

ATLAS MINING CO  
Form 10QSB  
May 15, 2007

**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, 2007

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-31380

**ATLAS MINING COMPANY**

(Exact name of registrant as specified in its charter)

Idaho

(State or other jurisdiction of incorporation or organization)

82-0096527

(I.R.S. Employer Identification No.)

630 East Mullan Avenue, Osburn, Idaho  
(Address of principal executive offices)

83849  
(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  NO

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
YES  NO

The number of shares outstanding of each of the issuer's classes of common equity as of May 14, 2007 was as follows: 53,086,043 shares of Common Stock.

Transitional Small Business Disclosure Format: YES  NO

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**ATLAS MINING COMPANY**  
**FIRST QUARTER 2007 REPORT ON FORM 10-QSB**  
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**PART I. FINANCIAL INFORMATION****Item 1. Consolidated Financial Statements**

**Atlas Mining Company and Subsidiary**  
Consolidated Balance Sheets

**ASSETS**

	March 31, 2007 (unaudited)	December 31, 2006
<b>Current Assets</b>		
Cash	\$ 1,818,272	\$ 217,102
Accounts receivable (net of allowance of \$0)	1,223,565	887,494
Investments - available for sale	5,520	3,794
Advances	193	618
Mining supplies	-	2,000
Deposits and prepaids	185,585	170,731
<b>Total Current Assets</b>	<b>3,233,135</b>	<b>1,281,739</b>
<b>Property and Equipment</b>		
Land and tunnels	1,225,412	1,225,412
Land improvements	85,472	83,987
Buildings	367,879	291,214
Mining equipment	1,160,805	972,060
Milling equipment	785,284	586,979
Laboratory equipment	74,174	74,174
Office equipment	12,506	1,300
Vehicles	192,065	150,952
Less: Accumulated depreciation	(483,196)	(408,145)
<b>Total Property and Equipment</b>	<b>3,420,401</b>	<b>2,977,933</b>
<b>Other Assets</b>		
Long-term Note Receivable	20,000	50,209
<b>Total Other Assets</b>	<b>20,000</b>	<b>50,209</b>
<b>Total Assets</b>	<b>\$ 6,673,536</b>	<b>\$ 4,309,881</b>

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



**Atlas Mining Company and Subsidiary**  
Consolidated Balance Sheets

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	March 31, 2007 (unaudited)	December 31, 2006
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 448,404	\$ 359,527
Current portion of notes payable	173,058	229,304
Current portion of leases payable	50,886	49,537
<b>Total Current Liabilities</b>	<b>672,348</b>	<b>638,368</b>
<b>Long-Term Liabilities</b>		
Notes payable	494,295	432,786
Leases payable	50,886	62,776
Less: current portion of long-term debt	(223,944)	(278,841)
<b>Total Long-Term Liabilities</b>	<b>321,237</b>	<b>216,721</b>
Minority Interest	52,289	52,287
Commitments and Contingencies	-	-
<b>Stockholders' Equity</b>		
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, 53,080,451 and 51,275,539 shares issued and outstanding, respectively	17,549,186	15,209,933
Accumulated Deficit	(11,708,039)	(11,642,427)
Accumulated other comprehensive loss	(213,485)	(165,001)
<b>Total Stockholders' Equity</b>	<b>5,627,662</b>	<b>3,402,505</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 6,673,536</b>	<b>\$ 4,309,881</b>

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

<b>Atlas Mining Company</b>			
Consolidated Statements of Operations			
(Unaudited)			
For the Three Months Ended			
March 31,			
	2007		2006
<b>REVENUES:</b>			
- Contract Mining	\$ 2,002,270		\$ 334,710
- Mining Production	-		-
- Timber	-		-
Total Revenues	2,002,270		334,710
<b>COST OF SALES:</b>			
- Contract Mining	1,092,003		174,281
- Mining Production	-		-
- Timber	-		-
Total Cost of Sales	1,092,003		174,281
Gross Profit (Loss)	910,267		160,429
<b>OPERATING EXPENSES:</b>			
Exploration & development costs	481,868		610,767
Mining production costs	250,259		106,229
General & administrative	267,760		379,408
Total Operating Expenses	999,887		1,096,404
Net Operating Income (Loss)	(89,620)		(935,975)
<b>Other Income(Expense)</b>			
Interest income	30,859		11,501
Interest expense	(6,851)		(4,159)
Total Other Income(Expense)	24,008		7,342
Income (Loss) Before Income Taxes	(65,612)		(928,633)
Provision (Benefit) for Income Taxes	-		-
Net Income (Loss)	\$ (65,612)		\$ (928,633)
Net Income (Loss) Per Share	\$ NIL		\$ (0.02)
Weighted Average Shares Outstanding	52,911,456		48,907,448

