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UNITED STATES ANTIMONY CORP  
Form POS AM  
February 13, 2002

As filed with the Securities and Exchange Commission on February 13, 2002.

Registration No. 333-45508

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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POST-EFFECTIVE AMENDMENT NO. 1  
TO  
FORM SB-2  
REGISTRATION STATEMENT  
Under  
The Securities Act of 1933

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UNITED STATES ANTIMONY CORPORATION  
(Name of small business issuer in its charter)

|  |   |   |
|--|---|---|
| Montana  | 3339  | 81-0305822                                    |
| (State of jurisdiction of<br>incorporation or<br>organization) | (Primary Standard Industrial<br>Classification Code Number) | (I.R.S. Employer<br>Identification<br>Number) |

P.O. Box 643  
1250 Prospect Creek Road  
Thompson Falls, Montana 59873  
Telephone: (406) 827-3523  
(Address and telephone number of principal executive offices)

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John C. Lawrence  
President and Chairman  
United States Antimony Corporation  
P.O. Box 643  
1250 Prospect Creek Road  
Thompson Falls, Montana 59873  
Telephone (406) 827-3523  
(Name, address, and telephone  
number of agent for service)

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COPY TO

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APPROXIMATE DATE OF PROPOSED SALE TO THE PUBLIC: From time to time after the  
November 13, 2001 effective date of this Registration Statement.

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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 of 1933, 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.  \_\_\_\_\_

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered(1)                       | Amount to be Registered | Proposed Maximum Offering Price Per Share(2) | Proposed Registration Fee |
|---|-------------------------|--|---------------------------|
| Common Stock, par value \$.01 per share (as filed in the initial Form SB-2) | 1,000,000               | \$ 0.29125                                   | \$ 291,250                |
| Common Stock, par value \$.01 per share (as filed in Amendment No. 1)       | 5,348,604               | \$ 0.39000                                   | \$1,682,403               |
| Common Stock, par value \$.01 per share (as filed in Amendment No. 2)       | 5,744,641               | \$ 0.21000                                   | \$1,205,365               |
| Common Stock, par value \$.01 per share (as filed in Amendment No. 3)       | 6,268,065               | \$14.00000                                   | \$ 87,752,910             |

(1) This Registration Statement relates to the registration of 6,268,065 shares of common stock, \$.01 par value, which we are obligated to register on behalf of Selling Shareholders. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition and Liquidity" and "Selling Shareholders."

(2) This Registration Statement covers (i) 2,317,597 shares of common stock issuable upon conversion of debentures at \$0.29125 per share, and 1,682,403 additional shares issuable upon conversion if the market price is less than \$.29125 per share which we are required to register pursuant to a financing agreement with purchasers of our convertible debentures; (ii) 1,394,050 shares issuable upon exercise of related warrants at \$0.39 per share; (iii) 150,000 shares of common stock held by a Selling Shareholder; (iv) 240,343 shares issuable to the holders of debentures as penalties; and

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(v) 483,672 shares held by former holders of Series C preferred stock. Pursuant to Rule 457(c) under the Securities Act of 1933, the aggregate offering price of the common shares underlying the debentures and the warrants is computed on the basis of the average of the bid and asked price for our common stock in the over-the-counter market on November 5, 2001.

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The registrant hereby amends this registration statement on the 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 the date the Commission, acting pursuant to said Section 8(a), may determine.

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PROSPECTUS (Revised)

January 30, 2002

UNITED STATES ANTIMONY CORPORATION

6,268,065 Shares

Common Stock

We have registered the following shares for resale by Selling Shareholders. See "Selling Shareholders":

- \* 4,000,000 shares of common stock issuable at a price per share equal to the lower of \$.29125 or 75% of the market price upon conversion of our 10% convertible debentures issued and issuable to 5 of the selling shareholders;
- \* 240,343 liquidated damage shares of common stock issuable ratably to the holders of our 10% convertible debentures.
- \* 432,692 shares of common stock issuable at \$.39 per share upon exercise of warrants held by 5 of the selling shareholders;
- \* 961,358 shares of common stock issuable at \$.39 per share upon exercise of agent's warrants held by 3 of the selling shareholders;
- \* 150,000 shares of common stock held by 1 of the selling shareholders; and
- \* 483,672 shares of common stock held by 13 of the selling shareholders who converted their shares of our Series C Preferred Stock.

We will pay the expenses of registering these shares.

We will receive no part of the proceeds from any sale of the shares by the selling shareholders. See "Selling Shareholders."

The selling shareholders will receive the price per share available in the Over-The-Counter market. See "Determination of Offering Price."

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INVESTING IN THESE SHARES INVOLVES SIGNIFICANT RISKS.

SEE "RISK FACTORS" SECTION OF THIS PROSPECTUS BEGINNING ON PAGE 3.

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Our common stock is registered under Section 12(g) of the Securities Exchange Act of 1934 and trades are reported on the Over-The-Counter Electronic Bulletin Board (OTCBB) under the symbol "UAMY." The last reported sale price per share of our common stock by the OTCBB on January 28, 2002 was \$.25 per share.

THE SECURITIES AND EXCHANGE COMMISSION AND STATE SECURITIES REGULATORS  
HAVE NOT APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED  
IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION  
TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is January 30, 2002

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### PROSPECTUS SUMMARY

The following summary highlights material information contained in this prospectus. This summary does not contain all the information you should consider before investing in the securities. Before making an investment decision, you should read the entire prospectus carefully, including the "Risk Factors" section, the financial statements and the notes to the financial statements. Some of the statements made in this prospectus discuss future events and developments, including our future business strategy and our ability to generate revenue, income and cash flow. These forward-looking statements involve risks and uncertainties which could cause results to differ materially from those contemplated in these forward-looking statements.

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## THE COMPANY

Our principal business is the production of antimony products including antimony metal, antimony oxides and sodium antimonate. In the year ended December 31, 1999 and December 31, 2000, antimony product sales generated revenues of approximately \$4.7 million and \$5 million, respectively.

Our antimony mining properties, mill and metallurgical plant are located in Montana. Mining of antimony was suspended in 1983 because antimony can be purchased more economically from foreign sources. We acquired a 50% interest in United States Antimony, Mexico S.A. de C.V. ("USAMSA"), upon its incorporation in Mexico in April 1998. USAMSA intends to produce antimony metal and other products to be delivered to our Montana mill for processing. This Mexican company has not commenced operations and is expected to remain in developmental stages in the foreseeable future.

We have entered into a joint venture to mine, process and sell zeolite. This venture is in the developmental stage but is not expected to contribute materially to our operating revenue in the near future.

Our mailing address is P.O. Box 643 and our physical address is 1250 Prospect Creek Road, Thompson Falls, Montana 59873. Our telephone number is (406) 827-3523.

## THE OFFERING

Common Stock Offered  
For Resale:

6,268,065 shares, issuable to Selling Shareholders upon conversion of our 10% convertible debentures, exercise of related warrants; and, common stock held by 14 selling shareholders

Shares Outstanding  
Before the Offering(1) 19,329,564

Shares Outstanding  
After the Offering(2) 25,597,629

Recent Price: As of January 28, 2002, the closing price of our common stock reported on the Electronic Bulletin Board was \$.25.

Use of Proceeds: Working capital and general corporate purposes.(3)

Over-The-Counter  
Electronic Bulletin  
Board Symbol:

UAMY

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(1) As of September 30, 2001.

(2) Assumes all shares registered in this prospectus are sold. In such event, the registered shares will represent 24.49% of the total shares outstanding after the offering.

(3) We will receive no proceeds from the issuance of shares of common stock upon the conversion of the 10% convertible debentures. If exercised, we will receive proceeds from the sale of shares issuable upon the exercise of warrants by the Selling Shareholders. We will not receive proceeds from resale of our common stock by the Selling Shareholders.

RISK FACTORS

You should carefully consider the following risks and all of the other information set forth in this prospectus. Some of the following risks relate principally to our business. Other risks relate to our financial condition, the securities markets and ownership of our stock. The risks and uncertainties described below are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business.

If any of the following risks and uncertainties develop into actual events, our business, financial condition or results of operations could be harmed and the price of our stock could go down. This means you could lose all or part of your investment.

There are risks associated with forward-looking statements made by us and actual results may differ.

Some of the information in this Form SB-2 contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. You should read statements that contain these words carefully because they:

- \* discuss our future expectations;
- \* contain projections of our future results of operations or of our financial condition; and
- \* state other "forward-looking" information.

We believe it is important to communicate our expectations. However, there may be events in the future that we are not able to accurately predict or over which we have no control. The risk factors listed in this section, as well as any cautionary language in this prospectus, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You should be aware that the occurrence of the events described in these risk factors could have an adverse effect on our business, results of operations and financial condition.

RISKS RELATED TO THIS OFFERING

OUR SHARE PRICE MAY DECLINE BECAUSE OF THE ABILITY OF THE SELLING SHAREHOLDERS TO SELL SHARES OF OUR COMMON STOCK, RESULTING IN A LOSS OF VALUE TO OUR OTHER SHAREHOLDERS.

This prospectus covers 6,268,065 shares for sale by the Selling Shareholders. Sales of substantial amounts of our common stock by the Selling Shareholders, or the possibility of sales of up to one-third of the presently outstanding shares, could adversely affect the prevailing market price of our common stock and impede our ability to raise capital through the issuance of equity securities. Subject to applicable federal and state securities laws and contractual limitations, after converting their debentures and/or exercising their warrants to purchase shares of our common stock, the Selling Shareholders may sell any and all of the Shares. Trading volume in our stock on the OTC Bulletin Board has historically been light; and sale of blocks of common stock could depress the market price of our stock.

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BY SHORT-SELLING OUR STOCK, THE SELLING SHAREHOLDERS COULD DEPRESS THE MARKET PRICE OF OUR SHARES, ENABLING THE SELLING SHAREHOLDERS TO ACQUIRE MORE SHARES UPON EXERCISE OF DEBENTURE CONVERSION RIGHTS AND THEREBY INCREASING THE DILUTION OF THE OTHER SHAREHOLDERS' EQUITY IN THE COMPANY AND RESULTING IN A LOSS OF VALUE TO OUR OTHER SHAREHOLDERS.

A short-sale is the sale of a security that the seller does not own or that the seller owns but does not deliver. In order to deliver the security to the purchaser, the short-seller will borrow the security, typically from a broker-dealer or an institutional investor. The short-seller later closes out the position by returning the security to the lender, typically by purchasing equivalent securities on the open market. In general, short-selling is utilized to profit

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from an expected downward price movement, or to hedge the risk of a long position in the same security or in a related security.

Although short-selling serves useful market purposes, it also may be used as a tool for manipulation. One example is the "bear raid" where an equity security is sold short in an effort to drive down the price of the security by creating an imbalance of sell-side interest. Short-selling at successively lower prices may drive the market down and may accelerate a declining market by exhausting all remaining bids at one price level, causing successively lower prices to be established by long sellers. Further, short-selling can increase stock price volatility.

