

Applied Minerals, Inc.  
Form S-1  
July 24, 2018

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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)	

55 Washington Street, Suite 301, Brooklyn, NY 11201

(212) 226-4265

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

Andre Zeitoun

President and CEO

*Copy to*

William Gleeson

General Counsel

Applied Minerals, Inc.

55 Washington Street, Suite 301, Brooklyn, NY 11201

(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.

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.



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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,” “smaller reporting company” and “emerging growth 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)  Smaller reporting company X   
 Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Exchange Act.

**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered(1)</b>	<b>Proposed Maximum Offering Price per Security(1)</b>	<b>Proposed Maximum Aggregate Offering Price(1)</b>	<b>Amount of Registration Fee(1)(2)</b>
Common Stock, par value \$0.001 per share	26,900,000	0.12	(2) \$3,228,000	\$ 402
Common stock issuable upon exercise of Warrants	11,000,000	\$ 0.10	(3) \$1,100,000	\$ 137
Common stock issuable upon exercise of Warrants	3,283,283	\$ 0.25	(3) \$820,821	\$ 102
Common stock issuable upon exercise of Warrants	2,068,750	\$ 0.04	(3) \$82,750	\$ 10
Common stock issuable upon exercise of Warrants	1,250,000	0.08	(3) 100,000	13
<b>TOTAL</b>	<b>44,502,033</b>	<b>\$</b>	<b>\$5,331,571</b>	<b>\$ 664</b>

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 (1) 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.

Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) of the (2) Securities Act based on the average of the high and low quotations of our common stock, as reported on the OTCBB quotation service on July 19, 2018.

(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. 333-213752, 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.**

107,393,131 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 52,224,707, shares of Common Stock, issuable on conversion of certain 10% PIK-Election Convertible Series A Notes (the "Series A Notes") The conversion price of the Series A Notes as of July 23, 2018 is \$0.40 per share and that price is used to calculate the number of shares referred to above.

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 July 23, 2018, 32,575,758 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 12,294,299 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, 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 7,354,650 shares. Given the Company's current financial position, it is anticipated that for the foreseeable future, the Company will likely pay interest using Series A issued as payment-in-kind interest.

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.

32,625,000 outstanding shares of Common Stock issued for cash.

2,275,000 outstanding shares of Common Stock issued in lieu of cash to a financial advisory firm for services provided.

2,000,000 shares issued upon the exercise of warrants to purchase Common Stock

666,391 shares of Common Stock issued as Liquidated Damages for violation of the terms of the Registration Statement Agreement for the Series A Notes.

17,602,033 shares of Common Stock issuable on the exercise of warrants. 1,250,000 shares are issuable upon the exercise of warrants with an exercise price of \$0.08 per share ("June 2018 Warrants"), 2,068,750 shares are issuable upon the exercise of warrants with an exercise price of \$0.04 per share ("August 2017 Warrants"), 11,000,000 shares are issuable upon the exercise of warrants with an exercise price of \$0.10 per share ("May 2017 Warrants"); and 3,283,283 shares are issuable upon the exercise of warrants with an exercise of \$0.25 per shares ("June 2016 Warrants").

The number of shares issuable on conversion of the Series A Notes and on exercise of the June 2018 Warrants, August 2017 Warrants, May 2017 Warrants and June 2016 Warrants could increase as a result of the impact of antidilution provisions. The maximum number of shares offered pursuant to this prospectus could increase as a result of the antidilution provisions, stock splits, stock dividends and similar transactions.

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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.

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 prices for each share issued upon exercise of the Warrants. If all Warrants are exercised, we will receive \$2,103,571.

Our Common Stock is quoted on the OTCQB under the symbol “AMNL.” On July 19, 2018, the closing bid quotation of our Common Stock was \$0.12. Our principal executive offices are located at 55 Washington Street, Brooklyn NY 11201. 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 23.*

**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 \_\_\_\_\_, 2018





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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.*

**The Offering**

Up to 52,224,707 shares of Common Stock, issuable on conversion of certain 10% PIK-Election Convertible Series A Notes (the “Series A Notes”) The conversion price of the Series A Notes as of July 19, 2018 is \$0.40 per share and that price is used to calculate the number of shares referred to above.

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 July 19, 2018, 32,575,758 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 12,294,299 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 7,354,650 shares. This number is based on the current conversion rate of \$0.40. Given the Company’s current financial position, it is anticipated that for the foreseeable future, the Company will likely pay interest using Series A issued as payment-in-kind interest.

The number of shares issuable pursuant to this prospectus could increase as a result of the impact of antidilution provisions on the Series A Notes or as a result of agreements between the Company and the holders of the Series A Notes.

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.

32,625,000 outstanding shares of Common Stock issued for cash.

2,275,000 outstanding shares of Common Stock issued in lieu of cash to a financial advisory firm for services provided in 2017.

2,000,000 shares issued upon the exercise of warrants to purchase Common Stock

666,391 shares of Common Stock issued as Liquidated Damages for violation of the terms of the Registration Statement Agreement for the Series A Notes.

