ATLAS MINING CO
Form 10-Q/A
October 02, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q /A

(Mark One)

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

For the quarterly period ended June 30, 2009

o 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.)
110 Greene Street – Ste 101, New York, NY	10012
(Address of principal executive offices)	(Zip Code)

(208) 556-1181
(Issuer's Telephone Number, Including Area Code)

Former name, former address, and former 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 NO x

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

Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer	Smaller Reporting Company	x

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

YES NO x

The number of shares of the registrant’s common stock, no par value per share, outstanding as of June 30, 2009 was 59,284,121.

DOCUMENTS INCORPORATED BY REFERENCE: None.

ATLAS MINING COMPANY AND SUBSIDIARY

SECONDS QUARTER 2009 REPORT ON FORM 10-Q /A

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Signatures

Certification Under Sarbanes-Oxley Act of 2002

EXPLANATORY NOTE

Atlas Mining Company ("the Company") is filing this form 10-Q/A to include in its Quarterly Report on Form 10-Q for the three months and six months ended June 30, 2009 modifications made to the Consolidated Statements of Operations and certain additional disclosures made to Note 6 – Convertible Debt. In connection with the filing of this Form 10-Q/A and pursuant to Securities and Exchange Commission ("SEC") rules, we are including currently dated certifications. This Form 10-Q/A has not been updated for events or information subsequent to the date of filing of the original Form 10-Q except in connection with the foregoing. Accordingly, this Form 10-Q/A should be read in conjunction with our other filings made with the SEC subsequent to the filing of the Form 10-Q.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

ATLAS MINING COMPANY AND SUBSIDIARY
(An Exploration Stage Company)
Consolidated Balance Sheets

	June 30, 2009 (Unaudited)	December 31, 2008
Current Assets		
Cash and cash equivalents	$1,598,374	$903,001
Accounts receivable	6,000	44
Investments – available for sale	3,920	5,426
Deposits and prepaids	116,427	282,306
Total Current Assets	1,724,721	1,190,776
Property and Equipment		
Land and tunnels	523,729	523,729
Land improvements	91,835	91,835
Buildings	445,197	445,197
Mining equipment	371,452	389,492
Milling equipment	99,855	99,855
Laboratory equipment	75,968	75,968
Office furniture and equipment	36,742	37,962
Vehicles	65,763	65,763
Less: Accumulated depreciation	(340,303)	(287,040)
Total Property and Equipment	1,370,238	1,442,761
Other Assets		
Assets from discontinued operations		
being held for sale	1,024,803	1,872,577
Total Other Assets	1,024,803	1,872,577
TOTAL ASSETS	$4,119,762	$4,506,114

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

ATLAS MINING COMPANY AND SUBSIDIARY
(An Exploration Stage Company)
Consolidated Balance Sheets

	June 30, 2009 (Unaudited)	December 31, 2008
Current Liabilities		
Accounts payable and accrued liabilities	$893,663	$741,885
Stock awards payable	175,000	52,500
Current portion of notes payable	12,750	115,836
Current portion of leases payable	14,524	41,004
Total Current Liabilities	1,095,937	951,225
Long-Term Liabilities		
Long-term portion of leases payable	30,706	118,765
Total Long-Term Liabilities	30,706	118,765
Other Liabilities		
Convertible debt	3,941,875	1,000,000
Liabilities from discontinued operations	117,606	239,128
Total Other Liabilities	4,059,481	1,239,128
TOTAL LIABILITIES	5,186,124	2,309,118
Commitments and Contingencies	- 0 -	- 0 -
Stockholders' Equity (Deficit)		
Preferred stock, $1.00 par value, 10,000,000		
shares authorized, noncumulative, nonvoting,		
nonconvertible, none issued or outstanding	- 0 -	- 0 -
Common stock, no par value, 60,000,000		
shares authorized, 59,284,121 and		
59,215,628 shares issued and outstanding		
at June 30, 2009 and December 31, 2008,		
respectively	22,247,490	22,155,543
Accumulated deficit prior to exploration stage	(20,009,496)	(20,009,496)
Accumulated deficit during the exploration stage	(3,353,770)	- 0 -
Accumulated other comprehensive loss	(2,972)	(1,466)
Total Atlas Mining Company		
stockholders' equity (deficit)	(1,118,748)	2,144,581
Noncontrolling interest	52,386	52,415
Total Stockholders' Equity (Deficit)	(1,066,362)	2,196,996

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$4,119,762	$4,506,114

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

ATLAS MINING COMPANY AND SUBSIDIARY
(An Exploration Stage Company)
Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,		For the Period January 1, 2009 (Beginning of Exploration Stage) Through June 30, 2009
	2009	2008 (Restated)	2009	2008 (Restated)	
REVENUES	$- 0 -	$- 0 -	$- 0 -	$- 0 -	$- 0 -
COST OF SALES	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Gross Profit (Loss)	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
OPERATING EXPENSES:					
Exploration costs	352,685	293,028	555,617	758,496	555,617
General & administrative	1,232,472	514,658	2,399,025	1,388,346	2,399,025
Disposition of vehicle	- 0 -	(8,220)	- 0 -	(8,220)	- 0 -
Total Operating Expenses	1,585,157	799,466	2,954,642	2,138,622	2,954,624
Net Operating Income (Loss)	(1,585,157)	(799,466)	(2,954,642)	(2,138,622)	(2,954,642)
OTHER INCOME (EXPENSE):					
Interest income	18	385	26	25,103	26
Interest expense	(78,750)	- 0 -	(107,917)	(85)	(107,917)
Sale of clay samples	6,000	- 0 -	6,000	- 0 -	6,000
Refund of insurance premium	- 0 -	- 0 -	13,489	- 0 -	13,489
Refund of overpayments of prior year payables	1,373	- 0 -	1,373	- 0 -	1,373
	(91,000)	(28,000)	(122,500)	52,500	(122,500)

Gain (loss) on revaluation of stock awards					
Special investigation fees and expenses	- 0 -	(740,972)	- 0 -	(1,022,096)	- 0 -
Total Other Income (Expenses)	(162,359)	(768,587)	(209,529)	(944,578)	(209,529)
Loss from exploration stage, before income taxes	(1,747,516)	(1,568,053)	(3,164,171)	(3,083,200)	(3,164,171)
Provision (benefit) for income taxes	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Net Loss from Exploration Stage Before Discontinued Operations	(1,747,516)	(1,568,053)	(3,164,171)	(3,083,200)	(3,164,171)
Net income (loss) from discontinued operations	(142,461)	250,721	(189,628)	785,225	(189,628)
Net loss from exploration stage after discontinued operations	(1,889,977)	(1,317,330)	(3,353,799)	(2,297,975)	(3,353,799)
Add: Net loss attributable to the noncontrolling interest	14	- 0 -	29	- 0 -	29
Net Loss Attributable to Atlas Mining Company	$(1,889,963)	$(1,317,330)	$(3,353,770)	$(2,297,975)	$(3,353,770)
Earnings Per Share - Basic and Diluted:					
Net loss per share before discontinued operations attributable to Atlas Mining Company common shareholders	$(0.04)	$(0.03)	$(0.06)	$(0.06)	$(0.06)
Discontinued operations attributable to Atlas Mining Company common shareholders	(0.00)	0.01	(0.00)	0.02	(0.00)
	$(0.04)	$(0.02)	$(0.06)	$(0.04)	$(0.06)

Net Loss Per Share Attributable to Atlas Mining Company common shareholders					
Weighted Average Shares Outstanding, basic and diluted	59,284,121	54,663,066	59,275,796	54,437,580	59,275,796
Amounts Attributable to Atlas Mining Company common shareholders:					
Net loss from exploration stage after income taxes	$(1,747,516)	$(1,568,053)	$(3,164,171)	$(3,083,200)	$(3,164,170)
Discontinued operations, net of tax	(142,461)	250,271	(189,628)	785,225	(189,628)
Net Loss	$(1,889,977)	$(1,317,330)	$(3,353,799)	$(2,297,975)	$(3,353,798)

