

Applied Minerals, Inc.
Form S-1/A
February 05, 2010

As filed with the Securities and Exchange Commission on
_____2009
No. 33-16966

Registration

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1 /A
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

APPLIED MINERALS, INC.
(Name of small business issuer in its charter)

Delaware (State of jurisdiction of incorporation or organization)	1044 (Primary Standard Industrial Classification Code Number)	82-0096527 (I.R.S. Employer Identification No.)
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110 Greene Street – Ste 1101, New York, NY
(208) 556-1181

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

Andre Zeitoun
Chief Executive Officer
110 Greene Street – Ste 1101, New York, NY
(208) 556-1181
(Name, address and telephone number of agent for service)

Copies to:
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K&L Gates LLP
Suite 2900
925 Fourth Avenue
Seattle, WA 98104

(206) 623-7580

Approximate date of proposed sale to the public:
From time to time after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act Registration Statement number of the earlier effective Registration Statement for the same offering.

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 (Do not check if a smaller reporting company) Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(2)	Proposed maximum offering price per share(3)	Proposed maximum aggregate offering price(3)	Amount of registration fee(3)
Common Stock, \$0.001 par value per share (shares issued pursuant to conversion of PIK Notes (1) sold by the issuer, plus PIK interest on such notes)	10,256,902	\$0.67	\$6,872,124	\$490
Common Stock, \$0.001 par value per share (shares issuable pursuant to outstanding PIK Notes sold by the issuer)	2,057,692	\$0.67	\$1,378,654	\$98
Common Stock, \$0.001 par value per share (shares that may be issued as PIK interest on outstanding PIK notes)	2,996,068	\$0.67	\$2,007,366	\$143
Common Stock, \$0.001 par value per share (shares issuable on exercise of outstanding options to purchase Common Stock)	7,633,277	\$0.67	\$5,114,296	\$365
Common Stock, \$0.001 par value per share (shares issued as compensation)	304,025	\$0.67	\$203,696	\$22
Common Stock, \$0.001 par value per share (shares issuable on exercise of an outstanding warrant)	160,000	\$0.67	\$107,200	\$8
Total	23,407,964		\$15,683,336	\$1,126

(1) PIK Notes refers to 10% PIK-Election Convertible Note due 2018

(2) In addition, pursuant to Rule 416 under the Securities Act of 1933, this Registration Statement includes an indeterminate number of additional shares as may be issuable on (a) the conversion of the PIK Notes, (b) the exercise of options or a warrant or (c) on then already issued shares as a result of stock splits, stock dividends or similar transactions which occur during this continuous offering.

(3) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) of the Securities Act based on the average of the high and low quotation of our common stock, as reported on the OTCBB quotation service on January 26, 2010.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine

The information in this prospectus is not complete and may be changed. The securities subject to this registration statement may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS

23,407,964 Shares

APPLIED MINERALS, INC.

Common Stock

This prospectus relates to the offer and sale, from time to time, of up to 23,407,964 shares of our common stock with par value of \$0.001. Some shares of common stock and others are issuable upon the exercise of options and a warrant to purchase common stock, upon the conversion of outstanding 10% PIK Convertible Notes due 2018, \$0.001 par value, from time to time by certain of our stockholders, or persons who have become or may become our stockholders upon the exercise of options or warrants issued by us or the conversion of our 10% PIK-Election Convertible Notes due 2018 (“PIK Notes”) and the conversion of PIK Notes that may be issued as interest payments. The sellers are referenced throughout this prospectus as “selling stockholders.”

The selling stockholders may sell all or any portion of their shares of common stock in one or more transactions on the over the counter stock market or in private, negotiated transactions. Each selling stockholder will determine the prices at which the stockholder’s shares will be sold. Although we will incur expenses in connection with the registration of the shares of common stock offered under this prospectus, we will not receive any proceeds from the sale of the shares of common stock by the selling stockholders.

Our common stock is quoted on the OTCBB under the symbol “AMNL.” On January 26, 2010, the closing bid quotation of our common stock was \$0.67.

We may amend or supplement this prospectus from time to time by filing amendments or supplements as required. You should read this entire prospectus and any amendments or supplements carefully before you make your investment decision.

The shares of common stock offered under this prospectus involve a high degree of risk. See “Risk Factors” beginning at page 2.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is February __, 2010

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We have not authorized any person to give you any supplemental information or to make any representations for us. You should not rely upon any information about our company that is not contained in this prospectus. Information contained in this prospectus may become stale. You should not assume that the information contained in this prospectus or any prospectus supplement is accurate as of any date other than their respective dates, regardless of the time of delivery of this prospectus or of any sale of the shares. Our business, financial condition, results of operations and prospects may have changed since those dates.

The selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted.

Unless otherwise specified or the context otherwise requires, references in this prospectus to the “Company,” “we,” “us,” and “our” refer to Applied Minerals, Inc., a Delaware corporation, and its consolidated subsidiary.

PROSPECTUS SUMMARY

You should read this summary in conjunction with the more detailed information and financial statements in this prospectus. This summary does not contain all of the information you should consider before investing in our securities. You should read all of the information incorporated in this prospectus carefully, especially the risks of investing in our securities discussed under “Risk Factors” before making an investment decision.

The offering of common stock is being made by certain persons who hold or may acquire common stock of the Company. The Company will not receive any proceeds from the sale of the Common Stock by the selling shareholders. The Company will, however, receive proceeds in the amount of \$5,325,544 assuming the exercise of all options and a warrant to purchase common stock held by the selling shareholders, subject to the outstanding warrants to purchase Common Stock of the Company are exercised using a cashless method.

The Company was initially incorporated as Atlas Mining Company in the state of Idaho on March 4, 1924. The Company reincorporated in the state of Delaware on November 3, 2009, changing its name to Applied Minerals, Inc.