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

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<b>Atlas Mining Company</b>			
Consolidated Statements of Other Comprehensive Loss			
(Unaudited)			
For the Three Months Ended			
March 31,			
	2007		2006
<b>Net Loss</b>	\$	(65,612)	\$ (928,633)
<b>Other Comprehensive Loss:</b>			
Change in Market Value of Investments		(48,484)	-
<b>Net Comprehensive Loss</b>	\$	(114,096)	\$ (928,633)
<b>Comprehensive Loss Per Share:</b>			
Basic	\$	NIL	\$ (0.02)
Diluted	\$	NIL	\$ (0.02)

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

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<b>Atlas Mining Company and Subsidiary</b>			
Consolidated Statements of Cash Flows			
(Unaudited)			
For the Three Months Ended			
March 31,			
	2007		2006
<b>Cash Flows from Operating Activities:</b>			
Net Income (Loss)	\$ (65,612)		\$ (928,603)
Adjustments to Reconcile Net Loss to Net Cash			
Provided by Operations:			
Depreciation	75,051		25,154
Stock issued for services	-		45,000
Valuation of Options and Warrants	188,395		16,850
Minority Interest	(2)		-
Change in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(336,071)		(171,078)
Mining supplies	2,000		-
Deposits and prepaids	(14,854)		5,872
Increase (Decrease) in:			
Accounts payable and accrued expenses	88,877		103,892
Net Cash Provided (Used) by Operating Activities	(62,216)		(902,913)
<b>Cash Flows from Investing Activities:</b>			
Purchases of equipment	(517,519)		(210,370)
Issuance of notes receivable	(20,000)		-
Payments for advances	425		49
Net Cash Provided (Used) by Investing Activities	(537,094)		(210,321)
<b>Cash Flows from Financing Activities:</b>			
Payments on notes payable	(102,873)		(9,978)
Payments on leases payable	(11,890)		(7,127)
Proceeds from leases payable	-		100,363
Proceeds from notes payable	164,384		-
Proceeds from issuance of common stock	2,150,859		10,000
Net Cash Provided (Used) by Financing Activities	2,200,480		93,258
Increase (Decrease) in Cash	1,601,170		(1,019,976)
Cash and Cash Equivalents at Beginning of Period	217,102		2,215,929
Cash and Cash Equivalents at End of Period	\$ 1,818,272		\$ 1,195,953

## Cash Paid For:

Interest	\$	6,851	\$	4,159
Income Taxes	\$	-	\$	-

Supplemental Disclosure of Non-Cash Investing  
and Financing Activities:

Receipt of stock in payment of notes receivable	\$	50,209	\$	-
Stock issued for services	\$	-	\$	45,000

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

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**Atlas Mining Company and Subsidiary**  
Notes to the Consolidated Financial Statements  
March 31, 2007

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Organization

Atlas Mining Company, (“the Company”) was incorporated in the state of Idaho on March 4, 1924. The Company was formed for the purpose of exploring and developing the Atlas mine, a consolidation of several patented mining claims located in 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 and purchased substantially all of the operating equipment and mining supplies from Fausett International, Inc., a related party. The purchase price totaled \$1,416,099, which consisted of \$50,000 cash, 875,000 shares of the Company’s common stock valued at \$350,000 and a note payable of \$1,016,094. After the purchase, the Company commenced contracting operations through the trade name, Atlas Fausett Contracting. Through Atlas Fausett Contracting, the Company provides shaft sinking, underground mine development and contracting primarily to companies in the mining and civil industries. The Company also pursues property acquisitions and resource development projects. In 2002, the Company settled out the debt to Fausett International and returned the majority of the unusable equipment; however the Company continues to pursue contracting activities.