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

ATLAS MINING COMPANY AND SUBSIDIARY
(An Exploration Stage Company)
Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

	For the six months ended June 30,		For the Period January 1, 2009 (Beginning of Exploration Stage) Through June 30, 2009
	2009	2008 (Restated)	
Net Loss	$(3,353,770)	$(2,297,975)	$(3,353,770)
Other Comprehensive Income:			
Change in Market Value of Investments	(1,506)	540	(1,506)
Comprehensive Loss	(3,355,276)	(2,297,435)	(3,355,276)
Comprehensive loss attributable to the noncontrolling interest	- 0 -	- 0 -	- 0 -
Comprehensive Loss Attributable to Atlas Mining Company	$(3,355,276)	$(2,297,435)	$(3,355,276)

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

ATLAS MINING COMPANY AND SUBSIDIARY
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Unaudited)

	For the six months ended June 30,		For the Period January 1, 2009 (Beginning of Exploration Stage) Through June 30, 2009
	2009	2008 (Restated)	
Cash Flows from Operating Activities:			
Net (Loss)	$(3,353,770)	$(2,297,975)	$(3,353,770)
Adjustments to Reconcile Net Loss to			
Net Cash Used by Operations:			
Depreciation	62,094	220,359	62,094
Convertible debt issued for interest expense	91,875	- 0 -	91,875
Stock issued for director fees	10,000	70,000	10,000
Valuation of options	81,947	382,849	81,947
Gain on revaluation of stock awards	122,500	(52,500)	122,500
Gain on disposal of vehicle	- 0 -	(8,220)	- 0 -
Loss on disposition of assets	142,764	- 0 -	142,764
Gain on sale of assets	(11,111)	- 0 -	(11,111)
Change in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(5,956)	- 0 -	(5,956)
Accounts receivable – related party	- 0 -	1,618	- 0 -
Deposits and prepaids	165,879	113,664	165,879
Increase (Decrease) in:			
Accounts payable and accrued expenses	135,736	- 0 -	135,736
Net Cash Provided/(Used) by Operating Activities	(2,558,042)	(1,570,205)	(2,558,042)
Cash Flows from Investing Activities:			
Disposal of vehicle	- 0 -	13,507	- 0 -
Purchases of equipment	- 0 -	(77,316)	- 0 -
Net Cash Provided by Investing Activities	- 0 -	(63,809)	- 0 -
Cash Flows from Financing Activities:			
Payments on notes payable	(103,086)	(121,052)	(103,086)
Payments on leases payable	(115,259)	(83,205)	(115,259)
Proceeds from issuance of convertible debt	2,850,000	- 0 -	2,850,000

Proceeds from issuance of common stock	- 0 -	1,500,000	- 0 -
Net Cash Provided (Used) by Financing Activities	2,631,655	1,295,743	2,631,655
Net Cash Provided (Used) by Discontinued Operations	621,760	358,529	621,760
Increase in cash	695,373	20,258	695,373
Cash and cash equivalents at beginning of period	903,001	1,210,621	903,001
Cash and cash equivalents at end of period	$1,598,374	$1,230,879	$1,598,374

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

ATLAS MINING COMPANY AND SUBSIDIARY
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Unaudited)

	For the six months ended June 30,		For the Period January 1, 2009 (Beginning of Exploration Stage) Through June 30, 2009
	2009	2008 (Restated)	
Cash Paid For:			
Interest	$232,898	$46,406	$232,898
Income Taxes	$- 0 -	$- 0 -	$- 0 -

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

ATLAS MINING COMPANY AND SUBSIDIARY
(An Exploration Stage Company)
Condensed Notes to the Consolidated Financial Statements
June 30, 2009 and 2008

NOTE 1 – BASIS OF PRESENTATION AND GOING CONCERN

The foregoing unaudited interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q /A and Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles in the United States of America for complete financial statements. These unaudited interim financial statements should be read in conjunction with the audited financial statements and the notes thereto included on Form 10-K /A for the period ended December 31, 2008. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has incurred material recurring losses from operations. At December 31, 2008, the Company had accumulated deficits prior to the exploration stage of $20,009,496, in addition to limited cash and unprofitable operations. For the six months ended June 30, 2009 and 2008, the Company sustained net losses before discontinued operations $3,164,171 and $3,083,200, respectively. These factors indicate that the Company may be unable to continue as a going concern for a reasonable period of time. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is contingent upon its ability to obtain financing and to generate revenue and cash flow to meet its obligations on a timely basis and management's ability to raise equity financing as required. If successful, this will mitigate these factors that raise substantial doubt about the Company's ability to continue as a going concern.

Operating results for the three months period ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. The consolidated financial information as of December 31, 2008 included herein has been derived from the Company’s audited consolidated financial statements as of, and for the fiscal year ended, December 31, 2008.

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 discontinued operations presentation. These reclassifications had no effect on previously reported results of accumulated deficit.

NOTE 2 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Atlas Mining Company, (“the Company”) was incorporated in the state of Idaho on March 4, 1924. The Company is currently focused on the commercialization of its Dragon Mine halloysite property located in Juab County, Utah. Management believes the clay resource found at the Dragon Mine property possesses, among other things, certain structural and mineralogical characteristics that may possibly add functionality to applications such as, but not limited to, the controlled release of biological and chemical agents, polymer-related strengtheners and fire retardants, oil field drilling minerals, catalyst carriers, filtration technologies, hydrogen storage for fuel cells and cosmetics.

In 2008, a geological consulting firm was engaged by the Company to both conduct a resource survey of the Dragon Mine property and develop an appropriate methodology by which to process the mine’s future mineral production. At

the date of this report, the work of the geological consultant is ongoing. Beginning in 2009, the Company commenced distributing samples of its mineral resource to potential customers as part of a preliminary marketing program.

In late 2008, due to both a general downturn in mining activity worldwide and a desire to focus the Company's resources on the commercialization of the Dragon Mine property, management discontinued its contract mining operation that, historically, had been its primary source of revenue and cash flow generation. Management has engaged a firm to dispose of certain assets related to its discontinued contract mining operation.

ATLAS MINING COMPANY AND SUBSIDIARY
(An Exploration Stage Company)
Condensed Notes to the Consolidated Financial Statements
June 30, 2009 and 2008

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying condensed, consolidated financial statements represent the consolidation of the Company and all companies that the Company directly controls either through majority ownership or otherwise.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, 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.

Noncontrolling Interests in Consolidated Financial Statements
On January 1, 2009, the Company adopted SFAS No; 160, "Noncontrolling Interests in Consolidated Financial Statements – an Amendment of ARB No. 51." The Company had changes as a result of the adoption of SFAS No. 160 to its consolidated financial statements. SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and the accounting for the deconsolidation of a subsidiary. SFAS No. 160 also clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest and requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. The gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. In addition, SFAS No. 160 includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest at June 30, 2009.

Stock-Based Compensation
On January 1, 2006, the Company adopted SFAS 123 (revised 2004), Share-Based Payment ("SFAS 123(R)"), which measures and recognizes compensation expense for all share-based awards made to employees and directors, including employee stock options and shares issued through its employee stock purchase plan, based on estimated fair values.

The estimated fair value of grants of stock options and warrants to nonemployees of the Company is charged to expense, if applicable, in the financial statements. The Company did not issue any options or warrants during the period ended June 30, 2009.

ATLAS MINING COMPANY AND SUBSIDIARY
(An Exploration Stage Company)
Condensed Notes to the Consolidated Financial Statements
June 30, 2009 and 2008

NOTE 4 – DISCONTINUED OPERATIONS

At December 31, 2008, the Company permanently discontinued its contract mining operations. There are no plans to resume the contract mining business.