The Securities and Exchange Commission has adopted rules which regulate short-selling of securities listed on national securities exchanges. The National Association of Securities Dealers similarly regulates Nasdaq National Market Systems (NMS) securities. These rules do not apply to short sales of securities, like our common stock, which are traded in the over-the-counter market and quoted on the Electronic Bulletin Board.

Our debenture conversion price formula has no floor. Twenty percent (20%) of our presently outstanding shares and two-thirds of the shares registered by this prospectus are available to the Selling Shareholders at 75% of the market price. The lower the market price for our common stock, the greater the number of shares the Selling Shareholders can acquire upon conversion of the debentures into common stock. The Selling Shareholders could use a short-selling strategy to drive down the market price of our common stock and then exercise conversion rights to acquire more shares and dilute the other shareholders' interests in us.

OUR COMMON STOCK IS A "PENNY STOCK," AND COMPLIANCE WITH REQUIREMENTS FOR DEALING IN PENNY STOCKS MAY MAKE IT DIFFICULT FOR HOLDERS OF OUR COMMON STOCK TO RESELL THEIR SHARES.

The limited public market for our common stock, is in what is known as the over-the-counter market and, trading of our stock is quoted under the symbol "UAMY" on the Electronic Bulletin Board operated for the NASD. At least for the foreseeable future, our common stock will be deemed to be a "penny stock" as that term is defined in Rule 3a51-1 under the Securities Exchange Act of 1934. Rule 15g-2 under the Exchange Act requires broker/dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain from these inventors a manually signed and dated written acknowledgement of receipt of the document before effecting a transaction in a penny stock for the investor's account. Compliance with these requirements may make it more difficult for holders of our common stock

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to resell their shares to third parties or otherwise, which could have a material adverse effect on the liquidity and market price of our common stock (see "Description of Securities - Penny Stock Rules").

Penny stocks are stocks:

- \* with a price of less than \$5.00 per share unless traded on NASDAQ or a national securities exchange;

Penny stock are also stocks which are issued by companies with:

- \* net tangible assets of less than:
  - \*\* \$2.0 million (if the issuer has been in continuous operation for at least three years); or
  - \*\* \$5.0 million (if in continuous operation for less than three years); or
- \* average revenue of less than \$6.0 million for the last three years.

IT IS MORE DIFFICULT FOR OUR SHAREHOLDERS TO SELL THEIR SHARES BECAUSE WE ARE NOT, AND MAY NEVER BE, ELIGIBLE FOR NASDAQ OR ANY NATIONAL STOCK EXCHANGE.

We are not presently, and it is likely that for the foreseeable future we will not be, eligible for inclusion in NASDAQ or for listing on any United States national stock exchange. To be eligible to be included in NASDAQ, a

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company is required to have not less than \$4,000,000 in net tangible assets, a public float with a market value of not less than \$5,000,000, and a minimum bid of price of \$4.00 per share. At the present time, we are unable to state when, if ever, we will meet the Nasdaq application standards. Unless we are able to increase our net worth and market valuation substantially, either through the accumulation of surplus out of earned income or successful capital raising financing activities, we will never be able to meet the eligibility requirements of NASDAQ. As a result, it will more difficult for holders of our common stock to resell their shares to third parties or otherwise, which could have a material adverse effect on the liquidity and market price of our common stock.

THE CONVERSION OF CONVERTIBLE DEBENTURES AND WARRANTS WHICH COULD BE ISSUED IN THE FUTURE UNDER THE TERMS OF THE FINANCING AGREEMENT WOULD RESULT IN SUBSTANTIAL DILUTION OF OUR STOCK.

We entered into a financing agreement with Thomson Kernaghan & Co. Limited, as agent for some of the Selling Shareholders. As part of the agreement we issued and could issue additional 10% convertible debentures and warrants.

\* SUBSTANTIAL DILUTION. Substantial dilution of our stock will occur upon the conversion of the debentures and warrants which could be issued in the future under the terms of the agreement.

\* NO FLOOR ON THE CONVERSION PRICE. The conversion price of the debentures is the lower of the initial conversion price of \$.29125 per share or 75% of the average of the three lowest closing bid prices of our common stock during the twenty trading days preceding the conversion date; and there is no maximum number of shares issuable upon conversion of the debentures.

\* SELLING SHAREHOLDER MAY DEPRESS THE TRADING PRICE OF OUR STOCK. A



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debenture holder could partially convert to common stock, sell that stock in a manner which depresses the trading price, and then further convert a portion or all of the debenture at the lowered stock price, thereby increasing the number of common shares issuable upon conversion of each dollar of debenture and increasing the dilution of the outstanding shares of our common stock.

\* WE MAY BE REQUIRED TO ISSUE MORE SHARES THAN WE HAVE AUTHORIZED. If the price of our common stock declines below approximately \$0.075, we will have insufficient shares of authorized common stock available to enable conversion of all debentures which could be issued under the financing agreement. In that event, we would be in breach of our obligations to one or more debenture holders, who would then have the right to require immediate repayment of the unpaid principal balance of the debenture and accrued interest and could subject us to exposure to a claim for damages.

\* LIMITATION ON FUTURE TRANSACTIONS. The potential and/or actual dilution and agreement terms which prevent the following future transactions may harm our stock price and our ability to obtain additional financing, if needed.

The debenture agreement requires that so long as any of the principal of or interest on the debentures remain unpaid or unconverted, the Company shall not:

- \* merge or consolidate with any other entity;
- \* sell or otherwise dispose of a material portion of its assets (other than in the ordinary course of business);
- \* pay any dividend on its shares (including any dividend payable in common stock or other property);
- \* subdivide, split or otherwise increase the number of shares of common stock; or

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- \* issue any common stock or other equity securities, or any other stock, option, warrant, right or other instrument that is convertible into or exercisable or exchangeable for common stock or other equity securities, except for (a) securities of a subsidiary that are issued to the Company; and (b) securities sold and options granted to directors, officers and employees of the Company pursuant to bona fide employee benefit plans.

To date, we have issued Thomson Kernaghan & Co. Limited \$675,000 principal amount of debentures. The financing agreement requires Thomson Kernaghan & Co. Limited to purchase up to \$825,000 principal amount of additional debentures upon our request prior to the June 30, 2002 Maturity Date if specified conditions precedent are satisfied, including the condition that the closing bid price of the Company's stock must exceed \$0.50 per share. We have no plans to issue additional debentures to Thomson Kernaghan & Co. Limited.

RIGHTS TO ACQUIRE SHARES OF COMMON STOCK WILL RESULT IN DILUTION AND POSSIBLE LOSS OF VALUE TO OTHER HOLDERS OF COMMON STOCK.

Outstanding warrants could adversely affect the terms on which we can obtain additional financing, and the holders of these warrants can be expected to exercise these securities at a time when, in all likelihood, we would be able to obtain additional capital by offering shares of common stock on terms more

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favorable to us than those provided by the exercise of these warrants. Holders of the warrants will have the opportunity to profit from an increase in the market price of our common stock, with resulting dilution in the interests of the holders of our common stock. As of September 30, 2001, there were issued and outstanding the following warrants:

- warrants held by our directors, officers, employees and affiliates to purchase an aggregate of 454,963 shares of common stock with an exercise price ranging from \$.25 to \$.41 per share.
- warrants held by unaffiliated third parties to purchase an aggregate of 2,626,751 shares of common stock with an exercise price ranging from \$.25 to \$.55 per share.

During the fourth quarter of 2001, we issued additional warrants to unaffiliated third parties entitling them to purchase an aggregate of 825,000 shares of common stock at \$0.29 or \$0.30 per share.

IN THE EVENT OF A LIQUIDATION OF OUR BUSINESS, ANY RETURN OF YOUR INVESTMENT IN OUR SHARES WILL BE REDUCED BECAUSE IT IS JUNIOR AND SUBORDINATE TO OUR PRESENT AND FUTURE DEBT FINANCING.

Our corporate charter and bylaws do not contain any limitation on the amount of indebtedness, funded or otherwise, we might incur. Accordingly, we could become more highly leveraged, resulting in an increase in debt service that will harm our ability to pay dividends to our stockholders and result in an increased risk of default on our obligations. We expect to use indebtedness and leveraging to finance operations and future development of our business which increases the risk of any distribution to our stockholders.

UNEXPECTED FLUCTUATIONS IN OUR QUARTERLY OPERATING RESULTS MAY CAUSE OUR STOCK PRICE TO DECLINE AND RESULTING A LOSS IN THE VALUE OF YOUR INVESTMENT.

A large proportion of our costs, including our selling, general and administrative expenses, environmental reclamation costs, research and development costs, and production costs, do not vary directly in relation to sales. Thus, declines in revenue, even if small, could disproportionately affect our quarterly operating results, could cause the results to differ materially from expectations and could cause our stock price to decline.

BECAUSE WE DO NOT ANTICIPATE PAYING DIVIDENDS ON OUR COMMON STOCK IN THE FORESEEABLE FUTURE THE ONLY WAY YOU CAN REALIZE A RETURN ON AN INVESTMENT IN OUR STOCK IS FOR THE STOCK PRICE TO INCREASE.

Rather, we plan to retain earnings, if any, for the operation and expansion of business. Investment in our common stock is unsuitable for an investor seeking income.

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OUR LIABILITIES SUBSTANTIALLY EXCEED OUR ASSETS. IF WE WERE LIQUIDATED BEFORE OUR STOCKHOLDERS' DEFICIT IS ELIMINATED, OUR COMMON SHAREHOLDERS WOULD LOSE PART OR ALL OF THEIR INVESTMENT.

In the event of our dissolution, the proceeds (if any) realized from the liquidation of our assets will be distributed to our shareholders only after satisfaction of claims of our creditors and preferred shareholders. The ability of a purchaser of shares to recover all or any portion of the purchase price for the shares in that event will depend on the amount of funds realized and the claims to be satisfied those funds.

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WE MAY BE SUBJECT TO CIVIL LIABILITIES, INCLUDING FINES AND OTHER PENALTIES IMPOSED BY FEDERAL AND STATE SECURITY AGENCIES, FOR ISSUING SHARES OF STOCK WITHOUT A RESTRICTIVE LEGEND OR FOR SELLING UNREGISTERED SECURITIES WITHOUT AN AVAILABLE EXEMPTION.

During the first quarter of 2000, the Company issued 150,000 shares of common stock to Bluewater Partners, Inc. as compensation for fiscal advisory and consulting services. The stock certificate was issued without a restrictive legend. Management was subsequently informed by legal counsel that the certificate should have borne a restrictive legend. We undertook to retrieve the share certificate from Bluewater Partners, Inc.; however, we have been unsuccessful.

