ATLAS MINING CO
Form 10QSB
November 15, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

(Mark One)

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES

Exchange Act of 1934

For the quarterly period ended September 30, 2004

|_| Transition report under Section 13 or 15(d) of the Exchange Act.

For the transition period from ______________ to ______________

Commission file number 000-31380

ATLAS MINING COMPANY
(Exact name of registrant as specified in its charter)

Idaho	82-0096527
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
630 East Mullan Avenue, Osburn, Idaho	83849
(Address of principal executive offices)	(Zip Code)

(208) 556-1181
Issuer's telephone number, including area code

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

Indicate by check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES /X/ NO /_/

The number of shares outstanding of each of the issuer's classes of common equity as of November 5, 2004 was as follows: 37,734,017 shares of Common Stock.

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

ATLAS MINING COMPANY
THIRD QUARTER 2004 REPORT ON FORM 10-QSB
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Atlas Mining Company
Consolidated Balance Sheets

ASSETS

	September 30, 2004 (unaudited)	December 31, 2003
Current Assets		
Cash	$ 7,787	$ 6,814
Accounts receivable	20,318	32,253
Investments - available for sale	12,363	12,796
Prepaid expenses	23,871	-
Advances	7,696	7,696
Advances - related party	22,884	74,693
Total Current Assets	94,919	134,252
Property and Equipment, Net	771,652	356,220
Other Assets		
Mining supplies	9,000	9,000
Total Other Assets	9,000	9,000
Total Assets	$ 875,571	$ 499,472

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Atlas Mining Company
Consolidated Balance Sheets

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2004 (unaudited)	December 31, 2003
Current Liabilities		
Accounts payable and accrued liabilities	$ 234,779	$ 214,855
Line of credit	21,706	23,094
Current portion of long-term debt	654,318	725,131
Total Current Liabilities	910,803	963,080
Long-Term Liabilities		
Notes payable	822,174	729,795
Notes payable - related party	82,829	70,829
Less: current portion of long-term debt	(654,318)	(725,131)
Total Long-Term Liabilities	250,685	75,493

Minority Interest	52,652	52,652
Stockholders' Equity		
Preferred stock, $1.00 par value, 10,000,000 shares authorized, noncumulative, nonvoting, nonconvertible, none issued or outstanding	-	-
Common stock, no par value, 60,000,000 shares authorized, 37,731,222 and 34,725,151 shares issued and outstanding, respectively	5,418,627	4,994,977
Cost of treasury stock, 1,313,022 and 18,106 shares, respectively	(131,221)	(131,221)
Retained earnings (deficit)	(5,600,132)	(4,914,966)
Accumulated comprehensive income (loss)	(10,843)	(10,843)
Prepaid expenses	(15,000)	(5,000)
Subscription receivable	-	(524,700)
Total Stockholders' Equity	(338,569)	(591,753)
Total Liabilities and Stockholders' Equity	$ 875,571	$ 499,472

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Atlas Mining Company
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2004	2003	2004	2003
Revenues	$ 158,875	$ 81,906	$ 546,600	$ 234,900
Cost of Sales	77,928	121,406	389,930	262,417
Gross Profit (Loss)	80,947	(39,500)	156,670	(27,517)
Operating Expenses				
Exploration & Development Costs	93,363	-	148,991	48,824
General & Administrative	214,177	411,764	657,159	882,655
Total Expenses	307,540	411,764	806,150	931,479
Net Operating Income (Loss)	(226,593)	(451,264)	(649,480)	(958,996)
Other Income(Expense)				
Interest Expense	(13,682)	(14,018)	(37,208)	(82,796)
Gain on Settlement of Debt	-	18,807	-	47,307
Interest Income	3	3	32	7
Minority Interest	-	6,483	-	6,483
Miscellaneous Income (Expense)	-	4,016	-	4,016
Gain on Sale of Stock	-	-	1,489	-

Total Other Income(Expense)	(13,679)	15,291	(35,687)	(24,983)
Income (Loss) Before Income Taxes	(240,272)	(435,973)	(685,167)	(983,979)
Provision (Benefit) for Income Taxes	-	-	-	-
Net Income (Loss)	$ (240,272)	$ (435,973)	$ (685,167)	$ (983,979)
Net Income (Loss) Per Share	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.06)
Weighted Average Shares Outstanding	37,481,777	24,521,056	36,722,853	15,154,897