In 1997 and 1998, the Company was to exchange 844,560 shares of its common stock for all of the outstanding shares of Sierra Silver Lead Mines, Inc. (Sierra), an Idaho corporation. As of March 31, 2007, 383,932 shares of the Company’s common stock had not been exchanged. The Company was unable to locate some of the shareholders of Sierra. Therefore, the Company agreed to transfer the stock to an Atlas Mining Company Trust account in trust for the unlocated shareholders of Sierra Silver. The acquisition of Sierra has been recorded as a purchase. The purchase price totaled \$276,157. All of the assets and liabilities of Sierra were transferred to the Company and Sierra ceased to exist.

In April 1999, the Company exchanged 741,816 shares of its common stock and paid cash of \$15,770 for all of the outstanding shares of Olympic Silver Resources, Inc. (Olympic), a Nevada corporation. Olympic holds the rights to the San Acacio Mine in Zacatecas, Mexico. The purchase price totaled \$228,566. The acquisition has been recorded as a purchase and all of the assets and liabilities were transferred to the Company. In 2001, the Company did not renew the rights to the property due to increased carrying costs.

In 1998 and 1999, the Company exchanged 71,238 shares of its common stock for 53% of the outstanding shares of Park Copper and Gold Mining, Ltd. (Park Copper), an Idaho corporation. The purchase price totaled \$72,825. The acquisition was recorded as a purchase.

**Atlas Mining Company and Subsidiary**  
Notes to the Consolidated Financial Statements  
March 31, 2007

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

In July 2001, Atlas Mining Company began leasing the Dragon Mine from Conjecture Silver Mines, Inc. in Spokane, Washington. Conjecture Mines has since been merged into Chester Mines, Inc. at the same location. We initially paid 400,000 shares of our common stock, valued at \$100,000, for a one-year lease. Under the terms of the lease agreement, we 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 if we had \$1,000,000 in sales from the mine in a 12-month period. We exercised the option to purchase the Dragon Mine on August 18, 2005 for \$500,000. The property consists of 38 patented mining claims on approximately 230 acres.

**b. Interim Financial Reporting**

The accompanying condensed financial statements of the Company have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. These condensed financial statements reflect all adjustments (consisting only of normal recurring adjustments) that, in the opinion of management, are necessary to present fairly the results of operations of the Company for the periods presented. These condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Form 10-KSB for the year ended December 31, 2006. The results of operations for the three months ended March 31, 2007, are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2007.

**c. Earnings (Loss) Per Share**

The computation of earnings (loss) per share of common stock is based on the weighted average number of shares outstanding at the date of the financial statements. The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the year plus the common stock equivalents which would arise from the exercise of stock options and warrants outstanding using the treasury stock method and the average market price per share during the year. Common stock equivalents at March 31, 2007 consisted of 3,773,333 in options. Common stock equivalents at March 31, 2006 consisted of 3,500,000 in options and 1,164,000 in warrants. Common stock equivalents at March 31, 2007 and 2006 were considered but were not included in the computation of loss per share at March 31, 2007 and 2006 because they would have been anti-dilutive.

**Atlas Mining Company and Subsidiary**  
Notes to the Consolidated Financial Statements  
March 31, 2007

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

	Net Loss (Numerator)	Shares (Denominator)	Per-Share Amount
For the quarter ended March 31, 2007:			
Basic EPS			
Net loss to common shareholders	\$ (65,612)	52,911,456	\$ NIL
For the quarter ended March 31, 2006:			
Basic EPS			
Net loss to common shareholders	\$ (928,603)	48,907,448	\$ (0.02)

**d. Available for Sale Investments**

The shares are evaluated quarterly using the specific identification method. Any unrealized holding gains or losses are reported as Other Comprehensive Income and as a separate component of stockholder's equity. Realized gains and losses are included in earnings. Marketable Securities-Available for Sale are as follows:

Balance, January 1, 2006	\$ 3,754
Marketable securities received	41,823
Net unrealized losses	(41,783)
Balance, January 1, 2007	\$ 3,794
Marketable securities received	50,209
Net unrealized losses	(48,483)
Balance, March 31, 2007	\$ 5,520

**e. 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	30 years
Mining equipment	2-8 years
Office and shop furniture and equipment	5-8 years
Vehicles	5 years