Under SFAS No. 144, "Accounting for the Impairment of Disposal of Long-Lived Assets," the Company has identified assets attributed to the discontinued operation that are being held for sale or have been identified as part of the discontinued operation and have been identified as such. Assets and liabilities at June 30, 2009 and December 31, 2008 attributed to the discontinued operation are as follows:

	June 30, 2009	December 31, 2008
Accounts receivable	$- 0 -	$336,237
Mining supplies	- 0 -	40,544
Property and equipment	1,024,803	1,495,796
Total assets from discontinued operations	$1,024,803	$1,872,577

Liabilities at June 30, 2009 and December 31, 2008 attributed to the discontinued are as follows:

	June 30, 2009	December 31, 2008
Accounts Payable and Accrued Liabilities	$5,100	$105,468
Leases Payable	112,506	133,660
Total assets from discontinued operations	$117,606	$239,128

Income (loss) from discontinued operations for the periods ended June 30, 2009 and 2008 was calculated as follows:

	For the six months ended June 30,	
	2009	2008
Income (loss) from discontinued operations	$(189,628)	$785,225
Income tax liability	- 0 -	- 0 -
Net income (loss) from discontinued operations	$(189,628)	$785,225

	For the three months ended June 30,	
	2009	2008
Income (loss) from discontinued operations	$(142,461)	$250,721
Income tax liability	- 0 -	- 0 -
Net income (loss) from discontinued operations	$(142,461)	$250,721

The Company does not believe there is an effect of income taxes on discontinued operations. Due to ongoing operating losses, the uncertainty of future profitability and limitations on the utilization of net operating loss carry-forwards under IRC Section 382 a valuation allowance has been recorded to fully offset the Company's deferred tax asset.

ATLAS MINING COMPANY AND SUBSIDIARY
(An Exploration Stage Company)
Condensed Notes to the Consolidated Financial Statements
June 30, 2009 and 2008

NOTE 5 – STOCK AWARD PAYABLE

The Company has issued certain options that represent shares in excess of shares authorized for issuance. These options have been recorded as a liability on the balance sheet, titled stock awards payable. The Company reviews the value of stock award payable and adjusts the carrying value to market based on the closing price of the Company's common stock on the last day of the quarter. Any adjustment made to the carrying value of the stock award is recorded as a gain or loss on revaluation of stock awards. For the six-month period ended June 30, 2009, the Company realized a loss on the revaluation of stock awards totaling $122,500, compared to the six-month period ended June 30, 2008 where a gain of $52,500 was realized. At June 30, 2009 and December 31, 2008, the value of all outstanding stock awards was $175,000 and $52,500, respectively.

NOTE 6 – CONVERTIBLE DEBT

On December 30, 2008, we sold $1,000,000 of 10% Convertible Notes due December 15, 2018. The notes convert into common stock at $0.35 per share. The principle is due December 15, 2018 subject to earlier acceleration or conversion of the notes. The notes bear interest at the rate of 10% per annum payable (including by issuance of additional in kind notes) semi-annually in arrears on June 15th and December 15th of each year, commencing June 15, 2009.

In April 2009, the Company sold $1,500,000 of 10% Convertible Notes due December 15, 2018. The notes convert into common stock at $0.35 per share. The principle is due December 15, 2018 subject to earlier acceleration or conversion of the notes. The notes bear interest at the rate of 10% per annum payable (including by issuance of additional in kind notes) semi-annually in arrears on June 15th and December 15th of each year, commencing June 15, 2009.

In May 2009, the Company sold $1,350,000 of 10% Convertible Notes due December 15, 2018. The notes convert into common stock at $0.50 per share. The principle is due December 15, 2018 subject to earlier acceleration or conversion of the notes. The notes bear interest at the rate of 10% per annum payable (including by issuance of additional in kind notes) semi-annually in arrears on June 15th and December 15th of each year, commencing June 15, 2009.

As of June 30, 2009, the Company recorded $107,917 in interest expense, $16,042 of this was accrued at June 30, 2009.

The Notes as described above may be converted at the option of the noteholder at any time there is sufficient authorized unissued common stock of the Company available for conversion. The Notes will be mandatorily converted when (i) sufficient common stock is available for conversion of all notes in the Series, (ii) the average closing bid price or market price of the Company's common stock for the preceding five (5) trading days is above the conversion price and (iii) a registration statement is effective and available for resale of all of the converted shares or the noteholders may sell such shares under Rule 144 under the Securities Act.

On June 15, 2009, the holders of convertible exercised the PIK option that made it such that accrued interest payable on that date was converted to additional convertible debt in lieu of payment in cash. At June 30, 2009, the total liability attributed to convertible notes outstanding was $3,941,875.

Within thirty days after the date on which the articles of incorporation of the Company are amended so that there are sufficient shares of Common Stock so that all outstanding 10% Convertible Notes may be converted, the Company is obligated to file a registration statement for (i) the shares of Common Stock of the Company issued or issuable upon the conversion of the Notes; and (ii) all shares of Common Stock of the Company issued as a dividend or other distribution with respect to, or in exchange for or in replacement of, all such shares of Common Stock described in clause (i)) that the holder requests to be included in the registration statement (the securities described in (i) and (ii) being Register-able Securities").

If (i) a registration statement is not filed on a timely basis as required or (ii) after its effective date, such registration statement ceases for any reason to be effective and available for more than an aggregate of 40 trading days (which need not be consecutive) (any such failure or breach being referred to as an "Event," and for purposes of clause (i) the date on which such Event occurs, or for purposes of clause (ii) the date which such 40 trading day-period is exceeded, being referred to as "Event Date"), then in addition to any other rights the holders may have hereunder or under applicable law, on each such Event Date, and on each monthly anniversary of each such Event Date (if the applicable Event shall not have been cured by such date) until the applicable Event is cured, the Company shall pay to each holder an amount in cash, as partial liquidated damages and not as a penalty, equal to 1.0% of the aggregate amount of the principal and accrued interest of the 10% Convertible Note that was converted and has not theretofore been sold. The partial liquidated damages pursuant to the terms hereof shall apply on a daily pro-rata basis for any portion of a month prior to the cure of an Event, except in the case of the first Event Date

The Company will have no obligation to file a registration statement or to keep it effective or to make any payments in the event (a) the holder is not an affiliate and the securities then registered or proposed to be registered to be registered may be sold without registration under the Securities Act of 1933 ("Securities Act") pursuant to Rule 144 under the Securities Act and (b) the holder is an affiliate and the register-able securities then registered or proposed to be registered to be registered may be sold in a three month period without registration under the Securities Act pursuant to Rule 144 under the Securities Act.

ATLAS MINING COMPANY AND SUBSIDIARY
(An Exploration Stage Company)
Condensed Notes to the Consolidated Financial Statements
June 30, 2009 and 2008

NOTE 7 – STOCKHOLDERS' EQUITY

Preferred Stock
The Company is authorized to issue 10,000,000 shares of noncumulative, non-voting, nonconvertible preferred stock, $1.00 par value per share. At June 30, 2009 and December 31, 2008, no shares of preferred stock were outstanding.

Common Stock
The Company is authorized to issue 60,000,000 shares of common stock, no par value per share. At the periods ended June 30, 2009 and December 31, 2008, 59,284,121 and 59,215,628 shares were issued and outstanding, respectively.

At December 31, 2008, the Company did not have sufficient authorized unissued common stock available for conversion of all common stock equivalents.

During the six months ended June 30, 2009, the Company issued 68,493 shares of restricted stock at a price of $0.15 per share for director fees for a fair value of $10,000.

Pursuant to the disclosure requirement under SFAS No. 160, the following schedule presents a reconciliation of the beginning and ending balances of the equity attributable to the Company and the non-controlling owners, and the effect of the changes in the equity attributable to the Company.