We formerly operated a contract mining business and were engaged in the development of our resource property, the Dragon Mine, located in the state of Utah. Historically our primary source of revenue was 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, located in Juab, Utah.

The Company was founded in 1924 as a mining company to exploit the Atlas Mine in Mullan, Idaho. Operations at the Atlas Mine were suspended in the early 1980s and have not been resumed. The Company became active again in 1997. Until December 31, 2008, it engaged in two businesses: contract mining and exploration of the Dragon Mine, which has a deposit of halloysite material in Juab, Utah. The Company then terminated the contract mining business. The Company has never been a development or production-stage company with respect to the Dragon Mine and the Company does not have reserves. Sales of product from the Dragon Mine have been negligible.

In October, 2007, the Company published a press release concerning the Dragon Mine, announcing among other things, the suspension of operations at the mine, and thereafter the Company’s stock fell more than 50%. A securities law class action was filed and a formal investigation was initiated by the Securities and Exchange Commission. The Company has entered into an agreement to settle the class action for \$1,250,000 and is awaiting court approval. The Company has cooperated with the SEC investigation and has submitted an offer of settlement.

Since January, 2008, the board of directors and management has completely changed and the Company has entered into a management contract with Material Advisors LLC pursuant to which the CEO and Interim Chief Financial Officer serve as officers of the Company.

In 2008 and part of 2009, the Company’s activities were largely related to dealing with legacy problems (class action, SEC investigation, insurance issues) and fund raising to finance legal and accounting and other costs related to the legacy issues. In 2008, the Company hired a geologist to make an assessment of the Dragon Mine and the work is ongoing. Throughout 2009, the Company has taken additional steps to move the Company toward commercialization of the Dragon Mine.

The independent auditors’ report accompanying our December 31, 2008 financial statements contains an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. The financial statements included in the Quarterly Report on Form 10-Q for the nine months ended September 30, 2009 state that:

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 nine months ended September 30, 2009 and 2008, the Company sustained net losses before discontinued operations of \$4,636,439 and \$4,703,454, respectively, and has an accumulated deficit from exploration stage of \$4,636,439 at

September 30, 2009. These factors indicate that the Company may be unable to continue as a going concern.

Our principal executive offices are located 110 Greene Street – Ste 1101, New York, NY. Our telephone number is (208) 556-1181.

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RISK FACTORS

AN INVESTMENT IN OUR SECURITIES IS VERY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS, ALONG WITH THE OTHER MATTERS REFERRED TO IN THIS ANNUAL REPORT, BEFORE YOU DECIDE TO BUY OUR SECURITIES. IF YOU DECIDE TO BUY OUR SECURITIES, YOU SHOULD BE ABLE TO AFFORD A COMPLETE LOSS OF YOUR INVESTMENT.

As of the date of this prospectus, the Company has not commercialized the Dragon Mine and has not had other than minimal revenues from the sale of minerals from the Dragon Mine. Historically, we had to rely on cash flow generated both from its contract mining business and the sale of stock to fund its operations. The contract mining business was discontinued in December 2008. At the current time, the Company has obligations in excess of its liquid assets. If the Company is unable to fund its operations through the commercialization of the Dragon Mine, the sale of equity and/or debt or a combination of both, it may have to file bankruptcy. The Company is currently seeking additional financing though there is no assurance that it will be able to do so.

ABILITY TO CONTINUE TO OPERATE AS A GOING CONCERN

Through December 31, 2008, the Company had accumulated deficits of \$20,009,496. For the year ended December 31, 2008, the Company sustained net losses before discontinued operations of \$6,215,745. In the first three quarters of 2009, when it was in the exploration stage, it had additional losses and accumulated deficits of \$4,821,237. These factors, among others, 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 additional financing and to generate revenue and cash flow to meet its obligations on a timely basis. Management's plans in this regard are 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.

DISCONTINUATION OF CONTRACT MINING

As of December 31, 2008, our only source of revenues from operations, with minor exceptions, had been the Contract Mining business. The Contract Mining business was closed on December 31, 2008 and will not be restarted.

DRAGON MINE

Through October 2007, we were engaged in the commercialization of the Dragon Mine clay deposit, located in the state of Utah. Such activities were suspended in October 2007 when previous management determined that the lack of both a detailed resource analysis and an adequate mineral processing system would prevent a successful commercialization of the mine. In 2008, the Company engaged the services of an internationally recognized geological consulting firm to both conduct a detailed assessment of the Dragon Mine and develop an adequate processing system. At the time of the completion of this report, the work of the consulting firm was still ongoing. If the resource survey does not confirm the presence of a commercially viable mineral source at the Dragon Mine or if an adequate processing system cannot be developed, the Company's ability to achieve commercial success would be materially impaired. Marketing activities and development activities related to the Dragon Mine remained suspended after October, 2007 through 2008 and into 2009. Marketing activities were resumed in 2009, but no sales have been made as of the date of this prospectus and there is no assurance that sales will be made in the future.

WE HAVE EXPERIENCED CONTINUED, ANNUAL OPERATING LOSSES SINCE SEPTEMBER 1997.

We have experienced annual operating losses since our reactivation in September 1997. We cannot assure that our proposed projects and services, if fully developed, can be successfully marketed or that we will ever achieve significant revenues or profit margins.

THERE IS NO ASSURANCE THAT THE DRAGON MINE HAS COMMERCIALY VIABLE DEPOSITS OR "RESERVE".

We cannot provide any assurances that a commercially viable deposit exists at the Dragon Mine. The determination of the existence of a viable deposit will depend on appropriate and sufficient exploration work and the evaluation of legal, economic and environmental factors. If we fail to find a commercially viable deposit at the Dragon Mine, the prospects of our commercial success will be materially impaired.