**Atlas Mining Company and Subsidiary**  
Notes to the Consolidated Financial Statements  
March 31, 2007

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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, 2007 and December 31, 2006, no impairments were recognized. Depreciation expense for the quarters ended March 31, 2007 and 2006 totaled \$75,051 and \$25,154, respectively.

f. 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 5. 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 SFAS No. 123R using the modified-prospective transition method and the disclosures that follow are based on applying SFAS No. 123R. 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 \$188,395 and \$0 has been recognized for vesting of options to employees and directors in the accompanying statements of operations for the period ended March 31, 2007 and 2006, respectively.

g. Concentration of Risk

The Company maintains cash balances in two checking accounts at two separate financial institutions. At March 31, 2007 and December 31, 2006, total cash balances were \$1,818,272 and \$217,102, respectively. Such funds exceed Federal Deposit Insurance Corporation limits, and amounts exceeding \$100,000 are not insured.



**Atlas Mining Company and Subsidiary**  
Notes to the Consolidated Financial Statements  
March 31, 2007

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Company receives 90% of contract service revenue from two customers. For the period ended March 31, 2007, customers who account for 10% or more of revenues are presented as follows:

Customers	% of Revenues
Customer A	77%
Customer B	23%

**NOTE 2 - NOTES PAYABLE**

Notes payable are detailed in the following schedules as of March 31, 2007 and December 31, 2006:

	March 31, 2007	December 31, 2006
Note payable to a company, due in monthly installments of \$2,135 including interest at 9.75%. The note matures in March 2008 and is collateralized by equipment	\$ 26,233	\$ 31,905
Note payable to a company, due in monthly installments of \$1,605, including interest at 5.41%. The note matures in May 2009 and is collateralized by equipment.	40,718	44,944
Note payable to a company, due in monthly installments of \$676, including interest at 1.35%. The note matures in June 2008 and is collateralized by equipment.	10,073	12,096
Note payable to a company, due in monthly installments of \$13,000, including interest at 10%. The note matures in February 2007 and is collateralized by equipment.	-	16,716
Note payable to a company, due in annual installments of \$15,573, including interest at 5%. The note matures in August 2001 and is collateralized by equipment.	61,225	61,225
Note payable to a company, due in monthly installments of \$7,500, including interest at 25.9%. The note matures in January 2007 and is collateralized with equipment.	21,564	48,250
Note payable to a company, due in monthly installments of \$479, including interest at 0%. The note matures in December 2008 and is collateralized with equipment.	14,383	15,822
	22,146	23,697

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Note payable to a company, due in monthly installments of \$688, including interest at 7.59%. The note matures in March 2010 and is collateralized by a vehicle.

Note payable to a private party, due in annual installments of between \$15,000 to \$54,000. The note matures in April 2009 and is collateralized with mineral rights.

100,677 100,677

Note payable to a company, due in monthly installments of \$3,518, including interest at 22.66%. The note matures in February 2012 and is collateralized with equipment.

124,526 0

Note payable to a company, due in monthly installments of \$1,075, including interest at 0%. The note matures in March 2010 and is collateralized by a vehicle.

38,713 0

Note payable to an insurance company, due in monthly installments of \$12,767. The note matures in July 2007.

35,115 77,454

Total Notes Payable

\$ 495,373 \$ 432,786

Less Current Portion

(173,058) (229,304)

Total Long Term Liabilities

\$ 322,315 \$ 203,482

**Atlas Mining Company and Subsidiary**  
Notes to the Consolidated Financial Statements  
March 31, 2007

**NOTE 2 - NOTES PAYABLE (continued)**

Future minimum principal payments on notes payable are as follows:	
2007	\$ 174,194
2008	145,848
2009	69,682
2010	47,301
2011	50,428
Thereafter	6,842
	Total \$ 494,295

**NOTE 3 - STOCK OPTIONS AND WARRANTS TO PURCHASE COMMON STOCK**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.

**Atlas Mining Company and Subsidiary**  
Notes to the Consolidated Financial Statements  
March 31, 2007

**NOTE 3 - STOCK OPTIONS AND WARRANTS TO PURCHASE COMMON STOCK (continued)**

The Company adopted an incentive stock option plan in 1998. The stock option plan permits the Company to grant to key employees options to 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, 2007, no options have been granted under this plan.