			Atlas Mining Company Shareholders				
	Total	Comprehensive Income (Loss)	Accumulated Deficit During the Exploration Stage	Accumulated Deficit Prior to the Exploration Stage	Accumulated Other Comprehensive Loss	Common Stock	Non-controlling Interest
Beginning Balance	$2,196,996	$- 0 -	$- 0 -	$(20,009,496)	$(1,466)	$22,155,543	$52,415
Stock issued for services	10,000					10,000	
Employee based stock compensation	81,947					81,947	
Comprehensive Income:							
Net Income (Loss)	(3,353,799)	(3,353,799)	(3,353,770)				(29)
Other comprehensive loss, net of tax:							
Change in Market Value of Investments	(1,506)	(1,506)			(1,506)		

Ending Balance	$(1,066,362)	$(3,353,305)	$(3,353,770)	$(20,009,496)	$(2,972)	$22,247,490	$52,387

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NOTE 8 – OPTIONS TO PURCHASE COMMON STOCK

A summary of the status and changes of the options granted under the Company's 1998 Non-qualified Stock Option Plan and other agreements for the period ended June 30, 2009 is as follows:

	June 30, 2009	
	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	625,000	$0.70
Granted	- 0 -	- 0 -
Exercised	- 0 -	- 0 -
Forfeited	- 0 -	- 0 -
Expired	- 0 -	- 0 -
Outstanding at end of period	625,000	$0.70
Exercisable at end of period	625,000	$0.70

A summary of the status of the options outstanding at June 30, 2009 is presented below:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
0.65 - $$0.71	75,000	4.00 years	$0.69	75,000	$0.69
$0.70	550,000	4.33 years	$0.70	550,000	$0.70
	625,000			625,000	

Accordingly, compensation expense of $81,947 and $382,849 has been recognized for vesting of options to employees and directors in the accompanying statements of operations for the periods ended June 30, 2009 and 2008, respectively.

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NOTE 9 – COMMITMENTS AND CONTINGENCIES

LITIGATION

Various lawsuits, claims, proceedings and investigations are pending involving us as described below in this section. In accordance with SFAS No. 5, "Accounting for Contingencies," when applicable, the Company records accruals for contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. In addition to the matters described herein, the Company is involved in or subject to, or may become involved in or subject to, routine litigation, claims, disputes, proceedings and investigations in the ordinary course of business, which in management's opinion will not have a material adverse effect on the financial condition, cash flows or results of operations.

Securities Litigation

The Company, certain of its directors and former officers and employees, its prior auditor, Chisolm, Bierwolf & Nilson, LLC, and Nano Clay and Technologies, Inc., its defunct, wholly owned subsidiary, are defendants in a class action filed on October 11, 2007 In Re Atlas Mining Company Securities Litigation pending in the United States District Court for the District of Idaho, Civil Action No. 07-428-N-EJL(D. Idaho) (the "Class Action"). The Class Action was filed on behalf of purchasers of the Company's publicly traded common stock during the period January 19, 2005 through October 8, 2007. The First Amended Complaint ("Complaint") alleges that the Company damaged purchasers by making material misstatements in publicly disseminated press releases and Securities and Exchange Commission filings regarding the extent of the halloysite deposit on Company property, the availability and quality of halloysite for sale, and claimed sales of halloysite. The Complaint also alleges that the Company improperly manipulated reported earnings with respect to purported halloysite sales and misrepresentations by the individual defendants as to its financial statements. The plaintiffs seek remedies under Section 10(b) of the Securities and Exchange Act and Rule 10b-5 thereunder and for violations of Section 20(a) of the Exchange Act.

On July 2, 2009, the Company entered into a Settlement Agreement ("Class Action Settlement Agreement") with the lead plaintiffs in the class action Under the terms of the Class Action Settlement Agreement the Company will pay plaintiffs $1,250,000 (which includes fees to plaintiff's counsel), to be funded by the proceeds of an insurance policy issued by Navigators Insurance Co.(as provided below), in exchange for release of all claims against Company, Nano Clay & Technologies, Inc., and William T. Jacobson, Robert Dumont, Ronald Price and Barbara Suveg (the "Individual Defendants"). The Company will also fund up to $75,000 to fund expenses in connection with notification to class members. The Class Action Settlement Agreement is the settlement agreement contemplated by the Memorandum of Understanding ("MOU") described in its prior response and the terms of it are consistent with the terms of such MOU. The Settlement Agreement is subject to a number of conditions including successful completion of confirmatory due diligence by the lead plaintiffs and final court approval.

Insurance Litigation

Atlas Mining Company v. Navigators Insurance Company et al.

Our complaint, filed in federal district court in Idaho, seeks coverage ("Coverage Claim") for claims in connection with the securities litigation described above under (A) a primary $5,000,000 D&O liability insurance policy issued by Navigators Insurance Company ("Navigators") on October1, 2007 ("Navigators $5,000,000 Policy), and (B) a $5,000,000 excess D&O liability policy issued by RSUI Indemnity Company ("RSUI") effective October 1, 2007. The Company has asserted claims for declaratory judgment, specific performance, and breach of contract, as well as claims alleging bad faith, against Navigators and RSUI. The Company also has asserted claims of negligence and fraud against a

broker involved with the alleged issuance of the policies. This case was removed to federal court. Navigators, RSUI, and the broker are vigorously defending the lawsuit and have filed answers in federal court, arguing in part that such policies are not effective and pleading other affirmative defenses, such as accord and satisfaction.

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NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Insurance Litigation (Continued)

Navigators Insurance Co. v. Atlas Mining Company, et. al.
This is an interpleader complaint filed by Navigators in federal district court in Idaho with respect to our coverage claims and those of certain of our former officers and directors arising from the securities litigation described above. The interpleader complaint alleges that Navigators issued a D&O liability policy to the Company for the period October 17, 2006 and October 17, 2007 that afforded $2 million in limits. Navigators alleges that, based on the current rate of expenditures, the defense and investigation costs alone will soon exceed the policy's $2 million limit of liability, excess of applicable retentions, and the Company disagrees with certain of its former officers and directors on the appropriate priority of payments under the policy. As such, Navigators alleges that it was subject to multiple competing demands for the limits of the Policy. Based on such allegations, Navigators is seeking a court order permitting Navigators to tender $2 million into the registry of the Court and to be discharged from liability. The Company filed a Motion to Dismiss on June 17, 2008, citing Navigators' failure to advance defense costs under such policy and arguing that Navigators is not subject to multiple liability under the policy. The parties have filed several consent motions to stay the proceedings in this action. The court entered an indefinite stay on December 11, 2008 that will remain in effect until any party seeks to re-open the matter because (a) the parties have reached an agreement to resolve the matter, (b) the Coverage Action is resolved, or (c) a party seeks to terminate the stay and renew litigation.

Settlement Of Insurance Cases
Related to the Class Action Settlement, effective July 8, 2009, the Company entered into a Settlement Agreement and Release with Navigators, RSUI Indemnity Company and RSUI Group, Alexander, Morford & Woo, Inc., and the individual defendants listed above in settlement of the insurance litigation. Pursuant to this agreement (i) Navigators will deliver $1,250,000 into a court registry, which will then be used upon final court approval of the Class Action Settlement to fund the $1,250,000 payment to class action plaintiffs, (ii) Navigators will deliver $750,000 to the Company for defense and investigative costs in connection with the Class Action and related matters, which Atlas will use in part to pay the individual defendants their costs in the class action and (iii) all claims under the insurance litigation will be released upon final court approval of the Class Action Settlement.

