, 2006 -2009.

The fair value of each option granted is estimated on the date granted using the Black-Scholes option pricing model. Assumptions used to compute the weighted-average grants during the quarter ended June 30, 2005 include risk-free interest rates of 2%, expected dividend yields of 0%, expected life of 3 years, and expected volatility 150%. During 2004, the Company granted options to purchase up to 3.5 million of its common shares with a calculated weighted average fair value of \$0.13 each.

15

Atlas Mining Company and Subsidiary  
Notes to the Consolidated Financial Statements  
June 30, 2005

NOTE 5 - COMMON STOCK AND STOCK OPTIONS (Continued)

During the two quarters ended June 30, 2005 the Company sold a total of 5,302,100 shares of restricted common stock at \$0.908 per share for a total of \$4,243,123 cash.

During the two quarters ended June 30, 2005 the Company issued 2,003,790 shares of stock at prices ranging from \$0.70 to \$1.11 in payment of \$1,251,387 worth of services provided to the company.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

On July 10, 2001, the Company entered into an agreement to lease and possibly purchase a mine in Juab County, Utah. The Company has the sole option to renew the lease on an annual basis. The agreement requires the lease payments be made through the issuance of 100,000 shares of the Company's common stock each year. In July 2004, the Company issued 100,000 shares of common stock valued at \$20,000 to

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

renew the lease. In July 2003, the Company issued 100,000 shares of common stock valued at \$10,000 to renew the lease. The Company has the option to purchase the mine for \$500,000 at anytime, or when it sells \$1,000,000 of product from the mine during a twelve month period.

On February 16, 2005, a Settlement Agreement was entered into between the Company and the court appointed receiver for American National Mortgage Company regarding the resolution of approximately \$711,174 principal debt owed by Atlas plus unpaid interest. According to the agreement, Atlas is to pay \$406,000 plus 175,000 shares of common stock valued at \$78,750. The agreement became effective upon approval by the courts in April 2005. The Company paid the \$406,000 on June 30, 2005 and has not yet issued the stock portion of the settlement agreement. The Company settled an outstanding debt with Moss Adams, LLP by making payments of \$53,250 during the month of June 2005.

### NOTE 7 SUBSEQUENT EVENTS

From July 1-8, 2005, the Company issued a total of 825,990 shares of restricted stock for the payment of a \$750,000 subscription receivable. On July 7-8 the Company issued 100,000 shares of restricted common stock at a price of \$0.95 per share for a total of \$95,000 as a renewal of the Dragon Mine Lease. They also issued 50,000 shares of common stock at a price of \$0.95 in payment of \$45,400 worth of services provided to the Company.

16

### 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

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

and other exploration work on our current properties. Although we have not yet generated income from these properties, we are continuing our exploratory and development work on these properties. We have no assurances that our exploration will result in proving any commercially viable deposits. We realize that additional steps will need to be taken to move from an exploration stage to a development or productions stage.

In August 2001, we acquired the Dragon Mine in Juab, Utah and began our halloysite clay exploration. During the first six months of 2005, we had \$133,924 in exploration expenses.

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

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

17

Although we are looking at other properties, at this time we have been concentrating on our efforts to bring the clay property from the exploration stage to the development stage, and from a development stage to a production stage. Once the clay property is further developed it is our intent to acquire other properties that can be developed and mined with minimal costs, and environmental problems.

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

### Timber

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

### RESULTS OF OPERATIONS

Revenues for the six month period ending June 30, 2005, were \$158,478, and \$387,7254 for the same period in 2004, or approximately a 59% decrease. For the three month period ending June 30, 2005, revenues were \$15,105, compared to \$229,096 for the same period in 2004, or approximately a 93% decrease. The company was not able to maintain contracting work during the comparable periods of 2005, compared to 2004. Thus reflecting an decrease in revenues. For the six month period ended June 30, 2005, the company had timber no revenues compared to \$10,758 for the same period in



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

2004.

Gross profit (loss) for the six months ended June 30, 2005, was (\$329,781), compared to \$75,723, for the same period in 2004. This was attributed to the greater revenue in 2004 compared to 2005, and direct expenses at the Dragon Mine that were not charged to Exploration and development costs. For the three month period ended June 30, 2005, our gross profit was (\$159,050) compared to \$42,168 for the same period in 2004. Again greater revenues in 2004 brought gross profits while smaller revenues in the same period in 2005 were not adequate enough to offset costs.

As of the six month period ended June 30, 2005, our total operating expenses were \$1,551,815 compared to \$498,610 for the same period in 2004. For the three month period ended June 30, 2005, the total operating expenses were \$997,880, compared to \$174,856 for the same period in 2004, a increase of 211% and 470% respectively. The increase in this category resulted mainly from increases in professional fees during 2005, associated with work at the Dragon mine and fees associated with debt settlements.

Exploration and Development Expenses for the six month period ending June 30, 2005 were \$296,503 compared to \$55,628 for the same period in 2004. For the three month period ending June 30, 2005 exploration and development expenses were \$133,924 compared to \$53,540 for the same period in 2004. During 2005 the company began underground development of the Dragon Mine, which was more costly than the work completed in the comparable periods in 2004.