The Company is authorized to issue stock options under one existing stock option plan approved by stockholders. The fair value of each of the Company's stock option awards is estimated on the date of grant using a Black-Scholes option-pricing model that uses the assumptions noted in the table below. Expected volatility is based on an average of historical volatility of the company's stock. The risk-free interest rate for periods within the contractual life of the stock option award is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the award is granted with a maturity equal to the expected term of the award. The Company uses historical data to estimate forfeitures within its valuation model.

The expected term of awards granted is derived from historical experience under the Company's stock-based compensation plans and represents the period of time that awards granted are expected to be outstanding.

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 vested 43% on January 1, 2005, and 14% on January 1, 2006 -2009.

The significant weighted average assumptions relating to the valuation of the Company's CEO's Stock Options for the year ended December 31, 2006 were as follows:

	2006
Dividend Yield	0%
Expected Life	3 years
Expected Volatility	59%
Risk-Free Interest Rate	4.94%

During 2006, the Company's board of directors approved an option to the CEO of the Company's wholly owned subsidiary, Nano Clay and Technologies, Inc., to acquire up to one million shares of common stock over a two year period. The first 500,000 shares are exercisable at \$1.51 per share, and the remaining 500,000 shares are exercisable at 85% of the common stock price on given anniversary dates. These options were issued under the non-qualified stock option plan. The options vested 25% on July 14, 2006, and will continue to vest in 25% increments on January 14, 2007, July 14, 2007, and January 14, 2008.

**Atlas Mining Company and Subsidiary**  
Notes to the Consolidated Financial Statements  
March 31, 2007

**NOTE 3 - STOCK OPTIONS AND WARRANTS TO PURCHASE COMMON STOCK (continued)**

A summary of the status of the options granted under the Company's 1998 stock option plan and other agreements and changes for the quarter ended March 31, 2007 and the year ended December 31, 2006 are as follows:

	March 31, 2007		December 31, 2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	3,773,333	\$ 0.49	3,773,333	\$ 0.49
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at end of Period	3,773,333	\$ 0.49	3,773,333	\$ 0.49
Exercisable at end of Period	1,773,333	\$ 0.59	1,523,333	\$ 0.59

A summary of the status of the options outstanding at March 31, 2007 is presented below:

Options Outstanding			Options Exercisable		
Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 0.18	2,773,333	3.75 years	\$ 0.18	1,273,333	\$ 0.18
\$ 1.5911	1,000,000	1.50 years	\$ 1.59	500,000	\$ 1.59
	3,773,333			1,773,333	

The Company had 1,518,333 non-vested options at the beginning of the period with a weighted average grant date fair value of \$0.62. At March 31, 2007 the Company had 1,268,333 non-vested options with a weighted average grant date fair value of \$0.74.

Stock Warrants

During 2005, the Company granted warrants to purchase up to 1,174,000 of its common shares at between \$0.25 to \$0.50 per share expiring in January 2007 with a calculated weighted average fair value of \$0.44 each for services. 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 year ended December 31, 2005 include risk-free interest rates of 3.25%, expected dividend yields of 0%, expected life of 2 years, and expected volatility 76.36%.

**Atlas Mining Company and Subsidiary**  
Notes to the Consolidated Financial Statements  
March 31, 2007

**NOTE 3 - STOCK OPTIONS AND WARRANTS TO PURCHASE COMMON STOCK (continued)**Stock Warrants (continued)

Also during 2005, the Company granted warrants to purchase up to 474,000 of its common shares at \$0.50 per share, with 470,000 shares expiring in January 2007 and 4,000 shares expiring in February 2007, with a calculated weighted average fair value of \$0.27 each. The fair value of each option granted is estimated on the grant date using the Black-Scholes option pricing model. Assumptions used to compute the weighted-average grants during the year ended December 31, 2005 include risk-free interest rates of 4.22%, expected dividend yields of 0%, expected life of 2 years, and expected volatility ranging from 79.75% to 107.77%.