Issuance of Wells Notice
On March 6, 2009, the Company was informed that the Securities and Exchange Commission had issued a formal order of investigation of facts with respect to possible violations of the securities laws by the Company and its officers, directors and affiliates for the period of August 2002 through 2006. On July 7, 2009, the staff of the Commission sent the Company a "Wells Notice," which is a notice that the staff intends to recommend to the Commission that enforcement proceedings be commenced against the Company for violations of registration provisions of Section 5 of the Securities Act, the reporting provisions of Section 13(a) of the Securities Exchange Act and the rules thereunder as well as Rule 12b-20, and the internal control provisions of Section 13(b)(2) of the Securities Exchange Act. The Wells Notice also referenced section 12(j) of the Securities Exchange Act, which would involve deregistration. However, the Company committed to the staff that it would bring the Company current in its Section 13(a) filings and the filing of this quarterly report on Form 10-Q /A brings the Company current. The staff indicated that if the Company were current it would not make a recommendation related to Section 12(j), and the Company believes that this filing has mooted the issue. The Company is cooperating with the investigation and has submitted an offer of settlement to the staff.

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ATLAS MINING COMPANY AND SUBSIDIARY
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NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

COMMITMENTS

Material Advisors LLC
On December 30, 2008, the Company entered into a Management Agreement with Material Advisors LLC, a management services company ("Manager"). The Management Agreement has a term ending on December 31, 2010 with automatic renewal for successive one-year periods unless either Manager or Company provides 90 days prior notice of cancellation to the other party or pursuant to the termination provisions of the Management Agreement. Under the Management Agreement Manager will perform or engage others, including Andre Zeitoun, a principal of Manager, Chris Carney and Eric Basroon ("Management Personnel"), to perform senior management services including such services as are customarily provided by a chief executive officer but not (unless otherwise agreed) services customarily provided by a chief financial officer. Pursuant to the Management Agreement, Andre Zeitoun will serve as Company's Chief Executive Officer and will be appointed as a member of the Company's Board of Directors.

The services provided by Manager will include, without limitation, consulting with the Board of Directors of the Company and the Company's management on business and financial matters. Manager will be paid an annual fee of $1,000,000 per year, payable in equal monthly installments of $83,333. Manager will be solely responsible for the compensation of the Management Personnel, including Mr. Zeitoun and the Management Personnel will not be entitled to any direct compensation or benefits from the Company (including, in the case of Mr. Zeitoun, for service on the Board). The Company will grant Manager non-qualified stock options to purchase, for $0.70 per share (the "$0.70 Option") a number of shares of the Company equal to 10% of the outstanding common stock of the Company on a fully diluted basis (which shall vest in equal monthly installments over three years).

Under certain very specific instances related to a going private transaction, the $0.70 option will be cancelled and replaced by a non-qualified option (the "Going Private Option") accompanied by a tandem stock appreciation right (the "SAR"). The term of the $0.70 Option, the Going Private Option and the SAR will be 10 years. During their terms, the Going Private Option and the SAR will be fully exercisable. If Company declares a dividend or distribution at any time while the $0.70 option is unvested, Manager will be entitled to receive an amount equal to the dividend or distribution that would be paid on the shares underlying the $0.70 Option, payable in the same form as such dividend or distribution on the same vesting schedule as the $0.70 Option. Manager will have the right to participate in a going private transaction for up to 20% of the equity on terms and conditions, which are as favorable to Manager as the terms and conditions available to any other person who invests in the going private entity.

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NOTE 10 – SUBSEQUENT EVENTS

Class Action Settlement Agreement
On July 2, 2009, the Company entered into a Settlement Agreement ("Class Action Settlement Agreement") with the lead plaintiffs in the class action In Re Atlas Mining Company Securities Litigation pending in the United States District Court for the District of Idaho, Civil Action No. 07-428-N-EJL(D. Idaho).

Under the terms of the settlement agreement, the Company will pay plaintiffs $1,250,000 (which includes fees to plaintiff's counsel), to be funded by the proceeds of an insurance policy, in exchange for release of all claims against the Company, NanoClay & Technologies Inc., and the individual defendants William T. Jacobson, Robert Dumont, Ronald Price and Barbara Suveg. The Company will also fund up to $75,000 to fund expenses in connection with notification to class members. The settlement agreement is the agreement contemplated by the memorandum of understanding entered into by the Company and the lead plaintiffs dated May 1, 2009 described in the 8-K filed by the Company on May 4, 2009 ("the MOU") and the terms of it are consistent with such MOU.

Related to the Class Action Settlement, effective July 8, 2009, Atlas entered into a Settlement Agreement and Release with Navigators, RSUI Indemnity Company and RSUI Group, Alexander, Morford & Woo, Inc., and the individual defendants listed above in settlement of the insurance litigation Atlas Mining Co. v. Navigators Insurance Co. et al., No. 1:08-cv-00359-EJL (D. Idaho) and Navigators Insurance Co. v. Atlas Mining Co., et. al., Case No. 2:08-cv-00216-EJL (D.Idaho). Pursuant to this agreement (i) Navigators will deliver $1,250,000 into a court registry, which will then be used upon final court approval of the Class Action Settlement to fund the $1,250,000 payment to class action plaintiffs, (ii) Navigators will deliver $750,000 to the Company for defense and investigative costs in connection with the Class Action and related matters, which Atlas will use in part to pay the individual defendants their costs in the class action and (iii) all claims under the insurance litigation will be released upon final court approval of the Class Action Settlement.

Also, related to the class action settlement, the Company has entered into a settlement agreement with Robert Dumont, a former President, CEO and director of the Company, mutually releasing all claims related to Dumont's employment by the Company in consideration of the Company's payment to Dumont of up to $258,000 for Dumont's attorneys' fees and expenses related to the class action (to be funded from the insurance proceeds described above), insurance litigation, and other matters which the Company will fund with monies it receives from Navigators in connection with the insurance litigation settlement.

Convertible Notes July 2009
On July 29, 2009, the Company entered into an agreement to sell to an accredited investor $200,000 principal amount of Series 10% PIK-Election Convertible Notes due 2018 (the "Notes') at a conversion price of $0.65 per (the "Conversion Price") and entered into a Registration Rights Agreement in connection with the shares of common stock to be issued upon conversion of the Notes. The principal under the Notes is due December 15, 2018 subject to earlier acceleration or conversion of the Notes as described below. The Notes bear interest at the rate of 10% per annum payable (including by issuance of additional in kind notes) semi-annually in arrears on June 15th and December 15th of each year commencing June 15, 2009.

The Notes may be converted at the option of the Noteholder at any time there is sufficient authorized unissued common stock of the Company available for conversion. The Notes will be mandatorily converted when (i) sufficient

common stock is available for conversion of all notes in the Series, (ii) the average closing bid price or market price of the Company's common stock for the preceding five (5) trading days is above the Conversion Price and (iii) a registration statement is effective and available for resale of all of the converted shares or the Noteholders may sell such shares under Rule 144 under the Securities Act.

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NOTE 10 – SUBSEQUENT EVENTS (CONTINUED)

Issuance of Wells Notice

On March 6, 2009, the Company was informed that the Securities and Exchange Commission had issued a formal order of investigation of facts with respect to possible violations of the securities laws by the Company and its officers, directors and affiliates for the period of August 2002 through 2006. On July 7, 2009, the staff of the Commission sent the Company a "Wells Notice," which is a notice that the staff intends to recommend to the Commission that enforcement proceedings be commenced against the Company for violations of registration provisions of Section 5 of the Securities Act, the reporting provisions of Section 13(a) of the Securities Exchange Act and the rules thereunder as well as Rule 12b-20, and the internal control provisions of Section 13(b)(2) of the Securities Exchange Act. The Wells Notice also referenced section 12(j) of the Securities Exchange Act, which would involve deregistration. However, the Company committed to the staff that it would bring the Company current in its Section 13(a) filings and the filing of this quarterly report on Form 10-Q /A brings the Company current. The staff indicated that if the Company were current it would not make a recommendation related to Section 12(j), and the Company believes that this filing has mooted the issue. The Company is cooperating with the investigation and has submitted an offer of settlement to the staff.

NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q /A contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based on our current expectations, assumptions, estimates and projections about our business and our industry. Words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may," and other similar expressions identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These 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.

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

OVERVIEW

We operate a Contract Mining business and are engaged in the development of our resource property, the Dragon Mine, located in the state of Utah.

Historically our primary source of revenue has been generated by our Contract Mining operations. On December 31, 2008 we discontinued our Contract Mining business due to adverse economic conditions and the desire to concentrate our efforts on the commercialization of the halloysite clay deposit at the Dragon Mine.

Property Exploration

We intend to continue our exploration activities the Dragon Mine. We do not intend to seek out and acquire other properties.

In August 2001 we acquired the Dragon Mine in Juab, Utah and began our clay exploration activities. Our exploration and development expenses for the six months ending June 30, 2009 and 2008 were $479,452 and $127,530, respectively, on the halloysite clay property.

The activities at our Dragon Mine property, located in Juab County, Utah, were suspended in October 2007 when previous management determined that both a resource survey and an appropriate processing facility were needed before the property could be successfully commercialized. In 2008, a geological consulting firm was hired by us to both carry out a detailed geological review of the property and develop an appropriate method by which to process the mineral resource. This work is ongoing as of the date of this report. Beginning in 2009, we began processing material from the mine and distributing samples to potential customers as part of a preliminary marketing program. The geological consulting firm referred to above has sub-contracted with a firm with expertise in the development of mineral processing to identify an appropriate processing system for the Company. Any subsequent reference to a geological consulting firm may be assumed to include the firm currently being contracted to identify the processing system.

Management believes that the clay resource found at the Dragon Mine property possesses, among other things, certain structural and mineralogical characteristics that may possibly add functionality to applications such as, but not limited to, the controlled release of biological and chemical agents, polymer-related strengtheners and fire retardants, oil field drilling minerals, catalyst carriers, filtration technologies, hydrogen storage for fuel cells and cosmetics. For certain of the aforementioned applications, management believes the Dragon Mine resource has the potential to serve as a

more effective alternative to the materials upon which these current technologies are established. Other above-mentioned applications are being developed to specifically utilize the structural characteristics of the clay resource.

The Dragon Mine property contains halloysite, kaolinite, alunite and other minerals located underground and in waste piles that are the result of previous mining operations. The geological resource survey being conducted on the Dragon Mine has involved the assessment of approximately 10,000 feet of borehole drill cores and the analysis of samples taken from the five waste piles located at the mine site. The survey has included X-ray diffraction analysis to determine the levels of halloysite, kaolinite and other minerals found in the resource. Initial studies have indicated that conventional processing may be used to separate the halloysite and kaolinite fractions from alunite and other minerals found in the Dragon Mine resource. The geology of the deposit shows alterations of feldspar identified along side the presence of monzanite, halloysite and kaolinite. Purer halloysite found at the mine has been identified along side the presence of iron ore. The morphology of the halloysite identified at the Dragon Mine, as determined by Scanning Electron Microscopy ("SEM") analysis, demonstrates the existence of both lath-like and tubular formations. The kaolinite present at the Dragon Mine has been determined to possess a highly crystalline structure.

NaturalNano, Inc. (OTC: NNAN), in conjunction with Cascade Engineering and it's subsidiary, Noble Polymers, has developed Pleximer ™, a halloysite nanotube concentrate used to create stronger, lighter, environmentally friendlier and lower-cost polymer-based nanocomposites. According to NaturalNano's 2008 annual report, Pleximer ™ is being marketed to the global nanocomposites market that, in the estimation of BCC Research, is expected to grow from $273 million in 2005 to $4.0 billion by 2015. According to BCC Research, clay-based nanocomposites are expected to represent 47% of the nanocomposites market by 2010. The U.S. Department of the Navy, represented by the Naval Research Lab (NRL"), has patented a technology that provides for the controlled release of active agents using inorganic tubules such as halloysite clay. The U.S. Navy's technology has been licensed by at least two companies that are developing controlled-release applications for the fields of electromagnetic shielding/strength enhancement, cosmetics, fragrances, agriculture, ink and paper, electronics, fabrics and textiles, local drug delivery and mold-resistant building products. The U.S. Navy has also patented a technology that permits a controlled release of an active agent as an anti-scaling treatment for environments such as oil wells.

As of the date of this report, a study is being conducted to identify the applications for which the Dragon Mine resource may provide functionality. Processed clay samples have been distributed to potential customers who have requested halloysite and/or halloysite-kaolinite mixtures. A number of advanced applications to which the Company plans to market its resource are currently using plate-like structured clays that must undergo expensive exfoliation process to achieve proper functionality. The tubular morphology of the Dragon Mine resource does not require such an exfoliation process to achieve similar or, in many instances, greater functionality. Management, therefore, believes that it may be able to deliver its processed mineral to market at price points lower than those of competing clays, without sacrificing performance.

In addition to certain advanced applications previously mentioned, we believe the Dragon Mine resource may also be marketed to certain established, low-tech applications such as, but not limited to, fine porcelain, bone china, high-performance advanced technical ceramics, paint fillers, suspension agents, animal feed, cement hardeners, and food and pharmaceutical additives. Markets, such as fine porcelain and bone china, would likely require the Dragon Mine clay resource be processed for increased brightness and reduced presence of titanium whereas applications, such as a cement hardener, would require a relatively unprocessed version of the Dragon Mine resource. Management, as part of its overall business strategy, will continually assess the economic feasibility of pursuing potential markets.

Management believes that both existing and potential applications that utilize the Dragon Mine resource will require varying grades of clay to satisfy the unique technical requirements of each application. Some applications may require pure halloysite, composed of tubular and/or lath-shaped particles while other applications may require a grade of clay consisting of a specific halloysite-kaolinite ratio. The determination of the appropriate grade of clay will likely require significant technical cooperation between the Company and the developer of the related application. As previously mentioned, the Company has hired a consulting firm to identify a processing system capable of producing the grades of clay required by potential applications. The identification of such a system is ongoing.

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On May 11 2009, the Company entered into a development support agreement related to a research project at Louisana Tech University whose principal investigator is with Yuri M. Lvov, Ph.D., a professor of chemistry at Louisiana Tech the University and the T.C. Pipes Eminent Endowed Chair on Micro and Nanosystems at the Institute for Micromanufacturing (LaTech). The scope of the agreement includes, among other things, the development of new anticorrosion additives based on the encapsulation of current standard protective agents in halloysite nanotubes in addition to the development of other related emerging applications. The Company's support agreement commits the Company to fund up to $30,000 per year for three years. The funding will be principally accomplished through the supply of halloysite clay. The support agreement could lead to distribution rights if the research project is successful.

RESULTS OF OPERATIONS

Due to a general downturn in worldwide mining activity resulting from a decline in commodity prices, the Company permanently ceased its contract mining operations and classified them as "discontinued" on its financial statements. The Company's remaining operation, the exploration of its Dragon Mine property, has yet to produce any revenue and, as such, the Company generated no revenue and gross profit for the three months and six months ended June 30, 2009 and 2008.

Total operating expenses for the three-month period ending June 30, 2009 were $1,585,157 compared to $799,466 for the same period ending 2008, an increase of $785,691 or 98.3%. The increase was due primarily to a $276,248, or 437%, increase in exploration and development costs and a $717,814, or 139.5%, increase in general and administrative expense, partially offset by a $216,591, or 94.3%, decline in mining production costs.

The increase in exploration and development costs during the quarter was driven primarily by the incurrence of expenses related to work conducted by the geological consulting firm engaged by the Company to both produce a resource survey of the Dragon Mine and develop a mineral processing system.