18

Our net profit (loss) for the six month period ended June 30, 2005, was (\$1,887,131) compared to (\$444,895) for the same period in 2004, a increase of 324%. For the three month period ended June 30, 2005, the figure was (\$1,129,448) compared (\$145,152), a increase of 678%. Decreased revenues and increased General and Administrative costs in 2005 helped contribute to this difference.

### LIQUIDITY AND CAPITAL RESOURCES

To date our activities have been financed primarily through the sale of equity securities, borrowings, and revenues from AFC and logging operations. We intend to continue pursuing contract mining work and logging of our timber properties to help pay for our operations. For the three month periods ended June 30, 2005 and June 30, 2004, contract mining accounted for 100% of the revenue. We have also borrowed from various sources to finance our activities. Our current debt structure is explained below.

Our total assets increased from \$4,212,404 as of June 30, 2005, compared to \$1,423,671 as of December 31, 2004. The company has increased its current assets by \$2,758,847 and has acquired additional equipment for mining and processing during the first six months of the current year. Total liabilities were \$598,155 as of June 30, 2005, compared to \$1,419,301 as of December 31, 2004. The company cash balances increased due to the injection of new investment money received during the period ended June 30, 2005. The company has paid some of the debts owed as of June 30, 2005, as a result, and should be able to make adjustments to the remaining liabilities as a result of the settlements arranged.

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

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

June 30, 2005 is \$74,776. Accounts payable and accrued expenses due as of June 30, 2005 were \$97,753 and are the result of daily operations and taxes owed.

We had a note payable to Moss Adams, LLP, an accounting firm, for \$53,250 at 9% per annum, due in monthly payments of \$1,000 with a balloon payment due at maturity. The note was for accounting services provided to us in 1999 and 2000. As of June 30, 2005 we had paid this debt and were able to record a gain on the settlement of \$33,424. We had notes payable to American National Mortgage, secured by property in northern Idaho, and due in monthly interest installments of \$35,788.39. The notes matured on May 31, 2003. American Mortgage filed bankruptcy, and we negotiated a settlement on this debt with the trustee. As of June 30, 2005, we had paid the cash settlement amount of \$406,000, and will issue a stock certificate for the remaining portion after which we will make the necessary adjustments to our liabilities. We also had a note payable to CLS Mortgage Company, due in monthly installments of \$1,614, including interest at 16%. This note was paid as of June 30, 2005.

If we do not incur any other debt or pay off our remaining debts, we would be obligated to pay an average of \$34,890 per month or \$418,685 for the next fiscal year.

We feel we do not need to obtain additional funding to pursue our business strategy during the next fiscal year. At the present time, we anticipate utilizing the existing cash available to bring the Dragon Mine into a positive revenue generating position. Our inability to do this may require additional capital, however we do not foresee that this will be a problem for the next fiscal year.

19

Our principal sources of cash flow during the first quarter 2005 was from contracting activities which provided an average of \$47,791 per month for the three month period ended June 30, 2005, and averaged \$50,232 per month for the same period in 2004. In addition, we rely on our credit facilities and any public or private sales of equity for additional cash flow.

Cash flow from financing activities for the six month period ended June 30, 2005 was \$4,050,994 compared to \$473,339 for the same period in 2004, a difference of \$3,577,655. The major factor for the difference was receipt of proceeds from issuance of common stock in 2005.

The Company spent \$83,897 from investing activities for the six month period ended June 30, 2005, compared to \$214,563 in the same period in 2004, a difference of \$130,666. The majority of this difference was attributed to larger purchases of equipment at the Dragon Mine in 2004 compared to 2005.

Cash flow used by operating activities for the six month period ended June 30, 2005, was (\$896,924) compared to (\$247,161) for the same period in 2003, a difference of \$649,763. In the six month period in 2005 a decrease in the accounts payable and an increase in services accounted for the major change.

### Item 3. CONTROLS AND PROCEDURES

(a) The term "disclosure controls and procedures" refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Securities Exchange Act of 1934 (the "Exchange Act") is

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

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

20

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On June 29, 2005, the Company issued 4,054,100 shares of common stock to four accredited investors for \$3,681,123.

Unless otherwise noted, the sales set forth above involved no underwriter's discounts or commissions and are claimed to be exempt from registration with the Securities and Exchange Commission pursuant to Section 4 (2) of the Securities Act of 1933, as amended, as transactions by an issuer not involving a public offering, the issuance and sale by the company of its securities to financially sophisticated individuals who are fully aware of the company's activities, as well as its business and financial condition, and who acquired said securities for investment purposes and understood the ramifications of same.

### Item 3. Defaults Upon Senior Securities

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

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

None

### Item 5. Other Information

None

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

#### (a) EXHIBITS

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

The following exhibits are included in this Report:

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBITS -----
31.1	Certification pursuant to Rule 13a-14 of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer and Principal Financial Officer
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer and Principal Financial Officer
(b)	The following reports on Form 8-K were filed during the quarter ended June 30, 2005:  None.

21

### 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: August 15, 2005

/s/ William Jacobson  
-----

By: William Jacobson  
Chief Executive Officer,  
Chief Financial Officer

22