WE HAVE NOT PROCESSED COMMERCIAL QUANTITIES OF HALLOYSITE CLAY

The halloysite clay at the Dragon Mine is mixed with many other minerals, including iron. Separation of the halloysite from the other minerals requires special processing. While we have entered into a memorandum of understanding with a toll processor and that toll processor has processed 20 tons satisfactorily, there is no assurance that a final agreement will be reached or that processing on a commercial scale will be successful.

WE HAVE RECORDED MINIMAL INCOME FOR OUR EXPLORATION/DEVELOPMENT ACTIVITIES, AND MAY DO SO IN THE FUTURE.

The Dragon Mine had produced minimal income from mining activities. Additionally, we as a company had not yet generated any profit. It is not clear whether we'll be able to commercially develop the Dragon Mine. If we do not commercialize the mine, our ability to continue our business operations may be jeopardized.

WE MAY NEED ADDITIONAL FINANCING TO FULLY IMPLEMENT OUR BUSINESS PLAN, AND IF WE FAIL TO OBTAIN ADDITIONAL FUNDING WE MAY NOT BE ABLE TO CONTINUE OUR OPERATIONS.

As of the date of the filing of this report, we will need to raise additional capital to establish commercially viable operations at the Dragon Mine and for other uses. We cannot assure you that we will be able to raise additional financing, including debt or equity financing as needed, or, if available, on terms favorable to us. Furthermore, debt financing, if available, will require payment of interest and may involve restrictive covenants that could impose limitations on our operating flexibility. Our failure to successfully obtain additional future funding may jeopardize our ability to continue our business and operations.

WE MAY NOT BE ABLE TO IMPLEMENT OR MAINTAIN FINANCIAL AND MANAGEMENT SYSTEMS.

As of December 31, 2008, we have failed to implement and maintain certain financial and management information systems, controls and procedures. If, in the future, we fail to implement and maintain financial and management information systems, controls and procedures, add internal capacity, facilities and third-party sourcing arrangements or attract, train, retain, motivate and manage effectively our employees, it could have a material adverse effect on our business, financial condition and results of operations. While we believe that our certain financial and management information systems, controls and procedures are now effective, there is no assurance that they will be effective in the future.

THERE IS COMPREHENSIVE FEDERAL, STATE AND LOCAL REGULATION OF THE EXPLORATION INDUSTRY THAT COULD HAVE A NEGATIVE IMPACT OUR MINING OPERATIONS.

Exploration operations are subject to federal, state and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment. Exploration operations are also subject to federal, state and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of exploration methods and equipment. We require various permits from government bodies for exploration operations to be conducted. We cannot assure you that such permits will be received. No assurance can be given that environmental standards imposed by federal, state or local authorities will not be changed or that any such changes would not have material adverse effects on our activities. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on our financial position. Additionally, we may be subject to liability for pollution or other environmental damages that we may elect not to insure against due to prohibitive premium costs and other reasons. Management is aware of the necessity of obtaining proper permits prior to conducting any exploration activity.

APPLICABILITY OF "PENNY STOCK RULES" TO BROKER-DEALER SALES OF OUR COMMON STOCK COULD HAVE A NEGATIVE EFFECT ON THE LIQUIDITY AND MARKET PRICE OF OUR COMMON STOCK.

Our common stock is quoted on the Over the Counter Bulletin Board and on the pink sheets. It is not quoted on any exchange or on NASDAQ, and no other exemptions currently apply. Therefore, the SEC "penny stock" rules govern the trading in our common stock. Before a broker-dealer can sell a penny stock, SEC rules require the firm to first approve the customer for the transaction and receive from the customer a written agreement to the transaction. The firm must furnish the customer a document describing the risks of investing in penny stocks. The firm must tell the customer the current market quotation, if any, for the penny stock and the compensation the firm and its broker will receive for the trade. Finally, the firm must send monthly account statements showing the market value of each penny stock held in the customer's account. Generally, brokers subject to the "penny stock" rules when effecting transactions in our securities may be less willing to comply with the "penny stock rules." This may make it more difficult for investors to dispose of our common stock.

SEC CEASE AND DESIST ORDER

On December 22, 2009, the Securities and Exchange Commission entered a cease and desist order against us. We consented to the order without admitting the facts recited in the SEC's order. The summary section in the Commission's order said that the proceeding arose from repeated registration violations, internal control deficiencies, and inaccurate and untimely financial filings. Specifically, from 2002 through late 2005, we improperly issued millions of shares of our common stock that purportedly had been registered with the Commission on Forms S-8 and/or SB-2. This misconduct allowed stock promoters and us to reap illicit profits by reselling our stock to investors who had been denied legally mandated disclosures. In late 2007, we announced our intention to restate our financial statements for the periods 2004 through 2006 when these improper stock issuances and other potential issues came to light. When we filed our restated financial statements in the Summer of 2009, we reported the correction of numerous errors in our past filings, including errors related to its improper S-8 and SB-2 stock issuances, and acknowledged longstanding material weaknesses in our internal controls, including the lack of effective oversight and monitoring of the financial reporting and accounting functions by past management.

The cease and desist order ordered us to cease and desist from committing or causing any violations and any future violations of Sections 5(a) and 5(c) of the Securities Act, and Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the

Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder.

The cease and desist order was entered pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934. Any violation of the order would expose us to the remedies available to the SEC, including accounting, disgorgement, monetary, and other remedies.

THE OFFERING

This prospectus relates to the sale of up to 23,407,964 shares of our common stock issued as compensation, issuable upon the exercise of options to purchase common stock, issuable upon the exercise of a warrant to purchase common stock and issuable upon the conversion of 10% PIK Convertible Notes due 2018 from time to time by certain of our stockholders, or persons who may become our stockholders upon the exercise of options or warrants issued by us or the conversion of our PIK Notes. We refer to these persons throughout this prospectus as the “selling stockholders.”

NOTE REGARDING FORWARD LOOKING STATEMENTS

This prospectus contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based on our current expectations, assumptions, estimates and 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.