In addition, we have sold stock in transactions which may not qualify for exemption from the Securities Act registration requirements. The proceeds of these sales aggregate not more than \$66,800. As a result, we may be subject to civil liabilities, including liability to the purchasers to rescind the stock sales, as well as fines and penalties imposed by federal and state securities agencies. The likelihood of a claim and the ultimate outcome if a claim is asserted cannot be determined at this time. A rescission claim may be brought by a purchaser up to three years after the stock sale. In the event a claim is made, and the Company is unable to pay it may not be able to fund its present level of operations which may result in a reduction in the stock price and result in an adverse effect on new shareholders. The Company does not presently have cash available to rescind these stock sales.

### RISKS RELATED TO OUR FINANCIAL CONDITION

WE HAVE A NEGATIVE NET WORTH, HAVE INCURRED SIGNIFICANT LOSSES, AND EXPECT TO INCUR LOSSES IN THE FUTURE. THIS COULD DRIVE DOWN THE PRICE OF OUR STOCK.

We have not generated an operating profit for several years. Instead we have been able to continue operations by gross profit from our antimony operations, sales of common stock and borrowings from banks and others. As of September 30, 2001, we had stockholders' deficit of \$2,235,146 and we anticipate that we will continue to incur net losses for the foreseeable future unless and until we are able to establish profitable business operations. As of September 30, 2001, we had total current assets of \$219,707 and total current liabilities of \$1,619,143 or negative working capital of approximately \$1,399,436. If we fail to establish profitable operations and continue to incur losses, the price of our common stock could be expected to fall.

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WE RECEIVED AN OPINION FROM OUR AUDITORS AS OF MARCH 22, 2001 WHICH RAISES DOUBT ABOUT OUR ABILITY TO CONTINUE AFTER THAT DATE AS A GOING CONCERN.

Our audited financial statements for the year ended December 31, 2000, which are included in this prospectus, indicate that there was substantial doubt as of March 22, 2001 about our ability to continue as a going concern due to our need to generate cash from operations and obtain additional financing. In addition to the very real risk to our ability to successfully operate our business profitably, which our auditors have thus expressed, this type of "going concern" qualification in our auditor's report can have a negative effect on the price of our stock. If we fail to manage our growth in a manner that minimizes these strains on our resources it could disrupt our operations and ultimately prevent us from generating the revenues we expect.

WE ARE DELINQUENT OR IN ARREARS ON SIGNIFICANT CURRENT LIABILITIES; AND COLLECTION EFFORTS BY CREDITORS COULD JEOPARDIZE OUR VIABILITY AS A GOING

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CONCERN AND CLOSE DOWN OUR OPERATIONS.

As of September 30, 2001, we are delinquent on the payment of several current liabilities including payroll and property taxes in the amount of \$192,802, accounts payable in the amount of approximately \$441,000, judgments payable in the amount of \$45,763 and accrued interest payable in the amount of \$14,640. In the absence of payment arrangements, creditors for could individually or collectively demand immediate payment and jeopardize our ability to fund operations and correspondingly damage our business and adversely affect the investments of potential new shareholders. Creditors who are owed taxes have the power to seize our assets for payment of amounts past due and close down our operations, which would also damage our business and adversely affect the investments of potential new shareholders.

A MAJOR PORTION OF OUR BANK DEBT CONSISTS OF VARIABLE-RATE SHORT-TERM OBLIGATIONS, WHICH SUBJECTS US TO INTEREST RATE AND REFINANCING RISKS.

We currently obtain working capital through a factoring arrangement secured by accounts receivable and other collateral and through a line-of-credit and other short-term loans secured by plant, property and equipment.

Our working capital line-of-credit and short-term loans are variable-rate, short-term obligations, which expose us to interest rate and refinancing risks. Changes in interest rates could adversely affect our results of operations by increasing our borrowing costs and decreasing cash available to fund operations; and there is no assurance that we will be able to refinance our debt when it matures.

CAPITAL TO MEET OUR FUTURE NEEDS MAY BE UNAVAILABLE ON ACCEPTABLE TERMS, WHICH WOULD IMPAIR OUR PLANS TO REDUCE DEPENDENCE ON FOREIGN SOURCES OF ANTIMONY BY DEVELOPING ADDITIONAL METAL SUPPLIES, DEVELOP AND EXPAND OUR PRESENT OPERATIONS) AND TO EXPAND OUR PRODUCT LINES TO INCLUDE INDUSTRIAL MINERALS.

To fund future needs, we may seek to obtain additional capital from public or private financing transactions, as well as borrowing and other resources. However, we have virtually no authorized but unissued or unreserved shares of common stock available for issuance; and we therefore cannot meet our capital needs with equity funding unless and until our shareholders authorize additional common stock. If additional shares are authorized in the future, the issuance of equity or equity-related securities to raise additional cash could result in dilution to our stockholders. Further, additional debt funding may not be available on favorable terms, if at all.

OUR EXISTING DEBT IS SECURED BY PLEDGE OF SUBSTANTIALLY ALL OF OUR ASSETS. THEREFORE, A DEFAULT IN THE PAYMENT OF THE SECURED DEBT COULD RESULT IN A LOSS OF THE RELATED ASSET AND OUR ABILITY TO CONTINUE OPERATIONS.

As of September 30, 2001, our bank debt in the amount of \$437,759 is secured by a collateral pledge of substantially all of our mining equipment as well as our patented and unpatented mining claims in Sanders County, Montana. In the event we are unable to pay the bank debt as it matures, there is a risk the bank may foreclose its security interest and we would lose all or a portion of our equipment as well as our patented and unpatented mining claims.

TERMS OF 10% CONVERTIBLE DEBENTURES WHICH COULD BE ISSUED IN THE FUTURE WOULD IMPOSE RESTRICTIONS ON OUR FUTURE ACTIVITIES THAT MAY REQUIRE US TO DECLINE AN ADVANTAGEOUS FINANCING OR BUSINESS OPPORTUNITY.

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The debenture agreement requires that so long as any of the principal of or interest on the debentures remain unpaid or unconverted, the Company shall not (i) merge or consolidate with any other entity; (ii) sell or otherwise dispose of a material portion of its assets (other than in the ordinary course of business); (iii) pay any dividend on its shares (including any dividend payable in common stock or other property); (iv) subdivide, split or otherwise increase the number of shares of common stock; or (v) issue any common stock or other equity securities, or any other stock, option, warrant, right or other instrument that is convertible into or exercisable or exchangeable for common stock or other equity securities, except for (a) securities of a subsidiary that are issued to the Company; and (b) securities sold and options granted to directors, officers and employees of the Company pursuant to bona fide employee benefit plans; provided, however, that the Company may issue such securities enumerated in (v) above, with the prior written consent of the holders, which consent the holder agrees not to unreasonably withhold.

### RISKS RELATED TO OUR BUSINESS

DEATH OR DISABILITY OF JOHN C. LAWRENCE COULD ADVERSELY AFFECT THE MANAGEMENT OF OUR BUSINESS AND COULD RESULT IN ACCELERATION OF GUARANTEED INDEBTEDNESS.

Mr. Lawrence is our principal executive officer and is directly involved, on a day-to-day basis, in our marketing, production, research and development, and environmental reclamation activities. His death or incapacity could adversely affect our operations and future prospects. In addition, Mr. Lawrence personally guarantees our long-term bank debt and short-term lines-of-credit; and the death, incapacity or insolvency of Mr. Lawrence constitutes an event of default, which would entitle the lender to accelerate maturity of the debt.

WE ARE DEPENDENT ON FOREIGN SOURCES FOR RAW MATERIALS; AND THERE ARE RISKS OF INTERRUPTION IN PROCUREMENT FROM THESE SOURCES, VOLATILE CHANGES IN WORLD MARKET PRICES FOR THESE MATERIALS AS WELL AS CURRENCY FLUCTUATIONS THAT ARE NOT CONTROLLABLE BY US. UNAVAILABILITY OF ADEQUATE RAW MATERIAL OR INCREASE IN MATERIAL PRICES COULD IMPAIR OUR PRODUCTION, SALES OR MARGINS.

We obtain antimony metal, the raw material for our antimony products, primarily from China. Changes in antimony metal export policy by the Chinese government could impair availability of antimony metal and/or could increase antimony metal prices, which could result in curtailed production, decreased profits, operating result fluctuations or breach of contractual obligations to provide antimony products to our customers. In mid-2000, our principal supplier of Chinese antimony metal was unwilling to supply antimony metal at contract prices which were lower than rapidly rising world prices; and the supplier has indicated it may be unable to meet contractual volume commitments to supply antimony at any price. We have agreed to pay higher prices to assure a continued supply of metal which, absent agreement of our principal customers to accept corresponding price increases for our antimony products, could adversely affect sales and gross margins.

ANY PRODUCT RECALL OR PRODUCT RETURN COULD HARM OUR CUSTOMER RELATIONS, SALES AND PROFITABILITY.

Our antimony products are typically manufactured to meet individual customer specifications, including maximum tolerance levels for impurities, whiteness, color index, packaging requirements and bar coding. Failure to meet those specifications may result in product returns or recalls. Product recalls or returns may occur due to disputed labeling claims, manufacturing issues, quality defects or other reasons.

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UNINSURED LOSS, ACTS OF GOD COULD IMPAIR OUR PLANT, PROPERTY AND EQUIPMENT, AND OUR ABILITY TO PRODUCE AND SELL OUR PRINCIPAL PRODUCTS.

Our Thompson Falls, Montana processing facility is not insured against fire or catastrophic loss. In the event of a major earthquake, for example, our production plant could be rendered inoperable for protracted periods of time, which would adversely affect our earning and financial condition. Should an uninsured loss occur, we could lose significant revenues and financial opportunities in amounts which would not be compensated by insurance proceeds.

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IF WE ARE UNABLE TO COMPETE EFFECTIVELY WITH THE LARGER PRODUCERS WE WILL NOT BE ABLE TO GENERATE PROFITS.

Some of our competitors in the antimony industry have substantially more financial resources, marketing and development capabilities than we do. Unlike our larger competitors, we lack the capital to stock substantial amounts of raw material inventory and may be unable to supply product to our customers if raw material availability declines or prices increase substantially.

COMPLIANCE WITH GOVERNMENT REGULATIONS IS COSTLY AND WILL DEPRESS OUR EARNINGS.

We are subject to many and varied forms of government regulations, including environmental, occupational health and safety, and mine safety laws and regulations. For the year ended December 31, 2000, we have expended approximately \$113,000 to comply with environmental reclamation requirements imposed by federal and state regulators. Our cash flow and profitability will be reduced by the cost of complying with current and future laws, rules, regulations, and policies, and by liabilities arising out of any of our past and future conduct. See "Description of Business - Environmental Matters."

OUR CURRENT AND FORMER OPERATIONS EXPOSE US TO RISKS OF ENVIRONMENTAL LIABILITIES.