17,602,033 shares of Common Stock issuable on the exercise of warrants. 1,250,000 shares are issuable upon the exercise of warrants with an exercise price of \$0.08 per share ("June 2018 Warrants"), 2,068,750 shares are issuable upon the exercise of warrants with an exercise price of \$0.04 per share ("August 2017 Warrants"), 11,000,000 shares are issuable upon the exercise of warrants with an exercise price of \$0.10 per share ("May 2017 Warrants"); and 3,283,283 shares are issuable upon the exercise of warrants with an exercise of \$0.25 per shares ("June 2016 Warrants")

The number of shares issuable on conversion of the Series A Notes and on exercise of the June 2018 Warrants, August 2017 Warrants, May 2017 Warrants and June 2016 Warrants could increase as a result of the impact of antidilution provisions. The maximum number of shares offered pursuant to this prospectus could increase as a result of the antidilution provisions, stock splits, stock dividends and similar transactions.

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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.”

**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 prices have already been reduced from \$0.92 to \$0.40. Reductions in the conversion price means that more shares of Common Stock would be issuable upon conversion. The June 2018 Warrants, June 2016 Warrants, the May 2017 Warrants and the August 2017 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 2018 Warrants, June 2016 Warrants, May 2017 Warrants, and August 2017 Warrants are exercised, we will receive \$2,103,571.

**Plan of Distribution**

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.

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.”

**Business**

Applied Minerals, Inc. (the “Company” or “Applied Minerals” or “we” or “us”) (OTCQB: AMNL) owns the Dragon Mine in central Utah. From the mine we extract, process, or have processed by a third party, halloysite clay and iron oxide for sale to a range of end markets. We market the minerals directly and through distributors and also under a profit-sharing agreement with the Kaolin business unit of BASF Corp. (“BASF”).

We also engage in research and development and frequently work collaboratively with potential customers, consultants, distributors, and a third party processor (BASF) to process and enhance our halloysite clay products to improve the performance of our customers’ existing and new products.





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### **Halloysite**

Our halloysite clay, which we market under the DRAGONITE™ trade name, is an aluminosilicate mineral with a hollow tubular shape. DRAGONITE can utilize halloysite's shape, high surface area, and reactivity to add significant functionality to a number of applications.

### **Iron Oxide**

Our iron oxide, which we market under the AMIRON™ trade name, is a high purity product. We have sold it as an absorbent for hydrogen sulfide gas contained in natural gas.

### **Sales**

In 2017, we recorded revenues of \$2,444,677, of which \$1,011,654 was related to sales of DRAGONITE to 13 customers and \$1,433,023 was related to sales of AMIRON to one customer. In the first quarter of 2018, we recorded revenues of \$45,647.

### **Characterization of the Mineralization**

Over the last nine years, the Company has expended significant resources, including commissioning a resource study, to determine the amount, character and mineability of the mineralization of the deposits at the Dragon Mine.

### **Classification for SEC Purposes**

The Company is classified as an "exploration stage" company for purposes of Industry Guide 7 of the U.S. Securities and Exchange Commission ("SEC") 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 that do not have established reserves in accordance with Industry Guide 7. Such companies are deemed to be "in the search for mineral deposits." 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 in accordance with Industry Guide 7. The mineralization indicated by the resource study (described below) we have commissioned cannot be classified as a reserve for purpose of Industry Guide 7.

In 2016, SEC proposed rules to modernize property disclosures for mining companies. The mineralization indicated by the resource study would not qualify as a reserve under the

### **Processing Capability**

In 2017, we entered into a tolling agreement with BASF under which BASF will use a water-based system that will process the Company's halloysite in accordance with the Company's specifications, which can include eliminating impurities, such as iron oxide, and surface treating the halloysite to achieve desired effects and functionality.

We have a mineral processing plant with a capacity of up to 45,000 tons of mineralization per annum for certain applications.

Additionally, the Company has a second processing facility with a capacity of up to 10,000 tons per annum that is dedicated to processing its halloysite resource. Such facility can process halloysite using a dry-based, micronizing system. This dry-based system does not eliminate impurities such as iron oxide as effectively as wet processing but is useful in situations where wet processing is not necessary

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**Distribution Channels**

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 Company also uses several leading distribution organizations, E.T. Horn, Brandt Technologies, LLC, and Azelis 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.

In October, 2017, we entered into a supply agreement with the Kaolin business unit of BASF ("Supply Agreement"). The Supply Agreement provides that the Company will sell up to 15,000 tons of halloysite to BASF per year and BASF may process and/or treat and will have an exclusive license (a) to sell halloysite on a worldwide basis for use within the following third party markets: (i) paints and coatings; (ii) inks; (iii) rubbers (excludes flame retardant and wire and cable applications); (iv) adhesives; (v) paper, and (vi) ceramic honeycomb catalytic substrates and (b) to sell halloysite to other business units of BASF.

