

Edgar Filing: ATLAS MINING CO - Form 10QSB

ATLAS MINING CO
Form 10QSB
May 17, 2005

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
Exchange Act of 1934

For the quarterly period ended March 31, 2005

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

For the transition period from _____ to _____

Commission file number _____

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/

Edgar Filing: ATLAS MINING CO - Form 10QSB

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

	PAGE ----
PART I. FINANCIAL INFORMATION	
Item 1. Consolidated Financial Statements	
Unaudited Consolidated Balance Sheet	
March 31, 2005.3
Unaudited Consolidated Statements of Operations Three Months Ended	
March 31, 2005 and 20044
Unaudited Consolidated Statements of Cash Flows Three Months Ended	
March 31, 2005 and 20035
Notes to Unaudited Consolidated Financial Statements.6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations7
Item 3. Controls and Procedures	10
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	10
Item 2. Unregistered Sales of Equity Securities and Use of	11
Item 3. Defaults Upon Senior Securities	11
Item 4. Submission of Matters to a Vote of Security Holders	12
Item 5. Other Information	12
Item 6. Exhibits.	12
Certification under Sarbanes-Oxley Act of 2002	13
Signatures	13

Atlas Mining Company Consolidated Balance Sheets

	ASSETS -----		March 31, 2005	December 31, 2004
			-----	-----
			(unaudited)	
Current Assets				
Cash		\$	333,298	\$ 206,635
Accounts receivable (net of allowance of \$0)			133,755	273,014
Investments - available for sale			19,538	19,538
Deposits and Prepaids			46,721	65,738
			-----	-----

Edgar Filing: ATLAS MINING CO - Form 10QSB

Total Current Assets	533,312	564,925
Property, Equipment, and Mine Development Cost, Net	906,721	849,746
	-----	-----
Mining supplies	9,000	9,000
	-----	-----
Total Assets	\$ 1,449,033	\$ 1,423,671
	=====	=====

3

Atlas Mining Company
Consolidated Balance Sheets

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 2005	December 31, 2004
	-----	-----
	(unaudited)	
Current Liabilities		
Accounts payable and accrued liabilities	\$ 189,495	\$ 304,925
Current portion of long-term debt	979,693	1,031,672
	-----	-----
Total Current Liabilities	1,169,188	1,336,597
Long-Term Liabilities		
Notes payable	772,447	811,373
Notes payable - related party	237,127	250,354
Less: current portion of long-term debt	(979,693)	(1,031,672)
	-----	-----
Total Long-Term Liabilities	29,881	30,055
	-----	-----
Minority Interest	52,652	52,649
	-----	-----

Edgar Filing: ATLAS MINING CO - Form 10QSB

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, 42,017,587 and 36,826,222 shares issued and outstanding, respectively	6,957,077	6,006,657
Cost of treasury stock, 1,313,022 and 1,313,022 shares, respectively	(131,221)	(131,221)
Retained earnings (deficit)	(6,618,718)	(5,861,240)
Accumulated comprehensive income (loss)	174	174
Prepaid expenses	(10,000)	(10,000)
	-----	-----
Total Stockholders' Equity	197,312	4,370
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 1,449,033	\$ 1,423,671
	=====	=====

5

Atlas Mining Company
Consolidated Statements of Operations
(Unaudited)

	For the Three Month Ended March 31,	
	2005	2004
	-----	-----
Revenues	\$ 143,373	\$ 158,629
Cost of Sales	150,147	127,162
	-----	-----
Gross Profit (Loss)	(6,774)	31,467
	-----	-----
Operating Expenses		
Exploration & development costs	165,579	2,088
General & administrative	550,936	319,578
	-----	-----
Total Operating Expenses	716,515	321,666
	-----	-----
Net Operating Income (Loss)	(723,289)	(290,199)
	-----	-----
Other Income (Expense)		

Edgar Filing: ATLAS MINING CO - Form 10QSB

Interest income	167	1
Interest expense	(34,561)	(11,034)
Gain (loss) on sale of investments available for sale	-	1,489
	-----	-----
Total Other Income (Expense)	(34,394)	(9,544)
	-----	-----
Income (Loss) Before Income Taxes	(757,683)	(299,743)
Provision (Benefit) for Income Taxes	-	-
	-----	-----
Net Income (Loss)	\$ (757,683)	\$ (299,743)
	=====	=====
Net Income (Loss) Per Share	\$ (0.02)	\$ (0.01)
	=====	=====
Weighted Average Shares Outstanding	40,840,731	35,706,726
	=====	=====