HISTORY AND DEVELOPMENT OF THE COMPANY

Applied Minerals, Inc. was incorporated as Atlas Mining Company, an Idaho corporation, in 1924. The Company reincorporated in Delaware in 2009 under the name of Applied Minerals, Inc.

The Company was formed for the purpose of exploring and developing the Atlas Mine, a consolidation of several patented mining claims located in the Coeur d'Alene Mining District near Mullan, Idaho. The Company eventually became inactive as a result of low silver prices. In September 1997, the Company became active again. During the years ended December 31, 2008 and 2007, the Company provided shaft sinking, underground mine development and mine labor primarily to companies in the mining and civil engineering industries. Historically, the Company's contract mining operation have been its sole source of revenue and income

We operated a contract mining business under the trade name Atlas Fausett Contracting ("AFC"). AFC was engaged in exploration and mine development as well as preparatory work such as site evaluation, feasibility studies, trouble-shooting and consultation. AFC's projects included all types of underground mine development, rehabilitation and diamond drilling. At December 31, 2008, we discontinued our contract mining efforts due to economic conditions and the desire to concentrate our efforts on commercializing the halloysite clay deposit at the Dragon Mine. There are no plans to resume contract mining activities.

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 subcontracted 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 alongside the presence of monzanite, halloysite and kaolinite. Purer halloysite found at the mine has been identified alongside 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.

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As of the date of this prospectus, 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.

In 2009, the Company entered into a development agreement with Yuri M. Lvov, Ph.D., a professor of chemistry at Louisiana Tech 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 the Dragon Mine halloysite as part of an anti-corrosion paint application in addition to the development of other emerging applications.

Contract Mining

AFC was engaged in exploration and mine development as well as preparatory work such as site evaluation, feasibility studies, trouble-shooting and consultation. AFC's projects include all types of underground mine development, rehabilitation and diamond drilling. At December 31, 2008 we discontinued our contract mining efforts due to economic conditions and the desire to concentrate efforts on commercializing the halloysite clay deposit at the Dragon Mine. There are no plans to resume the contract mining business.

Dragon Mine

The Dragon Mine is located in the Tintic District of north central Utah. The property is 2 miles southwest the town of Eureka which, in turn, is approximately 75 miles southwest of Salt Lake City. The mine sits on approximately 230 acres.

From 1949 through 1976 Filtrol Corporation operated the Dragon Mine. To the best of our knowledge, Filtrol mined approximately 1.35 million tons of clay valued at approximately \$50 million for use as an input for a petroleum-cracking catalyst product. The mine was idle from 1977 until we leased it in 2001. We purchased the property for \$500,000 in 2005.

Until October 2007 we were focused on commercializing the Dragon Mine. Such activities were suspended by previous management in October 2007 due to, among other things, the lack of both a comprehensive resource survey of the Dragon Mine and an effective mineral processing system. In 2008, the Company retained an internationally recognized geological consulting firm to (i) conduct a geological review of the 230 acre Dragon Mine deposit and (ii) develop a system by which to process the potential mineral production of the mine. As of the date of the filing of this report, the Company has not received a final report regarding either a measurement of the mine's resource reserve or the development of a processing system. Prior to the suspension of operations at the mine in October 2007, we focused our marketing efforts primarily on the introduction of the Dragon Mine's clay resource to the controlled-release application and polymer filler markets.

We do not have "reserves" as defined in Guide 7 ("Description of Property by Issuers Engaged or To Be Engaged in Significant Mining Operations"), either proven or probable. A reserve is defined as that part of a mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination. A proven reserve is a reserve for which (a) quantity is computed from dimensions revealed in drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established. A probable reserve is one for which quantity and grade and/or quality are computed from information similar to that used for proven (measure) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

The geological consulting firm hired by the Company will ultimately produce a detailed resource survey of the Dragon Mine that will provide the Company with volume figures for certain minerals present at the mine. Volumes, if any, for both halloysite and kaolinite will be provided. A reserve figure will be provided if the resource satisfies the definition of either proven or probable. The primary markets into which the Company hopes to sell its mineral resource are developing and, therefore, have little historical price data. This fact may prevent a reserve figure from being determined.

Our exploration expenses for the twelve months ending December 31, 2008 and 2007 and for the first nine months of 2009 were \$1,356,659, \$2,396,792, and \$855,776, respectively, on the halloysite clay project.

In December 2008 we entered into a Management Agreement with Material Advisors LLC ("Manager"), a management services company, to provide services including, but not limited to, the development of the Dragon Mine and the marketing of its halloysite clay deposit.

Processing

The resource at the Dragon Mine is a mixture of a number of minerals including, but not limited to, halloysite, kaolinite and alunite. During 2005 and 2006, the Company invested in the development of a processing plant at the site of the Dragon Mine that was designed to separate tubular halloysite from non-halloysite material. The plant utilized an air-based processing technique. This method was ultimately deemed inadequate for the mineralogy of the Dragon Mine resource.

We have entered a Memorandum of Understanding (“MOU”) with KaMin Performance Minerals LLC. The terms of the MOU represent the key understandings that both parties have relating to a joint business relationship. The MOU is intended to serve as the template for which a binding toll manufacturing contract is developed. Under the terms of the agreement, KaMin can commit to providing up to 26,500 short tons of annual capacity to produce Applied Minerals’ halloysite products utilizing a manufacturing method, which has been established and deemed effective for such production. KaMin can commit to additional volume or additional process steps, if needed, based on the market demand for Applied Minerals’ product. KaMin can also provide additional support in terms of logistics, warehousing and quality control. In addition to this arrangement with KaMin, we intend to process certain grades of product at their existing plant located at their Utah mine site.