Atlas Mining Company
Consolidated Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended September 30, 2004	2003
Cash Flows from Operating Activities:		
Net Income (Loss)	$ (685,167)	$ (983,979)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operations:		
Depreciation	27,795	6,210
(Gain) loss on settlement of debt	-	(47,307)
(Gain) loss on sale of investments available for sale	(1,489)	-
Stock issued for services	403,650	669,200
Amortization	10,000	7,500
Minority interest	-	(6,483)
Change in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	11,935	(18,233)
Prepaid expenses	(23,871)	-
Increase (Decrease) in:		
Accounts payable and accrued expenses	19,924	40,232
Net Cash Provided(Used) by Operating Activities	(237,223)	(332,860)
Cash Flows from Investing Activities:		
Purchases of equipment	(443,227)	-
Proceeds from advances	247,810	200,543
Proceeds from sale of investments available for sale	1,921	-
Payments for advances	(196,000)	(184,500)
Net Cash Provided (Used) by Investing Activities	(389,496)	16,043
Cash Flows from Financing Activities:		
Proceeds from notes payable	176,660	5,720

Payments for notes payable	(72,279)	(31,130)
Payments for line of credit	(1,389)	(3,136)
Payments for treasury stock	-	(475)
Proceeds from subscription receivable	524,700	-
Proceeds from issuance of common stock	-	450,100
Net Cash Provided (Used) by Financing Activities	627,692	421,079
Increase (Decrease) in Cash	973	104,262
Cash and Cash Equivalents at Beginning of Period	6,814	5,246
Cash and Cash Equivalents at End of Period	$ 7,787	$ 109,508

Atlas Mining Company
Notes to the Consolidated Financial Statements
September 30, 2004

GENERAL

Atlas Mining Company (the Company) has elected to omit substantially all footnotes to the financial statements for the nine months ended September 30, 2004 since there have been no material changes (other than indicated in other footnotes) to the information previously reported by the Company in their Annual Report filed on the Form 10-KSB for the twelve months ended December 31, 2003.

UNAUDITED INFORMATION

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

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

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

Contracting."

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

Contract Mining

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

Property Exploration

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

In August 2001, we acquired the Dragon Mine in Juab, Utah and began our halloysite clay exploration. During the first nine months of 2004, we had $148,991 in exploration and development expenses. We also acquired additional equipment amounting to $361,432 for mining at the Dragon Mine.

The halloysite clay is considered a non-toxic material and, as commercially viable amounts have been found on the property, we feel we can produce a sellable product with minimal environmental consequences using proper containment and processing techniques. The intended processing will be the crushing, drying, and packaging of the product for shipment. We have been able to formulate development and mining plans. We consider this property, the Dragon Mine, to be in the development stage, and it is our intent to bring it into a production stage in the near future. We have also contacted potential customers, distributors and suppliers in the clay businesses. Each buyer may have a different use for the product and the price and quantity will vary as a result. The sale of product cannot be formalized until we have developed the mine and become production ready.

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

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

Timber

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

RESULTS OF OPERATIONS

Revenues for the nine month period ending September 30, 2004 were $546,600 and $234,900 for the same period ending September 30, 2003, or an increase of 132%. For the three month period ending September 30, 2004 revenues were $158,875 compared to $81,906 for the same period ending September 30, 2003 or an increase of 94%. The main difference was caused by the additional contracting revenues of $233,037 and logging revenues of $78,565 recognized in 2004 over the previous year.

Gross profit (loss) for the nine month period ending September 30, 2004 was $156,570 compared to ($27,517) for the same period ending September 30, 2003 a difference of $184,087. For the three month period ending September 30, 2004 gross profit (loss) was $80,947 compared to ($39,500) for the same period ending September 30, 2003 a difference of $120,447. During both periods in 2004 revenues were enough to cover costs of sales and we were able to keep the costs of sales lower (71% of sales for the nine month period and 49% of sales for the three month period) than the same periods ending September 30, 2003.

Total operating expenses for the nine month period ending September 30, 2004 was $806,150 compared to $931,479 for the same period ending September 30, 2003 or a decrease of 13.4%. For the three month period ending September 30, 2004 operating expenses were $307,540 compared to $411,764 for the same period ending September 30, 2003 or a decrease of 25.3%. Although exploration and development expenses in 2004 of $148,991 were more in 2004 compared to the $48,824 spent in 2003, the company incurred additional professional expenses in 2003 amounting to approximately $225,000 compared to 2004 due to costs related to Securities Exchange Commission filings.

Our net profit (loss) for the nine month period ending September 30, 2004 was ($685,167) compared to ($983,979) or a 30% decrease. The net profit (loss) for the three month period ending September 30, 2004 was ($240,272) compared to ($435,973) for the same period ending September 30, 2003, or a decrease of 44.8%. As mentioned above, in 2003 the company experienced more general and administrative expenses due to the costs of SB-2 filings.