Atlas Mining Company
Consolidated Statements of Cash Flows
(Unaudited)

	For the Three Month Ended March 31,	
	2005	2004
	-----	-----
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ (757,478)	\$ (299,743)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operations:		
Depreciation	26,922	1,526
(Gain) loss on sale of investments available for sale	-	(1,489)
Stock issued for services	388,421	242,650
Amortization	-	2,500
Minority Interest	3	-
Change in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	139,260	(57,922)
Deposits and Prepaids	19,017	-
Accounts payable and accrued expenses	(115,430)	33,763
	-----	-----
Net Cash Provided (Used) by Operating Activities	(299,285)	(78,715)
Cash Flows from Investing Activities:		
Purchases of equipment	(83,898)	(64,798)
Proceeds from advances	-	99,869
Proceeds from sale of investments available for sale	-	1,921
Payments for advances	-	(100,000)
	-----	-----
Net Cash Provided (Used) by Investing Activities	(83,898)	(63,008)
Cash Flows from Financing Activities:		
Proceeds from notes payable	-	39,660
Payments for notes payable	(52,153)	(1,773)
Payments for line of credit	-	(1,034)

Edgar Filing: ATLAS MINING CO - Form 10QSB

Proceeds from subscription receivable	-	100,000
Proceeds from issuance of common stock	561,999	-
	-----	-----
Net Cash Provided (Used) by Financing Activities	509,846	136,853
	-----	-----
Increase (Decrease) in Cash	126,663	(4,870)
Cash and Cash Equivalents at Beginning of Period	206,635	6,814
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 333,298	\$ 1,944
	=====	=====

Atlas Mining Company and Subsidiary
Notes to the Consolidated Financial Statements
March 31, 2005

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Revenue and Cost Recognition

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

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

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

b. Bad Debts

Edgar Filing: ATLAS MINING CO - Form 10QSB

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

c. Basis of Consolidation

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

7

d. Earnings (Loss) Per Share

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

	Net Loss (Numerator)	Shares (Denominator)	Per-Share Amount
	-----	-----	-----
For the quarter ended March 31, 2005:			
Basic EPS			
Net loss to common Shareholders	\$ (757,683)	40,840,731	\$ (0.01)
	=====	=====	=====
For the quarter ended March 31, 2004:			
Basic EPS			
Net loss to common Shareholders	\$ (299,743)	35,706,726	\$ (0.01)
	=====	=====	=====

e. Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Company had \$233,298 in excess of federally insured amounts in its bank accounts at March 31, 2005.

8

Atlas Mining Company and Subsidiary
Notes to the Consolidated Financial Statements
March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Edgar Filing: ATLAS MINING CO - Form 10QSB

f. Income Taxes

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

9

Atlas Mining Company and Subsidiary
Notes to the Consolidated Financial Statements
March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Available for Sale Investments

Management determines the appropriate classification of marketable equity security investments at the time of purchase and reevaluates such designation as of each balance sheet date. Unrestricted marketable equity securities have been classified as available for sale. Available for sale securities are carried at fair value, with

Edgar Filing: ATLAS MINING CO - Form 10QSB

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

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

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

h. Mining Supplies

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

i. Use of Estimates

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

j. Property and Equipment

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

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

Edgar Filing: ATLAS MINING CO - Form 10QSB

10

Atlas Mining Company and Subsidiary
Notes to the Consolidated Financial Statements
March 31, 2005

In accordance with Financial Accounting Standards Board Statement No. 144, the Company records impairment of long-lived assets to be held and used or to be disposed of when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount. At March 31, 2005 and 2004, no impairments were recognized. Depreciation expense for the quarters ended March 31, 2005 and 2004 totaled \$26,922 and \$1,526, respectively.

k. Financial Instruments

The recorded amounts of financial instruments, including cash equivalents, receivables, investments, accounts payable and accrued expenses, and long-term debt approximate their market values as of March 31, 2005 and 2004. The Company has no investments in derivative financial instruments.

l. Mining Exploration and Development Costs

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

m. Stock Options

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

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

2005	2004
-----	-----

Edgar Filing: ATLAS MINING CO - Form 10QSB

Net Loss	As reported	\$ (757,683)	\$ (299,743)
Deduct: Total stock-based employee compensation expense determined under fair value based method		(455,000)	-
	Proforma	\$ (1,212,683)	\$ (299,743)
Basic earnings per share	As reported	\$ (0.01)	\$ (0.01)
	Proforma	\$ (0.01)	\$ (0.01)

11

NOTE 2 -GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company is dependent upon raising capital to continue operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. It is management's plan to reduce the Company's debt through a negotiated settlement with its major creditor (see Note 9) and the initiation of the operations at the Dragon Mine. The Company has also negotiated an equipment line of credit in order to finance the required equipment for the mining operations. Further, Company has been able to sell shares of its restricted stock to help support its financing activities. Management believes settlement of its debts, the mining operations, and the sale of stock will provide sufficient cash flows to continue as a going concern.