Our research, development, manufacturing and production processes may involve the controlled use of hazardous materials, and we may be subject to various environmental and occupational safety laws and regulations governing the use, manufacture, storage, handling, and disposal of hazardous materials and some waste products. The risk of accidental contamination or injury from hazardous materials cannot be completely eliminated. In the event of an accident, we could be held liable for any damages that result and any liability could exceed our financial resources. We also have three ongoing environmental reclamation and remediation projects, one at our current production facility in Montana and two at discontinued mining operations in Idaho. Adequate financial resources may not be available to ultimately finish the reclamation activities if changes in environmental laws and regulations occur; and these changes could adversely affect our cash flow and profitability. We do not have environmental liability insurance now; and we do not expect to be able to obtain insurance at a reasonable cost. If we incur liability for environmental damages while we are uninsured, it could have a harmful effect on us and our financial condition. The range of reasonably possible losses from our exposure to environmental liabilities in excess of amounts accrued to date can not be reasonably estimated at this time.

USE OF PROCEEDS

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We will not receive any of the proceeds from the sale of the shares of our common stock offered by the Selling Shareholders. The proceeds of sale of the debentures were used to discharge indebtedness in the approximate amount of \$1,500,000 and to purchase raw materials. The debt was owed to the Estate of Bobby C. Hamilton, and required minimum annual payments of principal and interest which totaled \$200,000 and consumed 4% of our gross revenues from sales. See "Management Discussion and Analysis - Financial Condition and Liquidity." The Series C preferred stock was issued in 1997 in payment of defaulted debentures previously issued from time to time for working capital purposes.

### DETERMINATION OF OFFERING PRICE

The shares issued upon conversion of debentures will be issued at the conversion price which is the lower of \$0.29125 per share or 75% of the average of the three lowest closing bid prices per share of the common stock as reported by Bloomberg L.P. in the 20 trading days preceding the conversion date. Shares will also be issued upon exercise of related warrants at \$0.39 per share. The conversion price and warrant exercise price were determined in arms-length negotiations between us and the purchaser of our debentures.

All of the outstanding debentures totaling \$675,000 in aggregate principal amount were converted to common stock in December 2001 at \$0.20 per share; and a total of 3,375,000 shares of our common stock were issued upon conversion of the principal amount of the debentures. In addition, the accrued interest on those debentures in the aggregate amount of \$91,849 was converted at \$0.20 per share into 459,245 shares of our common stock. These shares, however, are not registered for resale under this Prospectus.

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Upon resale of the shares by the Selling Shareholders, the price per share will be the market price available in the over-the-counter market of such other amount as may be negotiated between the Selling Stockholder and the purchaser.

### DILUTION

At the close of business on September 30, 2001, there were 19,329,564 outstanding shares of our \$0.01 par value common stock. The number of outstanding shares of common stock:

(i) includes 35,124 shares which holders of Series C preferred stock were entitled to receive upon conversion of their preferred stock into common stock. These shares were not issued at the time of conversion because our calculation of the number of conversion shares inadvertently omitted to account for the impact of anti-dilution provisions of the Series C preferred stock, which were triggered by our issuance of common stock for less than the Series C conversion price. These 35,132 shares are being issued to the pertinent stockholders retroactively to the date of conversion of their Series C preferred stock.

(ii) excludes approximately 67,000 shares of common stock representing an unreconciled discrepancy between our stock ledger and the transfer agent's records.

The Registration Rights Agreement with the purchasers of our outstanding convertible debentures and related warrants required us to register the 3,375,000 shares of our common stock issued upon conversion of the debentures plus 1,394,050 shares of our common stock issuable upon exercise of related warrants which are currently issued and outstanding and held by Selling

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Shareholders. The number of conversion shares we were required to register plus the number of warrant shares we will be required to issue, if all related warrants are exercised, is 4,769,050. We have also registered 483,672 shares held by the Series C Holders, 240,343 shares issued to the debenture holders as liquidated damages for the late registration, and 150,000 shares of common stock issued to one of the Seller Shareholders.

The following table sets forth the net tangible book value per share at September 30, 2001, and the net tangible book value per share assuming that 3,375,000 shares were issued at September 30, 2001 upon conversion of debentures at \$0.20 per share and 1,394,050 shares were issued upon exercise of the related warrants at \$0.39 per Share. Net tangible book value per share as of September 30, 2001 is calculated by dividing total tangible assets less total liabilities, or (\$2,235,146), by the number of shares outstanding, 19,329,564.

After giving effect to the issuance of 3,375,000 shares upon conversion of debentures and 1,394,050 shares upon exercise of the related warrants, our pro forma net tangible book value will increase to \$(1,016,466), or \$(0.042) per share, representing an immediate increase in pro forma net tangible book value of \$0.074 per share for existing shareholders.

|  |                    |
|--|--------------------|
| Net tangible book value at September 30, 2001  | \$(.116) per share |
| Net tangible book value after giving effect to issuance of 3,375,000 shares at \$0.20 per share and 1,394,050 shares at \$0.39 per Share | \$(.042) per share |
| Per share dilution to Selling Shareholders   | \$(.074) per share |
| Percent dilution to Selling Shareholders   | 63.79%             |

### SELLING SHAREHOLDERS

The following table sets forth information with respect to the Selling Shareholders as of September 30, 2001, updated to reflect conversion of convertible debentures into our common stock in December 2001 at \$0.20 per share. John C. Lawrence is our Chairman of the Board of Directors and Robert A. Rice is one of our directors. The

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other Selling Shareholders are not currently our affiliates, and have not had a material relationship with us during the past three years, other than as a holder of our securities and the negotiation of the financing agreement. The Selling Shareholders are not and have not been affiliated with a registered broker-dealer. However, Thomson Kernaghan & Co. Limited is licensed by the Province of Ontario, Canada as an investment dealer and broker. CALP II LP and Striker Capital, Ltd. are affiliates of Thomson Kernaghan & Co. Limited. Ian McKinnon is the father of Michelle McKinnon, both of whom were employees of Thomson Kernaghan & Co. Limited.

The table assumes:

- \* all debentures were converted at \$0.20 per share and all warrants are exercised at \$0.39 per share.
- \* all of the shares that may be offered by the Selling Shareholders actually are sold;



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\* the Selling Shareholders do not acquire beneficial ownership of any other shares or dispose of any shares other than in this offering; and

\* we do not issue or cancel any other shares.

| NAME OF<br>BENEFICIAL OWNER(1)         | NUMBER OF SHARES<br>BENEFICIALLY OWNED<br>BEFORE THE OFFERING | PERCENT OF<br>CLASS BEFORE<br>OFFERING(1) | NUMBER OF<br>SHARES THAT<br>MAY BE OFFERED |
|--|---|---|--|
| Abuck Investments Ltd.(2) (7)          | 1,847,104   | 9.46                                      | 1,847,104                                  |
| Archer Foundation                      | 32,684  | .17                                       | 6,536                                      |
| Caliber Resources Ltd.(3) (7)          | 1,397,322   | 7.17                                      | 1,397,322                                  |
| Claude H.C. Archer                     | 163,423   | .85                                       | 32,684                                     |
| CALP II LP and Striker Capital Ltd.(4) | 141,025   | 0.73                                      | 141,025                                    |
| Delta Funds(10)                        | 81,712  | .42                                       | 16,342                                     |
| H.R. Gurtsmith                         | 49,026  | .25                                       | 9,805                                      |
| Barbara Howley                         | 284,153   | 1.47                                      | 56,830                                     |
| George W. Moffitt Jr.(10)              | 49,027  | .25                                       | 9,805                                      |
| Ian McKinnon(5)                        | 384,543   | 1.95                                      | 384,543                                    |
| Ian McKinnon Family Trust(11)          | 59,972  | .31                                       | 59,972                                     |
| Michelle McKinnon(6)                   | 192,272   | 0.98                                      | 192,272                                    |
| Nancy Ann Moffitt                      | 98,053  | 0.51                                      | 19,610                                     |
| Nancy J. Moffitt                       | 65,369  | 0.34                                      | 13,073                                     |
| Sanders County Ledger                  | 28,510  | 0.15                                      | 5,702                                      |
| John C. Lawrence                       | 3,537,827   | 17.93                                     | 266,354                                    |
| JCL/Ham Pass Thru                      | 138,398   | 0.72                                      | 27,679                                     |
| Robert A. Rice                         | 217,762   | 1.13                                      | 12,715                                     |
| Sulico                                 | 32,684  | 0.17                                      | 6,536                                      |
| Rebecca McKinnon(9)                    | 119,941   | 0.62                                      | 119,941                                    |
| Thomson Kernaghan & Co. Limited(4) (7) | 150,000   | 0.78                                      | 150,000                                    |
| Ursa Capital/Holdings Ltd.(7) (8)      | 623,698   | 3.21                                      | 623,698                                    |
|  | -----   |   | -----                                      |
| Total                                  | 9,694,505   |   | 5,399,548                                  |

1. Shares of common stock subject to options or warrants currently exercisable or convertible, or exercisable or convertible within 60 days of September 30, 2001 are deemed outstanding for computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person. Percentages are based on a total of 19,329,564 shares of common stock outstanding before the offering and 25,597,629 shares outstanding after the offering.

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2. Rebecca McKinnon has authority to vote and dispose of the shares beneficially owned by Abuck Investments, Ltd. Mrs. McKinnon is the wife of Ian McKinnon and mother of Michelle McKinnon, each of whom disclaims any beneficial interest. Under the financing agreement, Abuck Investments Ltd. agreed not to have the right to convert any debenture or exercise any warrant if, after having given effect to the conversion or exercise, it would be deemed to beneficially own more than 9.9% of the then outstanding common stock. Includes 1,540,000 shares of common stock issued upon conversion of debentures, 197,436 shares of common stock issuable upon exercise of warrants, and 109,668 shares of common stock issued as liquidated damages for failure to have registration statement declared effective.