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Governmental Regulation

Dragon Mine. Utah requires a permit to handle explosives, and we maintain such a license under the U.S. Bureau of Alcohol Tobacco and Firearms (ATF, USC18, Chapter 40). As of January 26 , 20 10 we had such a license. We have conducted, and may continue to conduct, exploration activities at the Dragon Mine. The Utah Department of Natural Resources sets the guidelines for Exploration, and other mineral related activities based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated 1953, as amended, and the General Rules and Rules of Practice and Procedures, R647-1 through R647-5. We have received the proper permit from them. We carry a Mine Safety and Health Administration (MSHA) license (#4202383) for this property and report as required to this agency.

Employees

As of January 26, 2010 , Atlas Mining and its subsidiaries had 12 employees. None of our employees were covered by a collective bargaining agreement, we have never experienced a work stoppage, and we considered our labor relations to be excellent.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has no exposure to fluctuations in interest rates, foreign currencies, or other market factors.

PROPERTIES

Principal Office

The property consists of two office spaces, one located in Osburn, Idaho and one located in New York, New York. As of the date of this filing, the primary corporate office was located at 110 Greene Street, Suite 1101, New York, New York, 10012.

Mining Properties

We have assets of real property, mineral leases and options. The following section describes our right, title, or claim to our properties and each property's location. This section also discusses our present plans for exploration of the properties.

Shoshone County, Idaho

We own approximately 900 acres of fee simple property and patented mining claims, and 260 acres of mineral rights and unpatented claims, located in the Coeur d'Alene mining district in Shoshone County, Idaho, commonly referred to as the Silver Valley of North Idaho. Our properties in Shoshone County are divided into five separate tracts. These sections are named for the mines located in that specific section. The section location and estimated acreage are as follows:

Section of the Coeur d' Alene Mining District	Estimated Acres
Atlas Mine	540 acres fee simple and patented 180 unpatented
Sierra Trapper Creek	80 acres patented
Aulback, Section 6 & 7	100 acres patented
Sierra Silver, Woodland Park & Nine Mile	60 acres patented

	80 acres mineral rights
L & N Claims	108 acres patented
Park Copper & Gold	99 acres patented

We have no information whether the properties can be commercially exploited and no information as to the amount or quality of the minerals on the properties. As of the date of this prospectus, we have no plans to exploit any of our mining properties except for the Dragon Mine.

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Juab County, Utah

The Dragon Mine property, located in Juab County, Utah near the City of Eureka (Tintic Mining District) has been principally exploited for halloysite clay. The property consists of 38 patented mining claims, approximately 230 acres, located in the following sections: T10S, R2W, sections 29, 30, 31, and T10S, R3W, Section 36, all relative to the Salt Lake Meridian. We leased the property in 2001 and on August 18, 2005, we purchased the property for approximately \$500,000 in cash.

From 1950 through 1977 the Dragon Mine was operated by Filtrol Corporation. To the best of our knowledge, the mineral mined at the property was used primarily as an input of a petroleum-cracking product. The property was idle from 1977 until 2001 when we entered into a lease on the property.

Previous owners' records indicate that over 1.35 million tons of clay mineral was mined at the property between 1950 and 1977. Those records also indicate approximately 300,000 tons of mineralized material remain on the property. The tonnage referred to above has not been geologically confirmed.

In July 2001, the Company began leasing the Dragon Mine from Conjecture Silver Mines, Inc. of Spokane, Washington. The Company initially paid 400,000 shares of common stock, valued at \$100,000, for a one-year lease. Under the terms of the lease agreement, the Company had the right to renew the lease annually in exchange for 100,000 additional shares of our common stock or the option to purchase the property for \$500,000. The Company issued 100,000 shares of stock for each year of the lease for the years 2002 through 2005 and exercised the right to purchase the mine on August 18, 2005 for \$500,000 cash.

At the Dragon Mine, the following minerals, among others, have been identified: halloysite, kaolinite, alunite, and iron.

The property is located approximately 2 miles southwest of Eureka, Utah and can be accessed via state highway and county road. The Union Pacific Railroad has a spur approximately 2 miles from the property. Electrical power is located approximately 1.5 miles from the site and there was no evidence of a water source on the property except in the mine shaft.

During 2005 and 2006 the Company invested in the development of a processing plant at the site of the Dragon Mine that was designed to separate tubular halloysite from non-halloysite material. The plant utilized an air-based processing technique.

All activity at the mine was suspended in October 2007 when previous management determined that the lack of both a detailed resource analysis and an adequate mineral processing system would prevent a successful commercialization of the mine.

In 2008, the Company engaged the services of an internationally recognized geological consulting firm to both conduct a detailed assessment of the Dragon Mine and develop an adequate processing system. At the time of the filing of this report, the work of the consulting firm was ongoing.

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

On January 19, 2010, the United States District Court for the District of Idaho approved the settlement of a class action filed on October 11, 2007 In Re Atlas Mining Company Securities Litigation (the "Class Action"). 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, were named as 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 and the complaint alleged 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 alleged 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.

A Settlement Agreement ("Class Action Settlement Agreement") provided that the Company would 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. 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").

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

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

We are a natural resources company principally engaged in the development of our resource property, the Dragon Mine, in the state of Utah.

Property Exploration

In August 2001, we acquired the Dragon Mine in Juab, Utah and began our clay exploration. Our exploration expenses for the year ending December 31, 2008 and 2007 were \$390,999 and \$1,449,526, respectively, on the halloysite clay project.

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.

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NaturalNano, Inc. (OTC: NNAN), in conjunction with Cascade Engineering and its 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.

In 2009, the Company entered into a development agreement with Yuri M. Lvov, Ph.D., a professor of chemistry at Louisiana Tech 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 the Dragon Mine halloysite as part of an anti-corrosion paint application in addition to the development of other emerging applications.

Management intends to continue to focus its efforts on the commercialization of the Dragon Mine. We do not intend to seek out and acquire other properties.