NOTE 3 - LONG-TERM LIABILITIES

Long-term liabilities are detailed in the following schedules:

	March 31, 2005	December 31 2004
	-----	-----
Note payable to a company, due in monthly payments of \$1,000 with a balloon payment due at maturity, including interest at 9%. The note matured August 16, 2001, past due.	\$ 53,455	\$ 53,455
Note payable to a lending company, due in Monthly installments of \$688, including interest at 7.59%. The note matures in March 2010 and is collateralized by a vehicle.	34,235	35,630
Note payable to a lending company, due in monthly installments of \$578, including interest at 11.99%. The note matured August 2003, secured by a vehicle, past due.	-	-
Note payable to a mortgage company, due in monthly installments of \$1,614, including interest at 16%. The note is due in August 2005, secured by the proceeds of a logging agreement and collateralized by land and a building.	118,823	118,920

Edgar Filing: ATLAS MINING CO - Form 10QSB

Note payable to a lending company, balloon payment due at maturity, bears interest at 8% per month. The note is secured by land owned by a related party and matured in March 2003, past due.	120,700	120,700
Note payable to a mortgage company, principal due at maturity and bears interest at 3.5% per month. The note matured in October 2003, secured by property, past due.	86,100	86,100
Note payable to a lending company, principal due at maturity and bears interest at 5% per month. The note matured in May 2003, secured by land, past due.	345,508	345,508

12

Atlas Mining Company and Subsidiary
Notes to the Consolidated Financial Statements
March 31, 2005

NOTE 4 -LONG-TERM LIABILITIES (Continued)

	March 31, 2005	December 31 2004
	-----	-----
Note payable to a company, principal due at maturity with no interest. The note matures in May 2005.	-	17,000
Note payable to a company, principal due at maturity with interest at 10.2%. The note matures in February 2005.	13,626	34,060
Total Notes Payable	\$ 772,447	\$ 811,373
Notes payable - related party:		
Note payable to a company with a common officer, payable on demand and bears no interest	\$ 162,856	\$ 158,866
Note payable to an officer, payable on demand and bears no interest.	\$ 74,271	\$ 91,488
Total Notes Payable - Related Party	237,127	250,354
Total Long-Term Liabilities	1,009,574	1,061,727
Less Current Portion	(742,566)	(781,318)
Less Current Portion-Related Party	(237,127)	(250,354)
Total Current Portion	979,693	1,031,672
Total Long-Term Liabilities	\$ 29,881	\$ 30,055
	=====	=====

Edgar Filing: ATLAS MINING CO - Form 10QSB

Future minimum principal payments on notes payable are as follows at March 31, 2005:

2005	\$	979,693
2006		6,201
2007		6,688
2008		7,214
2009		7,781

Thereafter	\$	1,997

Total	\$	1,009,574
		=====

13

Atlas Mining Company and Subsidiary
Notes to the Consolidated Financial Statements
March 31, 2005

NOTE 5 - LINE OF CREDIT

In 2005 and 2004, the Company has an unsecured line of credit for \$50,000 at an interest rate of prime plus 6%. The balance of the line of credit at March 31, 2005 and December 31, 2004 is \$0 and \$0, respectively.

NOTE 6 -RELATED PARTY TRANSACTIONS

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

During 2005 and 2004, an officer loaned the Company \$1,165 and \$34,659, respectively. During the first quarter of 2005, the Company paid off \$18,382 in credit card receipts as partial payment for the note. During 2004, the Company paid cash of \$14,000 as partial payment for the note. During 2003, the Company paid cash of \$1,009 and issued 1,000,000 shares of stock valued at \$10,000 as partial payment for the note. The balance of the note payable at March 31, 2005 and 2004 is \$74,271 and \$91,488, respectively.