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3. Philip W. Johnston has authority to vote and dispose of the shares beneficially owned by Caliber Resources Ltd. Under the financing agreement, Caliber Resources Ltd. agreed not to have the right to convert any debenture or exercise any warrant if, after giving effect to the conversion or exercise, it would be deemed to beneficially own more than 9.9% of the then outstanding common stock. Includes 1,165,000 shares of common stock issued upon exercise of debentures, 149,359 shares of common stock issuable upon exercise of warrants, and 82,963 shares of common stock issued as liquidated damages for failure to have registration statement declared effective.
4. CALP II LP, Striker Capital Ltd. and Thomson Kernaghan & Co. Limited are under the common control of Mark Valentine, the Chief Executive Officer of Thomson Kernaghan & Co. Limited, who has authority to vote and dispose of the shares beneficially owned by any of them. Accordingly, Thomson Kernaghan, CALP II and Striker Capital Ltd. may be considered a group which beneficially owns all of the shares beneficially owned by any of them. Under the financing agreement, CALP II and Striker Capital Ltd. agreed not to have the right to convert any debenture or exercise any warrant if, after having given effect the conversion or exercise, both of them considered as a group would be deemed to beneficially own more than 9.9% of the then outstanding common stock. Includes 141,025 shares of common stock issuable upon exercise of warrants.
5. Includes 384,543 shares of common stock issuable upon exercise of warrants. Selling Shareholder is a former officer and director of Thomson Kernaghan and disclaims being an affiliate.
6. Includes 192,272 shares of common stock issuable upon exercise of warrants. Selling Shareholder was a non-management employee and disclaims being an affiliate of Thomson Kernaghan.
7. By Agreement effective July 11, 2000 ("financing agreement"), Thomson Kernaghan & Co., Limited purchased, as agent for other investors, \$675,000 principal amount of convertible debentures, an agent's warrant to purchase 961,358 shares of Company's common stock at \$.39 per share and a purchaser's warrant to purchase 432,692 shares of Company's common stock at \$.39 per share. The debentures were converted into 520,000 shares of common stock at \$0.20 per share in December 2001. Thomson Kernaghan & Co., Limited is the beneficial owner of 150,000 shares of Company's common stock and disclaims beneficial ownership of the debentures, warrants and shares issuable upon conversion or exercise. Further, Thomson Kernaghan has advised the Company that, except as indicated in note (5), it is not a member of a group, as defined in Section 13(d) of the Securities and Exchange Act of 1934, which owns 5% or more of Company's common stock.
8. Michelle McKinnon has authority to vote and dispose of the shares beneficially owned by Ursa Capital/Holdings Ltd. Ms. McKinnon was a non-management employee and disclaims being an affiliate of Thomson Kernaghan. Under the financing agreement, Ursa Capital/Holdings Ltd. agreed not to have the right to convert any debenture or exercise any warrant if, after giving effect to the conversion or exercise, it would be deemed to beneficially own more than 9.9% of the then outstanding common stock. Includes 520,000 shares of common stock issued upon conversion of debentures, 66,667 shares of common stock issuable upon exercise of warrants, and 37,031 shares of common stock issued as liquidated damages for failure to have registration statement declared effective.
9. Includes 100,000 shares of common stock issued upon conversion of

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debentures, 12,820 shares of common stock issuable upon exercise of warrants, and 7,121 shares of common stock issued as liquidated damages for failure to have registration statement declared effective.

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10. George Moffitt has authority to vote and dispose of the shares beneficially owned by Delta Funds.
11. Includes 50,000 shares issued upon conversion of debentures, 6,411 shares of common stock issuable upon exercise of warrants, and 3,561 shares of common stock issued as liquidated damages for failure to have registration statement declared effective.

### SECURITIES PURCHASE AGREEMENT

The following is a summary description of the debenture purchase agreement and does not contain all of the provisions of the agreement and other supporting documents that are filed as exhibits to our registration statement of which this prospectus is a part.

Effective July 11, 2000, we entered into a financing agreement to issue up to \$1,500,000 of 10% convertible debentures. The first tranche of \$600,000 principal amount of debentures was issued effective July 11, 2000. Proceeds of that debenture were applied to the settlement of an approximately \$1.5 million debt owed to a creditor, resulting in an approximately \$839,000 reduction of our stockholders' deficit and an improvement in our cash flow. We agreed to issue a second tranche of \$75,000 principal amount of debentures on August 31, 2000. Proceeds of this debenture were used to purchase raw materials.

The debentures are convertible into our common stock at a price per share equal to 75% of the average of the three lowest closing bid prices per share of our common stock as reported by Bloomberg L.P. in the 20 trading days immediately preceding the closing date of the debenture sale or the conversion date, whichever is lower, but in any event not greater than \$0.90 per share. For the first two debentures totaling \$675,000, the conversion price is the lower of \$0.29125 per share or 75% of the average of the three lowest closing bid prices per share of our common stock as reported by Bloomberg L.P. in the 20 trading days immediately preceding the conversion date. The exercise price of the related warrants is the closing bid price as reported by Bloomberg L.P. on the trading day immediately preceding the July 11, 2000 effective date of the financing agreement, or \$0.39 per share.

The \$675,000 debentures issued to date were converted into 3,375,000 shares of our common stock at the conversion price of \$0.20 per share. In addition, we issued warrants to or on behalf of the debenture purchasers for an aggregate of 1,394,050 shares of our common stock exercisable for \$0.39 per share. The closing price of our common stock reported on the Over-the-Counter Bulletin Board on January 28, 2001 was \$.25 per share.

**REGISTRATION RIGHTS.** In the registration rights agreement with the debenture purchasers, we agreed to register the Selling Shareholders' resale of the shares of common stock to be issued upon conversion of the debentures and upon exercise of the related warrants. For the \$675,000 debentures issued to date, the registration rights agreement required that we register 150% of the conversion shares and 100% of the warrant shares, or a total of 4,870,626 shares of our common stock. With the concurrence of the holders of the \$675,000 of debentures we registered the resale of a total of 4,000,000 shares of common stock issuable upon conversion of the debentures. If we issue the remaining \$825,000 principal amount of debentures, we will be

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required by the registration rights agreement to register an additional 4,777,773 shares of common stock (representing 150% of the shares issuable upon conversion of the additional debentures assuming a conversion price of \$0.29125 per share plus 100% of the shares issuable upon exercise of related warrants). In addition, we are liable for late filing liquidated damages which during April 2001 was agreed to be \$70,000 payable by issuing 240,343 shares of common stock, and have agreed to register 150,000 shares issued to Thomson Kernaghan & Co. Limited for payment of consulting fees. We were also obligated to register the resale of 483,672 shares of our common stock held by former holders of Series C Preferred Stock who converted that preferred stock into common stock.

All outstanding debentures were converted to common stock at the conversion price of \$0.20 per share; and if all of the outstanding related warrants were exercised as of September 30, 2001, the debenture and warrant holders would own, and would be able to sell pursuant to this Prospectus, 4,769,050 shares of common stock representing 19.79% of the then outstanding shares of our common stock.

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### PLAN OF DISTRIBUTION

The Selling Shareholders and any of their pledges, assignees and successors-in-interest, may, from time to time, sell any or all of their shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The Selling Shareholders may use any one or more of the following methods when selling shares:

- \* ordinary brokerage transactions and transactions in which the broker-dealer solicits the purchaser;
- \* block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- \* purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- \* an exchange distribution in accordance with the rules of the applicable exchange;
- \* privately-negotiated transactions;
- \* broker-dealers may agree with the Selling Shareholders to sell a specified number of shares at a stipulated price per share;
- \* a combination of any of the methods of sale; and
- \* any other method permitted pursuant to applicable law.

The Selling Shareholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

The Selling Shareholders may also engage in short sales against the box, puts and calls and other transactions in our securities or derivatives of our securities and may sell or deliver shares in connection with these trades. The Selling Shareholders may pledge their shares of common stock to their brokers under the margin provisions of customer agreements. If a Selling Shareholder defaults on a margin loan, the broker may, from time to time, off

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and sell the pledged shares.

Broker-dealers engaged by the Selling Shareholders may arrange for other broker-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Shareholders (or, if any broker-dealer acts as agent for the purchase of shares, from the purchaser) in amounts to be negotiated. The Selling Shareholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

We are required to pay all fees and expenses incident to the registration of the shares, including fees and disbursements of counsel to the Selling Shareholders, but excluding brokerage commissions or underwriter discounts. We and the Selling Shareholders have agreed to indemnify each other against named losses, claims, damages and liabilities, including liabilities under the Securities Act.

Thomson Kernaghan is, and any other Selling Shareholders participating in the distributions of our common stock may be, deemed to be an "underwriter" within the meaning of Section 2(11) of the Securities Act of 1933; and any profit on the sale of our common stock by Thomson Kernaghan or other Selling Shareholder, and any commissions or discounts given to any broker dealer, may be deemed to be underwriting commissions or discounts pursuant to the Securities Act of 1933. In offering common stock for resale in the United States or to persons who are citizens or residents of the United States, Thomson Kernaghan will offer and sell common stock only to registered broker-dealers.

Pursuant to the Securities Exchange Act of 1934, any person engaged in a distribution of the common stock offered by this prospectus may not simultaneously engage in market making activities for our common stock during

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the applicable "cooling off" periods prior to the commencement of the distribution. In addition, the Selling Shareholders will be required to comply with all the requirements of the Securities Exchange Act of 1934.

We have advised Thomson Kernaghan for itself and as agent for the Selling Shareholders that, during the time as they may be engaged in a distribution of any of the shares we are registering by the Registration Statement, they are required to comply with Regulation M promulgated under the Securities Exchange Act of 1934. In general, Regulation M precludes any Selling Shareholder, any affiliated purchasers and any broker-dealer or other person who participates in the distribution from bidding for or purchasing, or attempting to induce any person to bid for or purchase, any security which is the subject of the distribution until the entire distribution is complete. Regulation M defines a "distribution" as an offering of securities that is distinguished from ordinary trading activities by the magnitude of the offering and the presence of special selling efforts and selling methods. Regulation M also defines a "distribution participant" as an underwriter, prospective underwriter, broker, dealer, or other person who has agreed to participate or who is participating in a distribution.

Regulation M prohibits any bids or purchases made in order to stabilize the price of a security in connection with the distribution of that security, except as specifically permitted by Rule 104 of Regulation M. These stabilizing transactions may cause the price of the common stock to be higher than it would otherwise be in the absence of these transactions. We have advised the Selling Shareholders that stabilizing transactions permitted by Regulation M allow bids to purchase our common stock so long as the

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stabilizing bids do not exceed a specified maximum, and that Regulation M specifically prohibits stabilizing that is the result of fraudulent, manipulative, or deceptive practices. The Selling Shareholders and distribution participants will be required to consult with their own legal counsel to ensure compliance with Regulation M.

### DESCRIPTION OF SECURITIES

#### COMMON STOCK

We are authorized to issue 30,000,000 shares of common stock, \$0.01 par value, each share of common stock having equal rights and preferences, including voting privileges. There were 19,329,564 shares of common stock outstanding at the close of business on September 30, 2001. During the fourth quarter of 2001, we issued 750,000 shares of common stock. In December 2001, we issued an additional 6,012,850 shares of our common stock upon conversion of principal of and interest on all of our outstanding convertible debentures and in payment of penalties for late filing of our registration statement with the SEC. In addition, 3,081,714 shares of common stock were reserved on September 30, 2001 for issuance upon exercise of outstanding warrants to purchase our common stock. Warrants to purchase 825,000 shares of common stock were issued during the fourth quarter of 2001. The total number of authorized but unissued and unreserved shares of our common stock at December 31, 2001 is 872.

The shares of our common stock constitute equity interests in us entitling each shareholder to a pro rata share of cash distributions made to common shareholders, including dividend payments. We had significant losses in our last fiscal year. Therefore, it is unlikely that we will pay dividends on our common stock in the next year. We currently intend to retain our future earnings, if any, for use in our business. Any dividends declared in the future will be at the discretion of our Board of Directors and subject to any restrictions that may be imposed by our lenders.