A summary of the status of the warrants granted at March 31, 2007 and December 31, 2006, and changes during the periods then ended is presented below:

	March 31, 2007		December 31, 2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	304,000	\$ 0.50	1,580,980	\$ 0.45
Granted	-	-	-	-
Exercised	(304,000)	0.50	(1,256,980)	0.38
Forfeited	-	-	-	-
Expired	-	-	(20,000)	0.50
Outstanding at end of Period	-	-	304,000	\$ 0.50
Exercisable at end of Period	-	-	304,000	\$ 0.50

At the period ended March 31, 2007, there were no stock warrants outstanding.

**NOTE 4 – STOCKHOLDERS’ EQUITY**

During the year ended December 31, 2006, the Company recognized the following transactions related to common stock:

1. 50,000 shares of restricted stock at \$0.90 per share were issued in payment for services.
2. 8,000 shares of restricted stock at \$1.25 per share were issued for payment on a note payable.
3. 40,500 shares of stock were issued to selected employees at \$1.40 per share as a year end stock bonus.
4. 726,667 shares of restricted stock were issued as a result of stock options being exercised at \$0.18 per share.
5. 1,256,980 shares of restricted stock were sold for cash through the exercise of warrants at a price ranging between \$0.25 to \$0.50 per share.
6. 340,500 shares of restricted stock were sold for cash at \$2.00 per share.



**Atlas Mining Company and Subsidiary**  
Notes to the Consolidated Financial Statements  
March 31, 2007

**NOTE 4 – STOCKHOLDERS' EQUITY (continued)**

During the quarter ended March 31, 2007 the Company sold a total of 304,000 shares of restricted common stock at a price ranging between \$0.25 to \$0.50 per share for a total of \$150,858 cash. The sale resulted from a redemption of an outstanding warrant.

Also during the quarter ended March 31, 2007, the Company sold a total of 1,481,482 shares of restricted stock at a price of \$1.35 per share for a total of \$2,000,001 cash. The sale resulted from the exercise of a stock subscription agreement. An additional 19,430 shares were sold for cash at \$.50 per share.

**NOTE 5 – SEGMENT REPORTING**

The Company's Chief Operating Decision-maker, as defined in SFAS No. 131, is considered to be Atlas's CEO. The Chief Operating Decision-maker reviews separate financial information for the contract mining business segment, the mining production business segment and the timber business segment. Each of the Company's business segments offer and distribute distinct services to different customer segments. The contract mining segment provides mining services and specialized civil construction services in various locations for mine operators, exploration companies and the construction and natural resources industries. Other activities include site evaluation, feasibility studies, trouble-shooting and consultation prior to the undertaking of exploration and mine development. The mining production segment is located at the Dragon Mine in Juab County, Utah which contains a deposit of high quality halloysite clay. The Company is in the process of extracting this clay to sell to outside parties. The Company holds property with harvestable timber in Northern Idaho. Timber harvesting is contracted out to a qualified logger, who is able to negotiate with local timber mills on the price for the timber. The Company primarily uses the timber to generate revenues and cash flows for other operations. The Company therefore considers that it has three reportable segments under SFAS 131 during 2006 to 2007 as follows: (i) contract mining, (ii) mining production, and (iii) timber.

The Chief Operating Decision-maker evaluates performance and allocates resources based on revenues produced from operations. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. It is the Company's policy that trade between the segments is entered into at an arms-length basis.



**Atlas Mining Company and Subsidiary**  
Notes to the Consolidated Financial Statements  
March 31, 2007

**NOTE 5 – SEGMENT REPORTING (continued)**

Segment Reporting	For the Period Ended	
	March 31,	
	2007	2006
<b>Contract Mining:</b>		
Net Revenue	\$ 2,002,270	\$ 334,710
Operating Expenses		
Cost of Sales	1,092,003	174,281
General & Administrative	112,240	172,168
Total Operating Expenses	1,204,243	346,449
Net Operating Profit (Loss)	\$ 798,027	\$ (11,739)
Capital Expenditures:	50,311	5,318
Depreciation:	30,133	3,124
Total Assets:	3,016,285	198,320
<b>Mining Production:</b>		
Net Revenue	\$ -	\$ -
Operating Expenses		
Cost of Sales	-	-
Mining Production Costs	250,259	106,229
Exploration & Development Costs	481,868	610,767
General & Administrative	112,241	172,169
Total Operating Expenses	844,368	889,165
Net Operating (Loss)	\$ (844,368)	\$ (889,165)
Capital Expenditures:	467,208	250,052
Depreciation:	44,918	22,030
Total Assets:	3,251,841	2,796,210
<b>Timber:</b>		
Net Revenue	\$ -	\$ -
Operating Expenses		
Cost of Sales	-	-
General & Administrative	42,359	35,071
	42,359	35,071
Net Operating (Loss)	\$ (42,359)	\$ (55,094)
Capital Expenditures:	-	-
Depreciation:	-	-
Total Assets:	405,410	405,410