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

**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, Going Concern.**

We have experienced annual operating losses since 1998. For the years ended December 31, 2017 and 2016, the Company sustained net losses of \$14,910,659 and \$7,639,772, respectively. At December 31, 2017 and 2016, the Company had accumulated deficits of \$104,493,857 and \$89,583,198, respectively. For the quarters ended March 31, 2018 and 2017, the Company sustained net losses of \$12,075,892 and \$2,728,440, respectively. At March 31, 2018 and 2017, the Company had accumulated deficits of \$116,569,839 and \$92,311,638, respectively. We have very limited cash as of the date of this report, negative cash flow, and continuing unprofitable operations. Accordingly, our independent registered public accounting firm, EisnerAmper, LLP has included a going concern paragraph in its opinion on our December 31, 2017 financial statements.

We will 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 of the restrictions imposed on the incurrence of additional debt by the Series A Notes and the Series 2023 Notes.

**Material Weakness in our Internal Control over Financial Reporting**

We have identified material weaknesses in our internal control over financial reporting. If we fail to develop or maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential stockholders could lose confidence in our financial reporting, which could harm our business and the trading price of our stock.

During the preparation of our consolidated financial statements for the year ended December 31, 2017, we and our independent registered public accounting firm, identified deficiencies in our internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board. Management determined the control deficiencies constitute material weaknesses in our internal control over financial reporting.

The existence of a material weakness could result in errors in our financial statements, cause us to fail to meet our reporting obligations and cause investors to lose confidence in our reported financial information, leading to a decline in the trading price of our stock.

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### **Maturity Of Outstanding PIK-Election Convertible Notes.**

Unless the Company becomes quite successful its outstanding PIK-Election Convertible Notes may not elect to voluntarily convert into common stock. 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. Unless the stock price increases very 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, 3% PIK-Election Convertible Notes due May 1, 2023 ("Series A Notes") and 3% PIK-Election Notes due August 1, 2023 ("Series 2023 Notes"). As of July 19, 2018, the outstanding balance of the Series A Notes was approximately \$27.2 million and the outstanding balance of the Series 2023 Notes was approximately \$16.2 million. If the Company continues to pay interest in additional PIK Notes, the outstanding balances will increase to approximately \$51.1 million at the maturities of the Notes.

The description of the risks associated with maturity and mandatory conversion set forth below is limited to the Series A Notes, but the risks related to the Series 2023 Notes are similar.

The Series A Notes mature on May 1, 2023. The Series 2023 Notes mature on August 1, 2023.

The holders of the Series A Notes may convert their principal and accrued but unpaid interest into shares of common stock of the Company at any time. As of July 19, 2018, the conversion price of the Series A Notes was \$0.40 per share and would have converted into approximately 68.2 million shares of common stock of the Company. As of July 19, 2018, the conversion price of the Series 2023 Notes was \$0.59 per shares and would have converted into approximately 27.7 million shares of common stock of the Company.

The Series A Notes are mandatorily convertible by the Company at any time when (i) the volume weighted average price of the shares of the common stock of the Company is equal to or greater than \$1.00 for thirty (30) consecutive trading days and (ii) the closing market price of the shares of the common stock of the Company is equal to or greater than \$1.00.

The Series 2023 are mandatorily convertible by the Company at any time when the weighted average trading price of a share of the Company's common stock is in excess of \$0.59 for ten (10) consecutive trading days.

The Series A Notes and Series 2023 Notes contain significant negative covenants that limit or eliminate, without the consent of a majority by principal of the each series of Notes, among other things, mergers, sales of assets, dividends, borrowings, secured transactions, liens and transactions with affiliates.

### **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 may be 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, or processes to make, 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 have attempted 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 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 purchasing from such competitors more attractive than purchasing from 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 third paragraph of this section.

See “Risk Factors”

**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 and the holders of the Series 2023 Notes 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** Our Common Stock is traded on the OTCBB. On July 19, 2018, the closing market price on the OTCQB was \$0.12.

**Common  
Stock**

See "Price Range of our Common Stock."

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**INFORMATION ABOUT THE COMPANY**

Applied Minerals, Inc. (OTCQB: AMNL) owns the Dragon Mine from which we can extract halloysite clay and iron oxide, which we then process or have processed and sell. We also engage in research and development and frequently work collaboratively with potential customers, consultants, distributors, and BASF to engineer and enhance our halloysite clay and iron oxide products to improve the performance of our customers' existing and new products.

The Dragon Mine is a 267-acre property located in central Utah, approximately 70 miles south 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.

Halloysite is mined and marketed by other companies, primarily by a French company, Imerys, which owns the other major halloysite mine, which is located in New Zealand. The halloysite from that mine is sold primarily for use in ceramics and tableware. When new management came into the Company in 2009, new management decided to focus on new, premium-priced uses of halloysite. Those premium-priced uses had been, and continue to be, identified typically in published research. Because the Company is primarily dedicated to new, advanced uses of halloysite that would permit the Company to charge premium prices, the sales and marketing process is one that often takes an extended period of time.

The Company acquired the Dragon Mine primarily to exploit the mine's halloysite resources. At the time that the Dragon Mine was acquired, it was assumed that the iron oxide mineralizat