The holders of our common stock are entitled to one vote for each share of record. Shareholders are entitled to vote cumulatively with respect to the election of our directors. Directors are elected by a plurality of the votes cast by the voting stock entitled to vote at a meeting if a quorum is present. With respect to matters other than the election of directors, a matter is approved by the affirmative vote of the majority of the votes cast at a meeting at which a quorum is present. In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining available for distribution to them after payment of our liabilities and after provision has been made for each class of stock having preference in relation to our common stock. Holders of our common stock have no conversion, preemptive or other subscription rights; and there are no redemption provisions applicable to our common stock. All of the outstanding shares of our common stock are duly authorized, validly issued, fully paid and non-assessable.

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#### PREFERRED STOCK

Our Articles of Incorporation authorize 10,000,000 shares of \$.01 par value preferred stock. Subject to amounts of outstanding preferred stock, additional shares of preferred stock can be issued with rights and preferences, including voting rights, as the Board of Directors shall determine.

During 1986, Series A preferred stock, consisting of 4,500 shares, was

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established by the Board of Directors. These shares are nonconvertible, non-redeemable and are entitled to a \$1.00 per share per year cumulative dividend. Series A preferred stockholders have voting rights for directors only and a total liquidation preference equal to \$45,000 plus dividends in arrears. At September 30, 2001, 4,500 shares of Series A preferred stock were outstanding; and cumulative dividends in arrears amounted to \$68,625, or \$15.25 per share.

During 1993, Series B preferred stock consisting of 1,666,667 shares, was established by the Board of Directors and 1,666,667 shares were issued in connection with the final settlement of litigation. The Series B preferred stock has preference over the Company's common stock and Series A preferred stock, has no voting rights (absent default in payment of declared dividends) and is entitled to cumulative dividends of \$.01 per share per year payable if and when declared by the Board of Directors. In the event of dissolution or liquidation of the Company, the preferential amount payable to Series B restricted preferred stockholders is \$1.00 per share plus dividends in arrears. No dividends have been declared or paid with respect to the Series B preferred stock. In 1995, 916,667 shares of Series B preferred stock were surrendered to the Company and cancelled in connection with the settlement of litigation against Bobby C. Hamilton. At September 30, 2001, cumulative dividends in arrears on the 750,000 outstanding Series B shares were \$58,125, or \$0.0775 per share.

During 1997, we issued 2,560,762 shares of Series C preferred stock in connection with the conversion of debts we owed. The rights, preferences, privileges and limitations of the Series C preferred shares issued upon conversion of debt are set forth below:

**DESIGNATION.** The class of Convertible Preferred Stock, Series C, \$0.01 par value per share, consists of up to 3.8 million of our shares.

**OPTIONAL CONVERSION.** A holder of Series C preferred shares had the right to convert the Series C shares, at the option of the holder, at any time within 18 months following issuance, into shares of common stock at the ratio of 1:1, subject to adjustment as provided below. During 1999, holders of 2,354,766 shares of Series C stock converted their shares into our common stock.

**VOTING RIGHTS.** The holders of Series C preferred shares shall have the right to that number of votes equal to the number of shares of common stock issuable upon conversion of such Series C preferred shares.

**LIQUIDATION PREFERENCE.** In the event of our liquidation or winding up, the holders of Series C preferred shares shall be entitled to receive as a preference over the holders of common stock an amount per share equal to \$0.55, subject to the preferences of the holders of our outstanding Series A and Series B preferred stock.

**REGISTRATION RIGHTS.** Twenty percent (20%) of the underlying common stock issued on conversion of the Series C preferred shares is entitled to "piggyback" registration rights when, and if, we file a registration statement for our securities or the securities of any other stockholder. These shares are included in this prospectus.

**REDEMPTION.** The Series C preferred shares are not redeemable by us.

**ANTI-DILUTION PROVISIONS.** The conversion price of the Series C shares was subject to adjustment to prevent dilution in the event we issued additional shares at a purchase price less than the applicable conversion price (other than shares issued to employees, consultants and directors pursuant to plans and arrangements approved by the Board of Directors, and

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securities issued to lending or leasing institutions approved by the Board of Directors). Accordingly, the conversion price was adjusted according to a weighted-average

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formula, resulting in the issuance, during the year 2000, of an additional 35,542 shares of common stock to Series C holders who exercised their conversion rights in 1999. The initial conversion price for the Series C shares was \$0.55 and was adjusted to \$0.54 per share based on the anti-dilution formula.

PROTECTIVE PROVISIONS. The consent of a majority interest of the holders of Series C preferred shares is required for any action which (i) alters or changes the rights, preferences or privileges of the Series C shares materially and adversely; or (ii) creates any new class of shares having preference over or being on a parity with the Series C shares.

During the year 2000, we converted 28,092 of shares of Series C preferred stock into an equal number of common shares for a Series C preferred stockholder that had timely noticed us of its desire to convert its Series C shares during 1999. At September 30, 2001, 177,904 shares of Series C preferred stock remained outstanding and unconverted.

### DEBENTURES

We issued \$675,000 of 10% convertible debentures due June 30, 2002 and related warrants to purchase our common stock. The debentures were due June 30, 2002 and accrued interest at 10% to be paid annually on each anniversary date of the issue. The debentures were convertible into shares of our common stock at a conversion price equal to the lower of (i) \$0.29125 per share or (ii) 75% of the average three lowest closing bid prices for our common stock as quoted by Bloomberg L.P. in the 20 trading days immediately preceding the conversion date of the debentures. The related warrants are exercisable for five years for \$0.39 per share. The \$675,000 principal amount of the outstanding debentures was converted into 3,375,000 shares of our common stock at \$0.20 per share in December 2001. We also issued 459,245 shares of restricted stock, not subject to resale pursuant to the Prospectus, in payment of accrued interest on the debenture in the aggregate amount of \$91,849.

We issued 10% convertible debentures to John C. Lawrence, our director and president, in the principal amount of \$147,992 (due December 31, 2003) and \$100,000 (due December 12, 2003) and to A.W. Dugan, a shareholder of the company, in the principal amounts of \$50,000 (due November 22, 2003) and \$50,000 (due December 2003). These debentures accrued interest at 10% to be paid annually on each anniversary date of the issue. The debentures were convertible into shares of our common stock at a conversion price equal to the lower of (i) \$0.31 per share or (ii) 75% of the average of the three lowest closing bid prices for our common stock as quoted by Bloomberg LP in the 20 trading days immediately preceding the conversion date. The exercise price for the related warrants (aggregating 151,213 shares for Mr. Lawrence and 60,974 shares for Mr. Dugan) is \$0.41 per share. The \$347,992 principal amount of the debentures plus \$39,660 of accrued interest thereon were converted at \$0.20 per share into 1,938,261 shares of restricted common stock of the Company in December 2001. These shares are not subject to resale under the Prospectus. Mr. Lawrence and Mr. Dugan do not have registration rights in connection with the common stock issued upon conversion of the debentures or issuable upon exercise of the related warrants.

### PENNY STOCK RULES



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At the present time our common stock is traded in the over-the-counter market and that trading activity is reported on the OTC Electronic Bulletin Board.

The United States Securities and Exchange Commission "Securities Enforcement and Penny Stock Reform Act of 1990" requires special disclosure relating to the trading of any stock defined as a "penny stock." Commission regulations generally define a penny stock to be an equity security that has a market price of less than \$5.00 per share and is not listed on The Nasdaq Small Cap Stock Market or a major stock exchange. These regulations subject all broker-dealer transactions involving our securities to special "Penny Stock Rules." Following the completion of this offering the commencement of trading of our common stock, and the foreseeable future thereafter, the market price of our common stock is expected to be substantially less than \$5 per share. Accordingly, should anyone wish to sell any of our shares through a broker-dealer, the sale will be subject to the Penny Stock Rules. These Rules will affect the ability of broker-dealers to sell our shares (and will therefore also affect the ability of purchasers in this offering to re-sell their shares in the secondary market, if a market should ever develop.)

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The Penny Stock Rules impose special sales practice requirements on broker-dealers who sell shares defined as a "penny stock" to persons other than their established customers or "Accredited Investors." Among other things, the Penny Stock Rules require that a broker-dealer make a special suitability determination respecting the purchaser and receive the purchaser's written agreement to the transaction prior to the sale. In addition, the Penny Stock Rules require that a broker-dealer deliver, prior to any transaction, a disclosure schedule prepared in accordance with the requirements of the Commission relating to the penny stock market. Disclosure also has to be made about commissions payable to both the broker-dealer and the registered representative and the current quotations for the securities. Finally, monthly statements have to be sent to any holder of penny stocks disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Consequently, the rule may affect the ability of broker-dealers to sell our shares and may affect the ability of holders to sell our shares in the secondary market. Accordingly, for so long as the Penny Stock Rules are applicable to our common stock, it may be difficult to trade our stock because compliance with the Penny Stock Rules can delay or preclude some trading transactions. This could have an adverse effect on the liquidity and price of our common stock.

### MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The following table sets forth the range of high and low bid prices as reported by the National Association of Securities Dealer's Over-the-Counter Bulletin Board ("OTCBB") for the periods indicated. The quotations reflect inter-dealer prices without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions. Currently, the stock is traded on the OTCBB under the symbol "UAMY."

| 2001           | High   | Low    |
|----------------|--------|--------|
| -----          | -----  | -----  |
| First Quarter  | \$0.41 | \$0.17 |
| Second Quarter | 0.53   | 0.24   |
| Third Quarter  | 0.32   | 0.17   |
| Fourth Quarter | 0.31   | 0.16   |
| 2000           | High   | Low    |
| -----          | -----  | -----  |

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|                |        |        |
|----------------|--------|--------|
| First Quarter  | \$0.95 | \$0.22 |
| Second Quarter | 0.88   | 0.20   |
| Third Quarter  | 0.78   | 0.32   |
| Fourth Quarter | 0.41   | 0.13   |

|                |        |        |
|----------------|--------|--------|
| 1999           | High   | Low    |
| -----          | -----  | -----  |
| First Quarter  | \$0.16 | \$0.20 |
| Second Quarter | 0.17   | 0.17   |
| Third Quarter  | 0.31   | 0.38   |
| Fourth Quarter | 0.16   | 0.16   |

|                |        |        |
|----------------|--------|--------|
| 1998           | High   | Low    |
| -----          | -----  | -----  |
| First Quarter  | \$0.20 | \$0.16 |
| Second Quarter | 0.28   | 0.16   |
| Third Quarter  | 0.37   | 0.16   |
| Fourth Quarter | 0.28   | 0.13   |

The approximate number of record holders of our common stock at September 30, 2001 is 3,750.

No dividends have been paid or declared by us during the last five years; and we do not anticipate paying dividends on our common stock in the foreseeable future. Instead, we expect to retain our earnings for the operation and expansion of our business.

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### DESCRIPTION OF BUSINESS

#### OVERVIEW

AGAU Mines, Inc., our corporate predecessor, was incorporated in June 1968 as a Delaware corporation to explore, develop and mine gold and silver properties. United States Antimony Corporation was incorporated in Montana in January 1970 to mine and produce antimony products. In June 1973, AGAU Mines, Inc. was merged with and into us, with us being the surviving corporation in the merger. In December 1983, we suspended antimony mining operations when it became possible to purchase antimony raw materials more economically from foreign sources. Our principal business has been the production of antimony products and the mining and milling of gold.