GOING CONCERN

The independent auditors' report accompanying our December 31, 2008 financial statements contains an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. The financial statements have been prepared "assuming that we will continue as a going concern," that contemplates that we will realize our assets and satisfy our liabilities and commitments in the ordinary course of business.

CRITICAL ACCOUNTING POLICIES

The following accounting policies have been identified by management as policies critical to the Company's financial reporting:

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Specific reserves are estimated by management based on certain assumptions and variables, including the customer's financial condition, age of the customer's receivables, and changes in payment histories. As of December 31, 2008 and 2007, no allowance for doubtful accounts was considered necessary. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Impairment of Assets

FASB ASC 360.205.840 establishes an accounting model for long-lived assets to be disposed of by sale, including discontinued operations. FASB ASC 360.205.840 requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. At December 31, 2008 and 2007, no impairments were recognized.

Mining Exploration and Development Costs

Land and mining property acquisitions are carried at cost. The Company expenses prospecting and mining exploration costs. At the point when a property is determined to have proven and probable reserves, subsequent development costs are capitalized. Capitalized development costs will include acquisition costs and property development costs. When properties are developed and operations commence, capitalized costs will be charged to operations using the units-of-production method over proven and probable reserves. Upon abandonment or sale of a mineral property, all capitalized costs relating to the specific property are written off in the period abandoned or sold and a gain or loss is recognized. We may never own a property with proven or probable reserves.

Provision for Income Taxes

Income taxes are calculated based upon the liability method of accounting in accordance with FASB ASC 740.958.830. In accordance with FASB ASC 740.958.830, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the "more likely than not" standard imposed by FASB ASC 740.958.830 to allow for recognition of such an asset.

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 our estimates. Actual results could differ from those estimates.

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Revenue Recognition

Revenue is recognized when earned. The Company's revenue recognition policies are in compliance with the Securities and Exchange Commission Staff Accounting Bulletin No. 101 and 104.

Revenue for Contract Mining services is recognized once a contract with a fixed and determinable fee has been established, the services have been rendered, and collection is reasonably assured.

Revenue for mined halloysite clay will be recognized upon shipment and customer acceptance once a contract with a fixed and determinable fee has been established and collection is reasonably assured or the resulting receivable is collectible.

Stock Options and Warrants

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 9 of the 2008 10-K/A filed on October 9, 2009. Prior to January 1, 2006, the Company applied APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations in accounting for awards made under the Company's stock-based compensation plans. Under this method, compensation expense was recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price.

During the periods presented in the accompanying financial statements, the Company has adopted the provisions of FASB ASC 505.718.815 using the modified-prospective transition method and the disclosures that follow are based on applying FASB ASC 505.718.815. Under this transition method compensation expense recognized during the three months ended March 31, 2007 included: (a) compensation expense for all share-based awards granted prior to, but not yet vested as of January 1, 2007, and (b) compensation expense for all share-based awards granted on or after January 1, 2007. Accordingly, compensation expense of \$427,432 and \$666,002 has been recognized for vesting of options to employees and directors in the accompanying statements of operations for the period ended December 31, 2008 and 2007, respectively.

RECENT ACCOUNTING PRONOUNCEMENTS

Management is evaluating the application of the following recent accounting pronouncements to our financial statements, including applicability and financial impact:

FASB ASC 820 provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, Fair Value Measurements, when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. FASB ASC 820 emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. FASB ASC 820 is effective for interim and annual reporting periods ending after June 15, 2009, and is applied prospectively. The Company does not believe that the implementation of this standard will have a material impact on its financial statements.

FASB ASC 825 and ASC 270.740 require disclosures about fair value of financial instruments for interim-reporting periods of publicly traded companies as well as in annual financial statements. FASB ASC 820 also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. FASB ASC 820 and ASC 270.740 are effective for interim and annual reporting periods ending after June 15, 2009. The Company does not believe that the implementation of this standard will have a

material impact on its financial statements.

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FASB ASC 320 and ASC 958 amend the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments in the financial statements. The most significant change FASB ASC 320 and ASC 958 bring is a revision to the amount of other-than-temporary loss of a debt security recorded in earnings. ASC 320 and ASC 958 are effective for interim and annual reporting periods ending after June 15, 2009. The Company does not believe that the implementation of this standard will have a material impact on its financial statements.

In November of 2008, the SEC released a proposed roadmap regarding the potential use by U.S. issuers of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS is a comprehensive series of accounting standards published by the International Accounting Standards Board ("IASB"). Under the proposed roadmap, the Company may be required in fiscal 2015 to prepare financial statements in accordance with IFRS. However, the SEC will make a determination in 2011 regarding the mandatory adoption of IFRS. The Company is currently assessing the impact that this potential change would have on its consolidated financial statements, and will continue to monitor the development of the potential implementation of IFRS.

In March 2009, FASB unanimously voted for the FASB "Accounting Standards Codification" (the "Codification") to be effective beginning on July 1, 2009. Other than resolving certain minor inconsistencies in current United States Generally Accepted Accounting Principles ("GAAP"), the Codification is not supposed to change GAAP, but is intended to make it easier to find and research GAAP applicable to particular transactions or specific accounting issues. The Codification is a new structure that takes accounting pronouncements and organizes them by approximately ninety accounting topics. Once approved, the Codification will be the single source of authoritative U.S. GAAP. All guidance included in the Codification will be considered authoritative at that time, even guidance that comes from what is currently deemed to be a non-authoritative section of a standard. Once the Codification becomes effective, all non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force ("EITF")), the American Institute of Certified Public Accountants ("AICPA"), and the SEC did not or are not believed by us to have a material impact on our present or future financial statements.

In December 2008, the Company adopted FASB ASC 815.440 and ASC 460. The adoption of this standard did not have an impact on the consolidated financial statements.

In December 2008, the Company adopted FASB ASC 860.405.460 and ASC 810.860 to require enhanced disclosures by public entities in understanding the extent of a transferor's continuing involvement with transferred financial assets and an enterprise's involvement with VIEs. The adoption of this standard did not have a material impact on the consolidated financial statements.