NOTE 7 - COMMON STOCK AND STOCK OPTIONS

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

The Company adopted an incentive stock option plan in 1998. The stock option plan permits the Company to grant to key employees options to

Edgar Filing: ATLAS MINING CO - Form 10QSB

purchase shares of stock in the Company at the direction of the Committee. The price of shares purchased must be equal to or greater than fair market value of the common stock at the date. At March 31, 2005, no options have been granted under this plan.

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

The fair value of each option granted is estimated on the date granted using the Black-Scholes option pricing model. Assumptions used to compute the weighted-average grants during the quarter ended March 31, 2005 include risk-free interest rates of 2%, expected dividend yields of 0%, expected life of 3 years, and expected volatility 150%. During 2004, the Company granted options to purchase up to 3.5 million of its common shares with a calculated weighted average fair value of \$0.13 each.

During the quarter ended March 31, 2005 the Company sold a total of 1,248,000 shares of restricted common stock at prices ranging from \$0.25 to \$0.50 per share for a total of \$562,000 cash.

During the quarter ended March 31, 2005 the Company issued 867,170 shares of stock in payment of \$382,660 worth of services provided to the company.

14

NOTE 8 - COMMITMENTS AND CONTINGENCIES

On July 10, 2001, the Company entered into an agreement to lease and possibly purchase a mine in Juab County, Utah. The Company has the sole option to renew the lease on an annual basis. The agreement requires the lease payments be made through the issuance of 100,000 shares of the Company's common stock each year. In July 2004, the Company issued 100,000 shares of common stock valued at \$20,000 to renew the lease. In July 2003, the Company issued 100,000 shares of common stock valued at \$10,000 to renew the lease. The Company has the option to purchase the mine for \$500,000 at anytime, or when it sells \$1,000,000 of product from the mine during a twelve month period.

On February 16, 2005, a Settlement Agreement was entered into between the Company and the court appointed receiver for American National Mortgage Company regarding the resolution of approximately \$711,174 principal debt owed by Atlas plus unpaid interest. According to the agreement, Atlas is to pay \$406,000 plus 175,000 shares of common stock valued at \$78,750. The agreement becomes effective upon approval by the courts which is anticipated in April, 2005.

NOTE 9 SUBSEQUENT EVENTS

The Company has no significant subsequent events to disclose.

15

Edgar Filing: ATLAS MINING CO - Form 10QSB

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 unless they fit into the parameters we have set. Further, we will limit our acquisitions based on our ability to conduct our feasibility surveys and other exploration work on these properties, and until we have been able to bring our existing acquisitions into a income generating stage.

In August 2001, we acquired the Dragon Mine in Juab, Utah and began our clay exploration. Our exploration and development expenses for the period ending March 31, 2005 and December 31, 2004 were \$165,579 and \$340,657 respectively on the halloysite clay project.

The halloysite clay is considered a non-toxic material, and 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. In 2003 we completed a small diamond drilling program to verify location of clay beds at the Dragon Mine. With that information we have been able to formulate development and mining plans. During 2004 we have worked to develop and bring the Dragon Mine into a production stage. In December 2004 we booked our first sale of halloysite clay.

Our halloysite clay marketing efforts include contacting potential customers and distributors which we have done. 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 verified our ability to provide the quality and quantities as required by the potential buyers. From results of the product samples distributed we have numerous potential buyers.

Until the Dragon mine is producing in a profitable manner we are not aggressively looking for other properties. However it is our intent to look

Edgar Filing: ATLAS MINING CO - Form 10QSB

for other properties that can be acquired, developed and mined with minimal costs, and environmental problems.

We have a mining plan and reclamation bond 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.

16

Timber

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

RESULTS OF OPERATIONS

Revenues for the three month period ending March 31, 2005 were \$143,373 and \$158,629 for the same period ending March 31, 2004, or a decrease of 9.6%. The main difference was caused by the less contracting revenues of \$15,256 for this period compared to the previous year.

Gross profit (loss) for the three month period ending March 31, 2005 was \$(6,774) compared to \$31,467 for the same period ending March 31, 2004 a difference of \$38,241. Although there was little difference between the sales for the two periods, costs of goods sold increased in the three month period ending March 31, 2005 by 18% over the same period ended March 31, 2004 due to the type of contracting work conducted during that period. The contract, which created smaller returns, has since completed.

Total operating expenses for the three month period ending March 31, 2005 was \$716,515 compared to \$321,666 for the same period ending March 31, 2004 or an increase of 122%. The company recognized additional administrative costs and professional fees in the period ended March 31, 2005 compared to the same period ended March 31, 2004.