We have been able to sustain our operations through gross profit produced from our antimony operations, common stock sales, and financing from banks and other sources. There can be no assurance, however, that we will be able to continue to meet our obligations and continue in existence as a going concern (see Note 1 to the Financial Statements).

#### ANTIMONY DIVISION

Our antimony mining properties, mill and metallurgical plant are located in the Burns Mining District of Sanders County, Montana, approximately 15 miles west of Thompson Falls. We hold 12 patented lode claims, some of which are contiguous, and 2 patented mill sites. We have no "proven reserves" or "probable reserves" of antimony, as these terms are defined by the Securities and Exchange Commission.

Prior to 1984, we mined antimony ore underground by driving drifts and using slushers in room and pillar type stopes. Mining was suspended in December 1983, because antimony could be purchased more economically from foreign

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sources. Our underground antimony mining operations may be reopened in the future should raw material prices warrant doing so. We now purchase the majority of our raw antimony from China (approximately 70%) and, to a lesser degree, Canada (approximately 15%). Antimony metal from Chinese sources has been obtained primarily through a broker. Significant increases in world antimony metal prices have necessitated renegotiation of our supply contract with the broker in order to assure continued availability of metal, resulting in higher raw material costs. However, the increase in world prices has enabled us to increase the prices of our antimony products and to increase our gross profits. In addition, we are covering our customer supply contract requirements by obtaining antimony metal from other foreign and domestic sources.

We are dependent on foreign sources for raw materials; and there are risks of interruption in procurement from these sources and/or volatile changes in world market prices for these materials that are not controllable by us. We obtain antimony metal, the raw material for our antimony products, primarily (70%) from China. Changes in antimony metal export policy by the Chinese government could impair availability of antimony metal and/or could increase antimony metal prices, which could result in curtailed production, decreased profits, operating result fluctuations or breach of contractual obligations to provide antimony products to our customers. During mid 2000, our principal supplier of Chinese antimony metal was unwilling to supply antimony metal at contract prices which are lower than rapidly rising world prices; and the supplier indicated it might be unable to meet contractual volume commitments to supply antimony at any price. We have agreed to pay higher prices to assure a continued supply of metal which, absent agreement of our principal customers to accept corresponding price increases for our antimony products, could adversely affect sales and gross margins.

We currently own 50% of the common stock of United States Antimony, Mexico S.A. de C.V. ("USAMSA"), which was formed in April 1998. During 1998 and 1999, we invested capital and surplus equipment from our Thompson Falls antimony operation in USAMSA, which is being used for the construction of an antimony processing plant in Mexico. To date, two antimony processing furnaces and a warehouse building have been built and limited antimony processing has taken place. USAMSA is pursuing the assignment of mining concessions in the Mexican states of Zacatecas, Coahuila, Sonora, Queretaro and Oaxaca. USAMSA is expected in future years to produce antimony metal and other products, utilizing our processing facilities as processing opportunities become available and as antimony prices dictate. These products would then be sent to our plant near Thompson Falls, Montana for further processing.

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From refined antimony metal, we produce four antimony oxide products of different particle size using proprietary furnace technology, several grades of sodium antimonate using hydro metallurgical techniques, and specialty antimony compounds. Antimony oxide is a fine, white powder that is used primarily in conjunction with a halogen to form a synergistic flame retardant system for plastics, rubber, fiberglass, textile goods, paints, coatings and paper. Antimony oxide is also used as a color fastener in paint, as a catalyst for production of polyester resins for fibers and film, as a phosphorescent agent in fluorescent light bulbs and as a stabilizer for fluid lubricants. Sodium antimonate is primarily used as a fining agent (degasser) for glass in cathode ray tubes used in computer monitors and color television bulbs and as a flame retardant. We also sell antimony metal for use in bearings, storage batteries and ordnance.

We estimate (but have not independently confirmed) that our present share of

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the domestic market for antimony oxide products is approximately 10% to 12%. We have had three principal domestic competitors. The other two domestic competitors have collectively accounted for about 25% of domestic sales. The balance of domestic sales are foreign imports (primarily from Chinese and Belgian suppliers).

We employed two full time sales managers in 1999 and implemented administrative systems needed to manage sales accounting and shipping logistics. In connection with these efforts, we negotiated various commission-based sales agreements with other chemical distribution companies, developed our own web-site ("usantimony.com") and made substantial improvements to our analytical and chemical research capabilities. Since March 1998, we have employed a Chief Chemist who has devoted approximately 30% of his working time to research and development activities. Accordingly, approximately \$15,000 in salary and benefits have been related to research and development activities during the past two fiscal years. Additionally, during the past two fiscal years, we have invested approximately \$20,000 per year in lab equipment and facilities used in research and development of new antimony products and applications. (None of our research and development costs have been borne by customers of us.) These efforts have resulted in advances in our preparation, packaging and quality of our antimony products. We believe that our ability to meet customer product specifications gives us a competitive advantage. We believe that we will be able to stay competitive in the antimony business and generate increasing profits because of these advances.

For the year ended December 31, 2000, we sold 5,039,327 pounds of antimony products generating approximately \$5 million in revenues. During 1999, we sold 5,517,443 pounds of antimony products generating approximately \$4.7 million in revenues. During 1998, through our relationships with HoltraChem, Inc. and BCS, we sold 2,834,186 pounds of antimony products, which generated approximately \$3.1 million in revenues. During 1998, 1999 and 2000, approximately 20% of our antimony sales were made to one customer. However, we have a stable and expanding customer base. Loss of any one customer could have short-term impact on our revenues but would not materially adversely affect our long-term prospects.

### GOLD DIVISION

**YANKEE FORK MINING DISTRICT.** Until 1989, we mined and milled gold and silver in the Yankee Fork Mining District in Custer County, Idaho. The metals were recovered by gravity and flotation mill, and the concentrates were leached with cyanide to produce a bullion product at the Preachers Cove mill, which is located on the Yankee Fork of the Salmon River. The Preachers Cove mill has been dismantled and the site is undergoing environmental remediation pursuant to an Idaho Department of Environmental Quality consent decree. See "Environmental Matters." We own two patented lode mining claims in the Yankee Fork District, which are now idle.

**YELLOW JACKET MINING DISTRICT.** In 1990, we entered into a mining venture agreement to mine and mill gold and silver ores at the Yellow Jacket Mine located in the Yellow Jacket Mining District of Lemhi County, Idaho, approximately 70 miles southwest of Salmon, Idaho. During the years from 1991 to 1996 we mined, milled and sold gold bullion produced from the mine. In 1996, production at the Yellow Jacket was suspended due to recurring operating losses and declines in precious metal prices. The Yellow Jacket property was put on a care and maintenance status. In 1999, we abandoned our leasehold interests and began environmental remediation activity at the Yellow Jacket (see "Environmental Matters") and began reclamation of the Yellow Jacket tailings ponds and pit area.

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We have no "proven reserves" or "probable reserves" of gold, as these terms are defined by the Securities and Exchange Commission.

### ZEOLITE DIVISION

We own 75% of Bear River Zeolite Company ("BRZ"), an Idaho corporation incorporated on June 1, 2000. BRZ has entered into a ten-year mining lease with Webster Farm, L.L.C. The lease entitles BRZ to surface mine and process zeolites on property located in Preston, Idaho in exchange for a royalty payment. The royalty is a percentage of the unprocessed ore sale price which varies between 5%-7%. The minimum annual royalty during the first five years is \$1,000. The royalty is also payable on zeolites mined on adjacent BLM ground on which BRZ has located additional claims, if BRZ accesses those claims across the leased property. BRZ is currently constructing a processing plant on the property. Mining and processing equipment will be leased to BRZ by us; and we will advance development and start-up costs. Production and sale of zeolites is not expected to contribute materially to our operating revenues in the near future.

We have no "proven reserves" or "probable reserves" of zeolite, as these terms are defined by the Securities and Exchange Commission.

"Zeolite" refers to a group of minerals that consist of hydrated aluminosilicates that loosely hold cations such as calcium, sodium, ammonium and potassium. Water is held in cavities in the lattice. The ability of zeolites to exchange one cation for another is known as their "cation-exchange capacity." Zeolites are used for separating cations and are often referred to as "molecular sieves." BRZ's zeolite deposits have characteristics which make the mineral useful for a variety of purposes including:

- \* SOIL AMENDMENT AND FERTILIZER. We plan to produce a fertilizer called "Zeo-Phos," which will combine ammoniumated zeolite with phosphate mill shale available from the nearby Fort Hall Indian Reservation. (Ammonium contains nitrogen, a plant nutrient.) Zeolites have been successfully used to fertilize golf courses, sports fields, parks and common areas, and high value crops, including corn, potatoes, soybeans, red beets, acorn squash, green beans, sorghum sudangrass, Brussels sprouts, cabbage, carrots, tomatoes, cauliflower, radishes, strawberries, wheat, lettuce and broccoli.
- \* WATER FILTRATION. Zeolite is used for particulate removal in swimming pools and municipal water systems, and for the removal of ammonium in fisheries, fish farms, and aquariums.
- \* SEWAGE TREATMENT. Zeolite is used in sewage treatment plants to remove nitrogen from waste streams and to deodorize methane gas.
- \* NUCLEAR WASTE AND OTHER ENVIRONMENTAL CLEANUP. Zeolites have shown a strong ability to selectively remove strontium, cesium and various other radioactive isotopes from solution. Zeolites can also be used for the cleanup of soluble metals such as mercury, chromium, lead, zinc, arsenic, molybdenum, nickel, cobalt, antimony, calcium, silver and uranium.
- \* ODOR CONTROL. A major cause of odor around cattle, hog, and poultry feed lots is the generation of the ammonium in urea and fecal material. The ability of zeolites to absorb ammonium prevents the formation of ammonia gas which generates the odor.

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- \* GAS SEPARATION. Zeolites have been used for some time in the separation of some gases, as re-oxygenation of downstream water from sewage plants, smelters, pulp and paper plants, and fish ponds and tanks, and removal of carbon dioxide, sulfur dioxide, and hydrogen sulfide from methane generators as organic waste, sanitary landfills, municipal sewage systems and animal waste treatment facilities.
- \* MISCELLANEOUS USES. Other uses include catalysts and petroleum refining, building applications, solar energy and heat exchange, carriers for insecticides, pesticides and herbicides, and desiccants.

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### ENVIRONMENTAL MATTERS

The exploration, development and production programs conducted in the United States are subject to local, state and federal regulations regarding environmental protection. Some of our production and mining activities are conducted on public lands. We believe that our current discharge of waste materials from our processing facilities is in material compliance with environmental regulations and health and safety standards. The USDA Forest Service extensively regulates mining operations conducted in National Forests. Department of Interior regulations cover mining operations carried out on most other public lands. All operations by us involving the exploration for or the production of minerals are subject to existing laws and regulations relating to exploration procedures, safety precautions, employee health and safety, air quality standards, pollution of water sources, waste materials, odor, noise, dust and other environmental protection requirements adopted by federal, state and local governmental authorities. We may be required to prepare and present to the authorities data pertaining to the effect or impact that any proposed exploration for or production of minerals may have upon the environment. Any changes to our reclamation and remediation plans which may be required due to changes in state or federal regulations could have an adverse effect on our operations, the range of reasonably possible loss in excess of the amounts accrued, by site, cannot be reasonably estimated at this time.