In December 2007, the FASB issued ASC 805, which provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed and any non-controlling interest in the acquiree. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company is currently evaluating the impact of this standard on the Company's consolidated financial statements that will become effective on December 31, 2009.

In April 2008, the FASB issued ASC 350.730, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The Company is currently evaluating the impact of this standard on the Company's consolidated financial statements that will become effective for the Company on December 31, 2009.

In June 2008, the FASB issued ASC 260, which concluded that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of basic earnings per share pursuant to the two-class method. FASB ASC 260 becomes effective on December 31, 2009. Early adoption of the FSP is not permitted; however, it will apply retrospectively to the Company's earnings per share as previously reported. The Company does not currently anticipate that FASB ASC 260 will have a material impact upon adoption.

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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 in December 2008 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 or gross profit for the three and nine months ended September 30, 2009 and 2008.

Total operating expenses for the three months ending September 30, 2009 were \$1,397,954 compared to \$1,224,753 for the same period ending 2008, an increase of \$173,201 or 14.1%. The increase was due primarily to a \$174,012, or 18.8%, increase in general and administrative expense.

Exploration costs during the quarter were flat versus the same period in 2008. The majority of our exploration expenses during both quarters were related to work conducted by a 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 to a class action lawsuit, the implementation of certain corporate governance infrastructure, costs related to the restatement of certain of our SEC filings, and fees paid to Material Advisors, a management consulting firm engaged in January 2009 to operate the Company’s business.

Net loss from continuing operations for the three-month period ending September 30, 2009 was \$1,470,895 compared to \$1,603,034 for the comparable period in September 2008, a decrease of \$132,139 or 8.2%. The decrease in loss in continuing operations was due primarily to a \$441,804 decline in fees and expenses related to a special investigation that ended in August 2008 and the recognition of \$193,913 of net proceeds related to the resolution of a class action lawsuit brought against the Company. The decline was partially offset by a \$174,012 increase in general and administrative expense, a \$116,338 increase in interest expense related to certain convertible notes issued between December 2008 and July 2009 and a \$140,000 increase in the revaluation of stock awards to previous management.

Net income from discontinued operations for the three months ended September 30, 2009 was \$4,830 compared to a net loss of \$109,289 for the comparable period in 2008. The \$114,119 increase was primarily due both to the absence of operational losses experienced during the comparable period in 2008 related to the Company’s contract mining operation that was discontinued in December 2008 and income related to an insurance refund recognized during the three months ended September 30, 2009.

Total operating expenses for the nine-month period ending September 30, 2009 were \$4,352,596 compared to \$3,047,890 for the same period ending 2008, an increase of \$1,304,706 or 42.8%. The increase was due primarily to a \$1,157,396 or 49.5%, increase in general and administrative expense, partially offset by a \$212,690, or 19.9%, decline in exploration costs.

The decrease in exploration and development costs during the quarter was driven primarily by a decline in underground exploration activity partially offset by the incurrence of expenses related to work conducted by a 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, costs related to the restatement of certain of our SEC filings and fees paid to Material Advisors LLC, a management consulting firm engaged in January 2009 to operate the Company’s business.

Net loss from continuing operations for the nine months September 30, 2009 was \$4,636,439 compared to \$4,703,454 for the comparable period in September 2008, a decrease of approximately \$67,015 or 1.4%. The decrease was due primarily to a \$212,690 reduction in exploration costs, a \$1,436,605 decrease in special investigation fees and expenses, and the recognition of \$193,913 of net proceeds related to the resolution of a class action lawsuit brought against the Company.

These benefits were partially offset by a \$1,157,396 increase in general and administrative expense, a \$224,170 increase in interest expense, a \$10,889 loss related to the impairment of certain assets, and a \$262,500 loss on the revaluation of stock awards provided to previous management versus \$115,500 gain recognized during the comparable period in 2008.

The decrease in exploration costs for the nine months ended September 30, 2009 versus the comparable period in 2008 was due primarily to decline in underground exploration activity, partially offset by expenses related to the engagement of a geological consulting firm engaged by the Company to both produce a resource survey of the Dragon Mine and develop a mineral processing system.

The decline in special investigation fees for the nine months ended September 30, 2009 versus the comparable period in 2008 resulted from the conclusion of the investigation in August 2008. 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 recognition of \$193,913 of net proceeds from a legal settlement is related to the resolution of a class action lawsuit brought against the Company. Details of the settlement were disclosed via a Form 8-K filed with the SEC on July 9, 2009.

The increase in general and administrative expense for the nine months ended September 30, 2009 versus the comparable period in 2008 was driven primarily by the incurrence of legal expenses related to a class action lawsuit, the implementation of certain corporate governance infrastructure, and fees paid to Material Advisors, a management consulting firm engaged in January 2009 to operate the Company's business.

The increase in interest expense for the nine months ended September 30, 2009 versus the comparable period in 2008 was related to the issuance of \$4,050,000 face value of 10% PIK Convertible Notes due 2018 between December 2008 and July 2009. The notes are convertible into the common shares of the Company at prices ranging between \$0.35 and \$0.65 per share.

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.

Net loss from discontinued operations for the nine months ended September 30, 2009 was \$184,798 compared to net income of \$684,156 for the comparable period in 2008. The \$868,954 decline in net income was due primarily to the absence of any income from the Company's contract mining operation discontinued in December 2008.

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 nine months ended September 30, 2009 and 2008, the Company sustained net losses before discontinued operations of \$4,636,439 and \$4,703,454. 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 \$3,150,743 during the nine months ended September 30, 2009 versus \$2,268,863 used during the comparable period in 2008. The \$881,880 increase in cash used during the period was due primarily to an increase in net loss of \$801,877 and a reduction in depreciation expense, partially offset by an increase in cash generated through working capital.