Our net profit (loss) for the three month period ending March 31, 2005 was (\$757,683) compared to (\$299,743) or an increase of 157%. As mentioned above, the company experienced more general and administrative expenses for the period ended March 31, 2005 compared to the same period ended March 31, 2004.

LIQUIDITY AND CAPITAL RESOURCES

To date our activities have been financed primarily through the sale of equity securities, borrowings, and revenues from Atlas Fausett Contracting 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 March 31, 2005 contract mining accounted for 100% of the revenue and 95% 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 as of March 31, 2005 were \$1,449,033 compared to \$1,423,671 as of December 31, 2004, or an increase of \$25,362. For the three month period ended March 31, 2005 the company has decreased its current assets by \$31,613, but increased its fixed assets by \$56,975 through acquisitions of additional equipment for mining and processing at

Edgar Filing: ATLAS MINING CO - Form 10QSB

the Dragon Mine. Total liabilities were \$1,251,925 as of March 31, 2005, compared to \$1,419,301 as of December 31, 2004. The company has been able to address some of its debts during the first three months ended March 31, 2005, and intends to do so in the future.

We have a note payable to William Jacobson, an officer and director, which is payable on demand and bears no interest. The proceeds from this note were used for general working capital. The current amount due as of March 31, 2005 is \$74,270. Accounts payable and accrued expenses due as of March 31, 2005 were \$189,495 and are the result of daily operations and accrued taxes.

17

We have a note payable to Moss Adams, LLP, an accounting firm, for \$53,250 at 9% per annum, due in monthly payments of \$1,000 with a balloon payment due at maturity. The note was for accounting services provided to us in 1999 and 2000. As of March 31, 2005 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 have negotiated a settlement on this debt with the trustee and are awaiting court approval. 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 \$118,823 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 \$81,641 per month or \$979,693 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 first quarter 2005 was from contracting activities which provided an average of \$47,791 per month for the three month period ended March 31, 2005, and averaged \$50,232 per month for the same period in 2004. In addition, we rely on our credit facilities and any public or private sales of equity for additional cash flow.

Cash flow from financing activities for the three month period ended March 31, 2005 was \$510,051 compared to \$136,853 for the same period in 2004, a difference of \$373,198. The major factor for the difference was receipt of proceeds from proceeds from issuance of common stock in 2005.

Edgar Filing: ATLAS MINING CO - Form 10QSB

The Company used \$83,898 from investing activities for the three month period ended March 31, 2005, compared to using \$63,008 in the same period in 2004, a difference of \$20,890. This was attributed to purchases of more equipment in the period ended March 31, 2005 compared to the same period in 2004.

Cash flow used by operating activities for the three month period ended March 31, 2005, was (\$299,490) compared to (\$78,715) for the same period in 2003, a difference of \$220,775. In the three month period in 2005 net losses were more significant and costs of services were greater, compared to the same period in 2004.

18

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. Unregistered Sales of Equity Securities and Use of Proceeds

- On January 12, 2005, the Company issued 100,000 shares of common stock to an accredited investor for \$25,000.
- On January 27, 2005, the Company issued 110,000 shares of common stock to an accredited investor for \$27,500.
- On February 3, 2005, the Company issued 8,000 shares of common stock to an accredited investor for \$2,000.
- On February 14, 2005, the Company issued 30,000 shares of common stock to an accredited investor for \$7,500.
- On February 22, 2005, the Company issued 1,000,000 shares of common stock to an accredited investor for \$500,000

Edgar Filing: ATLAS MINING CO - Form 10QSB

- On February 24, 2005, the Company issued 50,000 shares of common stock for services valued at \$25,000.

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 Partners, LLC ("American Mortgage") due in the amount of \$606,608. The notes matured on May 31, 2003, at which time the principal became due, and is secured by property in northern Idaho. American Mortgage has filed bankruptcy, and we have negotiated a settlement on this debt with the bankruptcy trustee in the amount of \$406,000 and 175,000 shares of Company common stock. The settlement was approved on May 3, 2005 by Superior Court of Maricopa County, Arizona. We are currently waiting approval of the settlement by the United States Bankruptcy Court, District of Arizona.

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

None

19

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 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

20

SIGNATURES

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

ATLAS MINING COMPANY

Dated: May 13, 2005

/s/ William Jacobson

By: William Jacobson
Chief Executive Officer, Chief Financial Officer

21