**Atlas Mining Company and Subsidiary**  
Notes to the Consolidated Financial Statements  
March 31, 2007

**NOTE 5 – SEGMENT REPORTING (continued)****Consolidated on Financial Statements:**

	For the Period Ended	
	March 31,	
	2007	2006
Total Revenues	\$ 2,002,270	\$ 334,710
Operating Expenses		
Total Cost of Sales	1,092,003	174,281
Exploration & development costs	481,868	610,767
Mining production costs	250,259	106,229
Total General & Administrative	266,840	379,408
Total Operating Expenses	2,091,430	1,270,670
Net Operating (Loss)	\$ (89,160)	\$ (928,603)
Capital Expenditures:	517,519	210,370
Depreciation:	75,051	25,154
Total Assets	6,673,536	3,399,940

**NOTE 6 – SUBSEQUENT EVENTS**

In April 2007, one Park Copper shareholder exchanged his Park Copper stock for 1,000 shares of restricted Atlas stock.

In April 2007, the Company entered into an agreement with SNS Silver Corp to provide diamond drilling services on the surface of the customer's property located in Big Creek, Idaho. Management estimates that the contract will continue through June 2010 and is estimated to exceed \$3 million in gross revenues over the life of the contract.

## **Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN 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 and in New Foundland, Canada. 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 more than 99% 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, 2007 and 2006 were \$481,868 and \$610,767 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 and 2006 we completed diamond drilling programs to verify location of clay beds at the Dragon Mine. With that information we have been able to formulate development and mining plans. During 2005 we worked to develop and bring the Dragon Mine into the production stage.

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. In March 2006 we activated Nano Clay and Technologies, Inc., a wholly owned subsidiary, and hired Dr. Ron Price as its President and Chief Executive Officer, to pursue these activities.

Until the Dragon mine is producing in a profitable manner we are not aggressively trying to develop other properties. However it is our intent to look for other properties that can be acquired, developed and mined with minimal costs, and environmental problems.

We have a mining plan 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.

**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, 2007 were \$2,002,270 and \$334,710 for the same period ending March 31, 2006, or an increase of 498%. The difference was caused by the increase in contracting revenues of \$1,667,560 for this period compared to the previous year.

Gross profit (loss) for the three month period ending March 31, 2007 was \$910,267 compared to \$160,429 for the same period ending March 31, 2006, a difference of \$749,838. This was due to increased contracting revenues for the three month period ending March 31, 2007 over the same period ended March 31, 2006.

Total operating expenses for the three month period ending March 31, 2007 was \$999,427 compared to \$1,096,389 for the same period ending March 31, 2006 or a decrease of 9%. Although the company recognized less administrative costs and exploration and development costs in the period ended March 31, 2007 compared to the same period ended March 31, 2006, more mining production costs were incurred.

Our net profit (loss) for the three month period ending March 31, 2007 was \$(65,612) compared to \$(928,603) for the same period ending March 31, 2006, or a decrease of 93%. As previously mentioned, the company experienced significant increases in contracting revenues during the first quarter ended March 31, 2007 as compared to the same period ending March 31, 2006.

## 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. 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, 2007 and March 31, 2006 contract mining accounted for 100% of the revenue. Our current asset and debt structure is explained below.

Our total assets as of March 31, 2007 were \$6,673,536 compared to \$4,309,881 as of December 31, 2006, or an increase of \$2,363,655. For the three month period ended March 31, 2007 the company has increased its current assets by \$1,951,396, and its fixed assets by \$442,468 through acquisitions of additional equipment for mining and milling operations.