Cash used by investing activities during the nine months ended September 30, 2009 was \$14,775 versus \$ 0 during the comparable period in 2008. During the nine months ended September 2009, the Company used \$14,775 to purchase new equipment related to the exploration of its Dragon Mine. During the comparable period in 2008, all equipment related purchases and dispositions were related to discontinued operations.

Cash generated by financing activities was \$2,916,609 during the nine months ended September 30, 2009 versus \$2,245,070 during the comparable period in 2008. The \$671,539 difference was due primarily to a \$650,000 increase capital raised through the sale of equity-related securities during the period.

Net cash generated from discontinued operations during the nine months ended September 30, 2009 was \$483,123 versus \$383,917 in the comparable period of 2008. The \$99,206 difference was due primarily to proceeds generated through the sale of certain equipment of the discontinued contract mining operation.

At September 30, 2009, the Company had, as part of its long-term liabilities, \$4,141,874 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.

ISSUANCE OF CONVERTIBLE DEBT

On December 30, 2008, the Company sold \$1,000,000 of 10% Convertible Notes (“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.

On April 7 and April 8, 2009, the Company sold, in aggregate, \$1,500,000 of 10% Convertible Notes (“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 1, 2009, the Company sold \$1,350,000 of 10% Convertible Notes (“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.

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 (“Notes”) at a conversion price of \$0.65 per share (“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.

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.

On October 26, 2009, the Company entered into an agreement to sell to accredited investors \$2,000,000 principal amount of Series 10% PIK-Election Convertible Notes due 2018 (the “Notes”) at a conversion price of \$1.00 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. The principal of 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 December 15, 2009.

On December 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.

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 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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OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements between us and any other entity that have, or are reasonable 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.

BOARD OF DIRECTORS

The following table provides the names, positions, ages and principal occupations of our directors.

Name and Position with The Company	Age	Director/Officer Since	Principal Occupation
Andre Zeitoun	36	Chief Executive Officer, President and Director since January 2009	President, Chief Executive Officer and Director of Company
John Levy	54	Non-Executive Chairman since August 2009 and Director since January 2008	CEO of Board Advisory
David A. Taft	53	Director since October 2008	President, IBS Capital LLC
Morris Weiss	50	Director since January 2008	Managing Director Investment Banking at MDB Capital Group
Evan D. Stone	38	Director since August 2009	Partner, Lee & Stone

Andre Zeitoun, Chief Executive Officer, President, Director. Mr. Zeitoun is manager of Material Advisors LLC (“Material Advisors”), which provides managerial services to the Company pursuant to a Management Agreement entered into as of January 1, 2009. Mr. Zeitoun was elected as a director and as CEO pursuant to the terms of the Management Agreement as described in “Related Party Transactions.”

Mr. Zeitoun was a Portfolio Manager at SAC Capital/CR Intrinsic Investors from March 2007 through December 2008. At SAC, he led a team of six professionals and managed a several hundred million dollar investment portfolio focused on companies that required a balance sheet recapitalization and/or operational turnaround. Many of these investments required Mr. Zeitoun to take an active role in the turnaround process. From 2003 to 2006, Mr. Zeitoun headed the Special Situations Group at RBC Dain Rauscher as a Senior Vice President and head of the division. He managed all group matters related to sales, trading, research and the investment of the firm’s proprietary capital. From 1999 to 2003 Mr. Zeitoun was a Senior Vice President at Solomon Smith Barney. In this role, Mr. Zeitoun led a Special Situations sales trading research team serving middle market institutions. Mr. Zeitoun is a graduate of Canisius College.

John Levy, Non-Executive Chairman and Director . Since May 2005, Mr. Levy has served as the Chief Executive Officer of Board Advisory, a consulting firm that advises companies in the areas of corporate governance, corporate compliance, financial reporting and financial strategies. From November 2005 to March 2006, Mr. Levy served as Interim Chief Financial Officer of Universal Food & Beverage Company, which filed a voluntary petition under the provisions of Chapter 11 of the United States Bankruptcy Act on August 31, 2007. From November 1997 to May 2005, Mr. Levy served as Chief Financial Officer of MediaBay, Inc., a NASDAQ company and provider of spoken word audio content. While at MediaBay, he also served for a period as its Vice Chairman.

Mr. Levy is a director and Chairman of the Audit Committee of Take-Two Interactive Software, Inc., a publicly traded company that develops, markets, distributes and publishes interactive entertainment software games; Lead Director and Audit Committee Chairman of Gilman Ciocia, Inc, a financial planning and tax preparation firm; a director of PNG Ventures, Inc., which, through its subsidiaries, engages in the production and wholesale distribution of vehicle-quality liquid natural gas in the western United States serving airports, public transit, refuse, seaports, regional trucking, taxis, and government fleets markets; PNG filed a voluntary petition under the provisions of Chapter 11 of the United States Bankruptcy Act on September 10, 2009.

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Mr. Levy is a director and a member of the Audit Committee of Applied Energetics, Inc, which specializes in the development and application of high power lasers, high voltage electronics, advanced optical systems, and energy management systems technologies.

Mr. Levy is a Certified Public Accountant with nine years experience with the national public accounting firms of Ernst & Young, Laventhol & Horwath, and Grant Thornton. Mr. Levy has a B.S. degree in economics from the Wharton School of the University of Pennsylvania and received his M.B.A. from St. Joseph's University (PA).

David A. Taft, Director. Mr. Taft is the President of IBS Capital LLC, a private investment company based in Boston, Massachusetts which he founded in 1990. Prior to founding IBS Capital LLC , Mr. Taft spent ten years working in corporate finance with Drexel Burnham Lambert, Winthrop Financial and Merrill Lynch. Mr. Taft is a graduate of Amherst College and Amos Tuck School of Business Administration at Dartmouth College.

Morris D. Weiss, Director. During the pe