The increase in general and administrative expense during the quarter was driven primarily by the incurrence of legal expenses related a class action lawsuit, costs associated with the implementation of certain corporate governance infrastructure, and the management fee paid to Material Advisors, a management consulting firm engaged in January 2009 to operate the Company's business.

The decline in mining production costs was driven primarily by a significant curtailment of underground production at the Dragon Mine. Underground production at the mine will continue to be curtailed while a geological consulting firm both completes a resource survey of the property and develops an adequate system with which to process the mine's potential mineral production.

Net loss from continuing operations for the three-month period ending June 30, 2009 was $1,747,516 compared to $1,568,053 for the comparable period in June 2008, an increase of approximately $179,463 or 11.4%. The increase was due primarily to a $276,248 increase in exploration and development costs (previously described), a $717,814 increase in general and administrative expense (previously described) and a $63,000 increase in the loss on revaluation of stock awards (described below) provided to previous management, partially offset by a $740,972 decline in fees and expenses related to a special investigation (described below) that ended in August 2008 and a $216,591 decline in mining product costs (previously described).

Net loss from discontinued operations for the three months ended June 30, 2009 was $142,461 compared to net income of $250,721 for the comparable period in 2008. The $393,812 decline in net income was due primarily to the discontinuation of the Company's contract mining operation resulting from a downturn in general mining activity worldwide due, in large part, to a depreciation of commodity prices.

Total operating expenses for the six-month period ending June 30, 2009 were $2,954,642 compared to $2,138,622 for the same period ending 2008, an increase of $816,020 or 38.1%. The increase was due primarily to a $351,922, or 276%, increase in exploration and development costs and a $1,010,679, or 72.8%, increase in general and administrative expense, partially offset by a $554,801, or 88%, decline in mining production costs.

The increase in exploration and development costs during the quarter was driven primarily by the incurrence of expenses related to work conducted by the geological consulting firm engaged by the Company to both produce a resource survey of the Dragon Mine and develop a mineral processing system.

The increase in general and administrative expense during the quarter was driven primarily by the incurrence of legal expenses related a class action lawsuit, costs associated with the implementation of certain corporate governance infrastructure, the salary associated with the appointment of Morris Weiss as the Company's Chief Restructuring Officer, and the management fee paid to Material Advisors LLC, a management consulting firm engaged in January 2009 to operate the Company's business.

The decline in mining production costs was driven primarily by a significant curtailment of underground production at the Dragon Mine. Underground production at the mine will continue to be curtailed while a geological consulting firm both completes a resource survey of the property and develops an adequate system with which to process the mine's potential mineral production.

Net loss from continuing operations for the six-month period ending June 30, 2009 was $3,164,171 compared to $3,083,200 for the comparable period in June 2008, an increase of approximately $80,971 or 2.6%. The increase was due primarily to a $351,922 increase in exploration and development costs (previously described), a $1,010,679 increase in general and administrative expense (previously described) and a $175,000 increase in the loss on the revaluation of stock awards (described below) provided to previous management, partially offset by a $1,022,096 decline in fees and expenses related to a special investigation (described below) that ended in August 2008 and a $554,831 decline in mining product costs (previously described).

Net loss from discontinued operations for the six months ended June 30, 2009 was $189,628 compared to net income of $785,225 for the comparable period in 2008. The $974,853 decline in net income was due primarily to the discontinuation of the Company's contract mining operations resulting from a downturn in general mining activity worldwide due, in large part, to a depreciation of commodity prices.

The special investigation was conducted by a committee formed by the Board of Directors to (i) review and investigate the conduct of our prior management and any issues arising therefrom and (ii) review and evaluate our business, financial condition, assets, strategy, prospects and management and recommend to the Board of Directors various alternatives to improve our performance and prospects. The investigation was completed in August 2008 and resulted in the elimination of any further related expense.

The decline in interest income during the quarter was the result of an associated decline in the Company's cash balance over the same period. The decline in the gain on the revaluation of stock awards during the quarter is related to the increase in the price of the Company's common shares that were awarded to former CEO, Robert Dumont, and former Executive Vice President, John Gaensbauer.

LIQUIDITY AND CAPITAL RESOURCES

To date our activities have been financed through the sale of equity securities, borrowings, and, for the periods up through December 31, 2008, revenues from our contract mining operations. Until we are able to commercialize our Dragon Mine property, we intend to rely on public or private sales of equity securities and the utilization of certain credit facilities to generate the cash flow needed to fund our operations.

The Company has incurred material recurring losses from operations. At December 31, 2008, the Company had accumulated deficits prior to the exploration stage of $20,009,496, in addition to limited cash and unprofitable operations. For the six months ended June 30, 2009 and 2008, the Company sustained net losses before discontinued operations of $3,164,171 and $3,083,200. These factors indicate that the Company may be unable to continue as a going concern for a reasonable period of time. The Company's continuation as a going concern is contingent upon its ability to obtain financing and to generate revenue and cash flow to meet its obligations on a timely basis and

management's ability to raise equity financing as required. If successful, this will mitigate these factors that raise substantial doubt about the Company's ability to continue as a going concern.

Cash used by operating activities was $2,558,042 during the six months ended June 30, 2009 versus $1,570,205 of cash used during the comparable period in 2008. The $987,837 increase in cash used during the period was due primarily to an increase in net loss of $1,055,795, partially offset by cash generated through working capital changes at both the continuing and discontinued operations.

No cash was used by investing activities during the six months ended June 30, 2009 compared to a use of $63,809 of cash during the comparable period in 2008. The $63,809 decrease in cash used was due primarily to no capital expenditures made during the six months ended June 30, 2009 compared to $77,316 of capital expenditures made during the same period in 2008.

Cash generated by financing activities was $2,631,655 during the six-month period ended June 30, 2009 versus $1,295,743 of cash generated during the comparable period in 2008. The $1,335,912 difference was due primarily to a $1,350,000 increase capital raised through the sale of equity-related securities during the period.

At June 30, 2009, the Company had, as part of its long-term liabilities, $3,941,875 face value of 10% Convertible PIK Notes due December 2018. The Company may sell similar notes in the future to raise cash to fund its operations.

As part of the Company's decision to discontinue its contract mining operations, it is currently marketing for sale certain pieces of equipment related to the contract mining division. The potential net proceeds from the disposal of this equipment would be used, in part, to fund the operations of the Company.

OFF-BALANCE SHEET ARRANGEMENTS

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have no exposure to fluctuations in interest rates, foreign currencies, or other market factors.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

During the evaluation of disclosure controls and procedures as of June 30, 2009, management identified material weaknesses in internal control over financial reporting, which management considers an integral component of disclosure controls and procedures. Material weaknesses identified include ineffective oversight of related party transactions, accounting for securities available for sale, accounting for options, lack of appropriate accounting procedures and personnel, journal entry approval and procedures, and management's assessment of internal control over financial reporting. As a result of the material weaknesses identified, management concluded that Atlas Mining Company's disclosure controls and procedures were ineffective.

Notwithstanding the existence of these material weaknesses, Atlas Mining Company believes that the condensed consolidated financial statements in this quarterly report on Form 10-Q /A fairly present, in all material respects, Atlas Mining Company's financial condition as of June 30, 2009 and December 31, 2008, and results of its operations and cash flows for the quarters ended June 30, 2009 and 2008, in conformity with United States generally accepted accounting principles (GAAP).

(b) Changes in Internal Controls.

We have begun to implement changes in its internal control procedures. The changes have been made as there has been an addition to the accounting staff and segregation of duties and reassignment of accounting functions has taken

place. These changes in internal controls are viewed to have a positive impact to our disclosure controls and, thus, creating a stronger control environment.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Various lawsuits, claims, proceedings and investigations are pending involving us as described below in this section. In accordance with SFAS No. 5, Accounting for Contingencies, when applicable, we record accruals for contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. In addition to the matters described herein, we are involved in or subject to, or may become involved in or subject to, routine litigation, claims, disputes, proceedings and investigations in the ordinary course of business, which in our opinion will not have a material adverse effect on our financial condition, cash flows or results of operations.