Total liabilities were \$1,045,874 as of March 31, 2007, compared to \$907,376 as of December 31, 2006. The following debts are still outstanding;

- We have a note payable to a leasing company for a piece of equipment with a \$26,233 balance with payments of \$2,135 per month at 9.75% interest and maturing in March 2008.
- We have a note payable to a leasing company for equipment with a \$40,718 balance with monthly installments of \$1,605 at 5.41% interest and maturing in May 2009.
- We have a note payable to a leasing company for the acquisition of equipment with a \$10,073 balance and monthly payments of \$676 at 1.35% interest, maturing in June 2008.
- We have a note payable to a leasing company for the acquisition of equipment with a \$61,225 balance and monthly payments of \$15,573 at 5% interest and maturing in August 11.
- We have a note payable to a lending company for the acquisition of equipment with a \$14,383 balance and monthly payments of \$479 at 0% interest and maturing in December 2008.
- We have a note payable to a lending company for the acquisition of equipment with a \$22,146 balance and monthly payments of \$688 at 7.59% interest and maturing in March 2010.
- We have a note payable to a private party with a \$100,677 balance due in annual installments of between \$15,000 to \$54,000 with an interest rate of 0%. The note matures in April 2009.

- We have a note payable to a company with a \$124,526 balance due in monthly installments of \$3,518 at 22.66% interest and maturing in February 2012.
- We have a note payable to a company with a \$38,713 balance due in monthly installments of \$1,075 at 0% interest and maturing in March 2010.
- We have a note payable to an insurance company with a \$35,115 balance due in monthly installments of \$12,767 at 8.85% interest and maturing in July 2007.

Accounts payable and accrued expenses due as of March 31, 2007 were \$448,404 and are the result of daily operations and accrued taxes. We also carry a liability of \$52,289 to the minority interest in a subsidiary.

If we do not reduce our debts, we would be obligated to pay an average of \$60,386 per month or \$672,348 for the next fiscal year.

Our principal sources of cash flow during the first quarter 2007 was from contracting activities which provided an average of \$667,423 per month for the three month period ended March 31, 2007, and averaged \$111,570 per month for the same period in 2006. 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, 2007 was \$2,200,480 compared to \$93,258 for the same period in 2006, a difference of \$2,107,222. The major factor for the difference was receipt of proceeds from issuance of common stock in 2007.

The Company used \$537,094 from investing activities for the three month period ended March 31, 2007, compared to using \$210,321 in the same period in 2006, a difference of \$326,773. This was attributed to purchases of more equipment in the period ended March 31, 2007 compared to the same period in 2006.

Cash flow used by operating activities for the three month period ended March 31, 2007, was (\$62,216) compared to (\$902,913) for the same period in 2006, a difference of \$840,697. In the three month period in 2007 net losses was markedly lower than the same period in 2006.

### **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.**

The company has begun to implement changes in the procedures for recording accounting events to its financial program. The changes have been made as there has been an addition to the accounting staff and segregation of duties and reassignment of accounting functions has taken place. These changes in internal controls are viewed to have a positive impact to the disclosure controls present in the company and, thus, creating a stronger control environment. As of the Evaluation Date, there has not been any observation and/or documentation of any significant deficiencies or material weaknesses in such disclosure controls, nor any 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 3, 2007, the Company issued 40,000 shares of common stock to two accredited investors for \$20,000 for the redemption of outstanding warrants.

On January 9, 2007, the Company issued 1,481,482 shares of common stock to an accredited investor for \$2,000,001 for exercise of a subscription agreement.

Also on January 9, 2007, the Company issued 230,000 shares of common stock to two accredited investors for \$115,000 for the redemption of outstanding warrants.

On January 12, 2007, the Company issued 3,430 shares of common stock to an accredited investor for \$858 for the redemption of an outstanding warrant.

On January 29, 2007, the Company issued 30,570 shares of common stock to an accredited investor for \$15,000 for the redemption of an outstanding warrant. An additional 19,430 shares were issued for cash at \$.50.

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**

None

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

None

### **Item 5. Other Information**

None

### **Item 6. Exhibits**

(a) EXHIBITS

The following exhibits are included in this Report:

DESCRIPTION OF EXHIBITS

EXHIBIT  
NUMBER

- 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

**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 14, 2007

By: /s/ William Jacobson  
By: William Jacobson  
Chief Executive Officer, Chief  
Financial Officer