LIQUIDITY AND CAPITAL RESOURCES

To date our activities have been financed primarily through the sale of equity securities, borrowings, and revenues from AFC and logging operations. We intend to continue pursuing contract mining work and logging of our timber properties to help pay for our operations. For the three month periods ended September 30, 2004 contract mining accounted for 57% of the revenue and 100% of the revenue for the same period in 2003. We have also borrowed from various sources to finance our activities. Our current debt structure is explained below.

Our total assets increased from $875,571 as of September 30, 2004, compared to $499,472 as of December 31, 2003. The company has decreased its current assets by $39,333, while acquiring additional equipment for mining and processing at the Dragon Mine. Total liabilities were $1,161,488 as of September 30, 2004, compared to $1,038,573 as of December 31, 2003. The company accounts payables balance increased due to additional activities in contracting work, and there was an increase in notes payable due to activities at the Dragon Mine.

We have a note payable to William Jacobson, an officer and director, which is payable on demand and bears no interest. The proceeds from this note were used for general working capital. The current amount due as of September 30, 2004 is $82,829. We have an unsecured line of credit with Textron Financial at an interest rate of prime plus 6%. The balance of the line of credit at September 30, 2004 was $21,706. The funds were used for general working capital and are on a revolving credit line. In 2000, we entered into an agreement with Universal Funding for a secured revolving credit line, immediately payable by accounts receivable. The funds are used for general working capital. As of September 30, 2004 the amount owing Universal funding is 0-. Accounts payable and accrued expenses due as of September 30, 2004 were $234,779 and are the result of daily operations and taxes owed.

We have a note payable to Moss Adams, LLP, an accounting firm, for $53,250 at 9% per annum, due in monthly payments of $1,000 with a balloon payment due at maturity. The note was for accounting services provided to us in 1999 and 2000. As of September 30, 2004 our current balance, including interest is $76,222. The note matured on August 16, 2001. We have renegotiated terms of repayment, and can pay this debt for approximately 50% of the amount otherwise due. We have notes payable to American National Mortgage due in monthly interest installments of $35,788.39. The notes matured on May 31, 2003, at which time the principal became due, and is secured by property in northern Idaho. American Mortgage has filed bankruptcy, and we are negotiating a settlement on this debt with the trustee. We also have a note payable to CLS Mortgage Company, due in monthly installments of $1,614, including interest at 16%. The note has a current balance of $118,955 and is due in August 2005, secured by the proceeds of our logging activities and collateralized by land and a building on our property in northern Idaho.

If we are unable to reduce our debts or if we do not renegotiate any of this debt, we would be obligated to pay an average of $54,214 per month or $650,568 for the next fiscal year.

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

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

Our principal sources of cash flow during the third quarter 2004 was from Contracting activities which provided an average of $30,356 per month for the three month period ended September 30, 2004, and averaged $27,302 per month for the same period in 2003. For the nine month period ending September 30, 2004 our average monthly cash flow from contracting was $51,881, compared to $26,100 for the same period in 2003. We recognized logging revenues during the third quarter 2004 of $67,806, which was used primarily to pay for an additional piece of property acquired. In addition, we rely on our credit facilities and any public or private sales of equity for additional cash flow.

Cash flow from financing activities for the nine month period ended September 30, 2004 was $627,692 compared to $421,079 for the same period in 2003, a difference of $206,613. The major factor for the difference was receipt of proceeds from subscriptions receivable in 2004.

The Company spent $389,496 from investing activities for the nine month period ended September 30, 2004, compared to receiving $16,043 in the same period in 2003. This was attributed from purchases of equipment and transactions with affiliates.

Cash flow used by operating activities for the nine month period ended September 30, 2004, was ($237,223) compared to ($332,860) for the same period in 2003, a difference of $95,637. In the nine month period in 2004 a decrease in the costs of services, compared to the same period in 2003, accounted for the major change.

ITEM 3. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

The Company's Chief Executive Officer and its Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a 14(c) and 15d 14(c) as of a date within 90 days of the filing date of this quarterly report on Form 10-QSB (the "Evaluation Date"), have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to it would be made known to it by others within the Company, particularly during the period in which this quarterly report on Form 10-QSB was being prepared.

(b) Changes in Internal Controls.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's disclosure controls and procedures subsequent to the Evaluation Date, nor any significant deficiencies or material weaknesses in such disclosure controls and procedures requiring corrective actions.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

On July 15, 2004 we issued 100,000 shares of common stock for lease payment on the Dragon Mine valued at approximately $20,000.

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

Item 3. Defaults Upon Senior Securities

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

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

None

Item 5. Other Information

None

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

(a) EXHIBITS

The following exhibits are included in this Report:

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

(b) The following reports on Form 8-K were filed during the quarter ended June 30, 2004:

None.

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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: November 5, 2004

/s/ William Jacobson

By: William Jacobson
Chief Executive Officer,
Chief Financial Officer