Securities Litigation

The Company, certain of its directors and former officers and employees, its prior auditor, Chisolm, Bierwolf & Nilson, LLC, and Nano Clay and Technologies, Inc., its defunct, wholly owned subsidiary, are defendants in a class action filed on October 11, 2007 In Re Atlas Mining Company Securities Litigation pending in the United States District Court for the District of Idaho, Civil Action No. 07-428-N-EJL(D. Idaho) (the "Class Action"). The Class Action was filed on behalf of purchasers of the Company's publicly traded common stock during the period January 19, 2005 through October 8, 2007. The First Amended Complaint ("Complaint") alleges that the Company damaged purchasers by making material misstatements in publicly disseminated press releases and Securities and Exchange Commission filings regarding the extent of the halloysite deposit on Company property, the availability and quality of halloysite for sale, and claimed sales of halloysite. The Complaint also alleges that the Company improperly manipulated reported earnings with respect to purported halloysite sales and misrepresentations by the individual defendants as to its financial statements. The plaintiffs seek remedies under Section 10(b) of the Securities and Exchange Act and Rule 10b-5 thereunder and for violations of Section 20(a) of the Exchange Act.

On July 2, 2009, the Company entered into a Settlement Agreement ("Class Action Settlement Agreement") with the lead plaintiffs in the class action Under the terms of the Class Action Settlement Agreement the Company will pay plaintiffs $1,250,000 (which includes fees to plaintiff's counsel), to be funded by the proceeds of an insurance policy issued by Navigators Insurance Co.(as provided below), in exchange for release of all claims against Company, Nano Clay & Technologies, Inc., and William T. Jacobson, Robert Dumont, Ronald Price and Barbara Suveg (the "Individual Defendants"). The Company will also fund up to $75,000 to fund expenses in connection with notification to class members. The Class Action Settlement Agreement is the settlement agreement contemplated by the Memorandum of Understanding ("MOU") described in its prior response and the terms of it are consistent with the terms of such MOU. The Settlement Agreement is subject to a number of conditions including successful completion of confirmatory due diligence by the lead plaintiffs and final court approval.

Insurance Litigation

Atlas Mining Company v. Navigators Insurance Company et al. Our complaint, filed in federal district court in Idaho, seeks coverage ("Coverage Claim") for claims in connection with the securities litigation described above under (A) a primary $5,000,000 D&O liability insurance policy issued by Navigators Insurance Company ("Navigators") on October1, 2007 ("Navigators $5,000,000 Policy), and (B) a $5,000,000 excess D&O liability policy issued by RSUI Indemnity Company ("RSUI") effective October 1, 2007. The Company has asserted claims for declaratory judgment, specific performance, and breach of contract, as well as claims alleging bad faith, against Navigators and RSUI. The Company also has asserted claims of negligence and fraud against a broker involved with the alleged issuance of the policies. This case was removed to federal court. Navigators, RSUI, and the broker are vigorously defending the lawsuit and have filed answers in federal court, arguing in part that such policies are not effective and pleading other affirmative defenses, such as accord and satisfaction.

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Navigators Insurance Co. v. Atlas Mining Company, et. al.
This is an interpleader complaint filed by Navigators in federal district court in Idaho with respect to our coverage claims and those of certain of our former officers and directors arising from the securities litigation described above. The interpleader complaint alleges that Navigators issued a D&O liability policy to the Company for the period October 17, 2006 and October 17, 2007 that afforded $2 million in limits. Navigators alleges that, based on the current rate of expenditures, the defense and investigation costs alone will soon exceed the policy's $2 million limit of liability, excess of applicable retentions, and the Company disagrees with certain of its former officers and directors on the appropriate priority of payments under the policy. As such, Navigators alleges that it was subject to multiple competing demands for the limits of the Policy. Based on such allegations, Navigators is seeking a court order permitting Navigators to tender $2 million into the registry of the Court and to be discharged from liability. The Company filed a Motion to Dismiss on June 17, 2008, citing Navigators' failure to advance defense costs under such policy and arguing that Navigators is not subject to multiple liability under the policy. The parties have filed several consent motions to stay the proceedings in this action. The court entered an indefinite stay on December 11, 2008 that will remain in effect until any party seeks to re-open the matter because (a) the parties have reached an agreement to resolve the matter, (b) the Coverage Action is resolved, or (c) a party seeks to terminate the stay and renew litigation.

Settlement Of Insurance Cases
Related to the Class Action Settlement, effective July 8, 2009, the Company entered into a Settlement Agreement and Release with Navigators, RSUI Indemnity Company and RSUI Group, Alexander, Morford & Woo, Inc., and the individual defendants listed above in settlement of the insurance litigation. Pursuant to this agreement (i) Navigators will deliver $1,250,000 into a court registry, which will then be used upon final court approval of the Class Action Settlement to fund the $1,250,000 payment to class action plaintiffs, (ii) Navigators will deliver $750,000 to the Company for defense and investigative costs in connection with the Class Action and related matters, which Atlas will use in part to pay the individual defendants their costs in the class action and (iii) all claims under the insurance litigation will be released upon final court approval of the Class Action Settlement.

Issuance of Wells Notice
On March 6, 2009, the Company was informed that the Securities and Exchange Commission had issued a formal order of investigation of facts with respect to possible violations of the securities laws by the Company and its officers, directors and affiliates for the period of August 2002 through 2006. On July 7, 2009, the staff of the Commission sent the Company a "Wells Notice," which is a notice that the staff intends to recommend to the Commission that enforcement proceedings be commenced against the Company for violations of registration provisions of Section 5 of the Securities Act, the reporting provisions of Section 13(a) of the Securities Exchange Act and the rules thereunder as well as Rule 12b-20, and the internal control provisions of Section 13(b)(2) of the Securities Exchange Act. The Wells Notice also referenced section 12(j) of the Securities Exchange Act, which would involve deregistration. However, the Company committed to the staff that it would bring the Company current in its Section 13(a) filings and the filing of this quarterly report on Form 10-Q /A brings the Company current. The staff indicated that if the Company were current it would not make a recommendation related to Section 12(j), and the Company believes that this filing has mooted the issue. The Company is cooperating with the investigation and has submitted an offer of settlement to the staff.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the second quarter of 2009, we sold stock in several transactions not registered under the Securities Act as listed below. Management at the time deemed such sales to be exempt under Section 4(2) of the Securities Act and indicated that all sales were made to accredited investors.

Between April 7, and April 9, 2009, the Company sold to accredited investors $1,500,000 principal amount of Series 10% PIK-Election Convertible Notes due 2018 (the "Notes") at a conversion price of $0.35 per share (the "Conversion

Price") and entered into a Registration Rights Agreement in connection with the shares of common stock to be issued upon conversion of the Notes.

On May 1, 2009, the Company entered into agreements to sell to accredited investors $1,350,000 principal amount of Series 10% PIK-Election Convertible Notes due 2018 (the "Notes") at a conversion price of $0.50 per share (the "Conversion Price") and entered into a Registration Rights Agreement in connection with the shares of common stock to be issued upon conversion of the Notes.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(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 the Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer
31.2	Certification pursuant to Rule 13a-14 of the Securities Exchange Act, as adopted pursuant to the Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief 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
32.2	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 Financial Officer

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: September 30 , 2009

/s/ ANDRE ZEITOUN
By: Andre Zeitoun
Chief Executive Officer

Dated: September 30, 2009

/s/ CHRISTOPHER T. CARNEY
By: Christopher T. Carney
Interim Chief Financial Officer