We account for our accrual of environmental liabilities when the costs of such are probable and reasonably estimable. The initial accruals for all our sites are based on comprehensive remediation plans approved by the various regulatory agencies in connection with permitting or bonding requirements. Our accruals are further based on presently enacted regulatory requirements and adjusted only when changes in requirements occur or when management revises its estimate of costs required to comply with existing requirements. As remediation activity has physically commenced, management has been able to refine and revise its estimates of costs required to fulfill future environmental tasks based on contemporaneous cost information, operating experience, and changes in regulatory requirements. In instances where costs required to complete our remaining environmental obligations are clearly determined to be in excess of the existing accrual, we have adjusted the accrual accordingly. When regulatory agencies require additional tasks to be performed in connection with our environmental responsibilities we evaluate the costs required to perform those tasks and adjust our accrual accordingly, as the information becomes available. In all cases, however, our accrual at year end is based on the best information available at that time to develop estimates of environmental liabilities.

In 1994, the U.S. Forest Service, under the provisions of the Comprehensive Environmental Response Liability Act of 1980, designated our cyanide leach plant at the Preachers Cove mill, which is located six miles north of Sunbeam, Idaho on the Yankee Fork of the Salmon River, as a contaminated site

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requiring cleanup of cyanide solution. In 1996, we signed a consent decree related to the reclamation and remediation at the Preachers Cove mill in Idaho as required by the Idaho Department of Environmental Quality, and continued substantial reclamation activities as required by the decree. During 1999, we updated and presented a Phase II reclamation plan to the U.S. Forest Service detailing plans for the final reclamation of the Yankee Fork Mill site. Based upon our analysis of costs required to implement the specific tasks in the Phase II plan, we reduced the Yankee Fork reclamation accrual by \$70,000, to reflect our current estimate of costs required to complete reclamation tasks.

As of September 30, 2001, the cyanide solution discharge was complete, the mill removed, and most of the cyanide leach residue disposed of. Only earth moving, monitoring activities and containment of the remaining leach residue remain to complete the activities prescribed by the consent decree. Upon completion of reclamation activities at the Preachers Cove mill site pursuant to the consent decree, the site will be closed and the U.S. Forest Service will terminate the consent decree.

Reclamation activities are currently at a standstill due to weather conditions at the site and the completion of a biological assessment to be submitted to the National Marine Fisheries Service and the U.S. Fish and Wildlife Service. Upon receiving clearance from the U.S. Forest Service to commence the Phase II reclamation work, we anticipate substantial completion of reclamation in a six to twelve month period.

We have environmental remediation obligations at our antimony processing site near Thompson Falls, Montana ("the Stibnite Hill Mine Site"). Under the regulatory jurisdiction of the U.S. Forest Service and subject to the operating permit requirements of the Montana Department of Environmental Quality, we have performed substantial environmental reclamation activities during 1999 and 2000. These activities included installation of a

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PVC liner and a geotextile layer on two of the tailings ponds and the removal of approximately 25,000 yards of tailings material from a third pond. We made adjustments increasing our reclamation accruals by \$51,150 and \$25,615 in fiscal years 1999 and 2000, respectively, based upon management's revised estimates of costs to comply with regulatory requirements in effect during the respective years. We plan to line a storm water pond and construct a water treatment facility, thus fulfilling the majority of our environmental responsibilities at the Stibnite Hill Mine site.

During the second quarter of 1999, we began final reclamation and closure at the Yellow Jacket property. Upon Yellow Jacket's closure, we estimated the required costs and time to perform closure activities, and adjusted the Yellow Jacket reclamation liability on a quarterly basis, re-instating the accrual as costs were incurred (a total of \$73,893), to reflect our estimate reclamation and closure costs left to incur.

During the third and fourth quarters of 1999 we began disassembly of the mill and mill buildings and removed tailings waste from the tailings ponds. In 2000, we evaluated progress on Yellow Jacket's closure and reclamation and continued to adjust the reclamation liability for costs as incurred (a total of \$86,960) based upon labor and equipment cost experience in 1999 and our estimate of costs related to specific tasks yet-to-complete at year end.

The reclamation activity is being overseen by the U.S. Forest Service and the Idaho Department of Environmental Quality. Reclamation work is commencing on the clean-up of non-cyanide tailings material at the property; and we believe

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this project will be substantially completed by the end of 2001. In 2000, the U.S. Forest Service began releasing environmental bonding funds to us that had been deposited for remediation of the Yellow Jacket Mine.

During 2001, we recorded a reclamation accrual for our Bear River Zeolite subsidiary based on an analysis performed by management, and as reviewed and approved by regulatory authorities for environmental bonding purposes. The accrual of \$7,500, represents the Company's estimated costs of reclaiming the acreage disturbed by our zeolite operations in accordance with regulatory requirements.

Reclamation activities at the Yellow Jacket Mine and the Stibnite Hill Mine Site have proceeded informally under supervision of the U.S. Forest Service and state departments of environmental quality. We have complied with regulators' requirements and do not expect the imposition of substantial additional requirements.

We have posted cash performance bonds with a bank and the U.S. Forest Service in connection with our reclamation activities. Upon completion of reclamation activities, the bonds will be terminated and the applicable regulatory authorities may release up to \$123,250.

We believe we have accrued adequate reserves to fulfill our environmental remediation responsibilities as of September 30, 2001. We have made significant reclamation and remediation progress on all our properties over the past three years and have complied with regulatory agencies in our environmental remediation efforts. The change in amounts accrued for environmental remediation activities in 1998, 1999 and as of September 30, 2001 is as follows:

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|   | Yankee Fork<br>Mill Site | Thompson Falls<br>Antimony Plant | Yellow Jacket<br>Mine | Bear R<br>Zeoli |
|---|--------------------------|----------------------------------|-----------------------|-----------------|
| Balance December 31, 1997               | \$171,500                | \$ 270,000                       | \$115,044             |                 |
| Less: Reclamation work                  | (55,472)                 |                                  |                       |                 |
| Adjustment of Accrued Remediation Costs |                          | 2,200                            |                       |                 |
| Balance December 31, 1998               | \$116,028                | \$ 272,200                       | \$115,044             |                 |
| Less: Reclamation work                  |                          | (169,736)                        | (73,893)              |                 |
| Adjustment of Accrued Remediation Costs | (70,000)                 | 51,150                           | 73,893                |                 |
| Balance December 31, 1999               | \$ 46,028                | \$ 153,614                       | \$115,044             |                 |
| Less: Reclamation work                  | 0                        | (60,913)                         | (86,960)              |                 |
| Adjustment of Accrued Remediation Costs | 0                        | 25,615                           | 86,960                |                 |
| Balance December 31, 2000               | \$ 46,028                | \$ 118,316                       | \$115,044             |                 |
| Less: Reclamation work                  |                          | (2,806)                          | (46,357)              |                 |
| Adjustment of Accrued Remediation Costs |                          |                                  |                       | \$7,5           |
| Balance September 30, 2001              | \$ 46,028                | \$ 115,510                       | \$ 68,687             | \$7,5           |

MARKETING. During the first quarter of 1999, and in prior years dating back to 1991, we marketed our antimony products with HoltraChem, Inc. and later our successor, BCS, in a 50/50 profit sharing arrangement. In March 1999, we notified BCS that we were terminating the agreements that HoltraChem had assigned BCS, and that we were going to market and distribute antimony products independently. As a result we took steps to market our products to existing and prospective customers, and have been able to do so successfully.



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We employ full time marketing personnel and have negotiated various commission based sales agreements with other chemical distribution companies.

ANTIMONY PRICE FLUCTUATIONS. The operating results of us have been and will continue to be directly related to the market prices of antimony metal, which have fluctuated widely in recent years. The volatility of prices is illustrated by the following table which sets forth the average prices of antimony metal per pound as reported by sources deemed reliable by us.

| Year | Average Price |
|------|---------------|
| ---- | -----         |
| 2001 | \$0.58        |
| 2000 | 0.67          |
| 1999 | 0.58          |
| 1998 | 0.63          |
| 1997 | 0.93          |
| 1996 | 1.60          |
| 1995 | 2.28          |

The range of sales prices for antimony oxide per pound was as follows for the periods indicated:

| Year | High   | Low    | Average Price |
|------|--------|--------|---------------|
| ---- | ----   | ----   | -----         |
| 2001 | \$5.99 | \$0.66 | \$0.93        |
| 2000 | 5.88   | 0.65   | 0.99          |
| 1999 | 5.52   | 0.65   | 0.85          |
| 1998 | 5.57   | 0.83   | 1.13          |
| 1997 | 5.75   | 0.98   | 1.41          |
| 1996 | 4.50   | 1.53   | 1.86          |
| 1995 | 3.12   | 0.89   | 2.56          |

Antimony metal prices are determined by a number of variables over which we have no control. These include the availability and price of imported metals, the quantity of new metal supply, and industrial and

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commercial demand. If metal prices decline and remain depressed, our revenues and profitability may be adversely affected.

We use antimony metal as a raw material for our products. We obtain antimony metal from sources in China (70%), Canada (15%) and the U.S. (15%). Purchases from Canadian and U.S. sources have been made at world market prices, as established by the London Metals Bulletin from time to time. Antimony metal from Chinese sources has been supplied by Fortune America Trading Ltd., a New Jersey-based dealer, pursuant to a long-term supply contract to supply antimony metal at a fixed price.

Until recently, antimony prices have been at a 35 year low. Beginning in late June 2000, prices have risen dramatically, primarily as a result of restrictions by the Chinese government on exports of antimony metal from China, one of the principal suppliers of antimony. The fixed price set by the supply contract with the dealer in Chinese-sourced metal was below current market price. The dealer has refused to supply metal at the contracted price, forcing us to purchase antimony metal from this dealer and other sources at current world market prices. However, we have been able to raise our antimony product prices to our customers and to increase our gross profits. Our USAMSA venture is intended eventually to reduce our dependence on foreign sources but is not expected to provide sufficient raw material for several years.

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OTHER. We hold no material patents, licenses, franchises or concessions, but we consider our antimony processing plant proprietary in nature. We use the trade name "Montana Brand Antimony Oxide" for the marketing of our antimony products.

We are subject to the requirements of the Federal Mining Safety and Health Act of 1977, requirements of the state of Montana and the state of Idaho, Federal and State Health and Safety statutes and Sanders County, Lemhi County and Custer County health ordinances.

EMPLOYEES. As of September 30, 2001, we employed 20 full-time employees. The number of full-time employees may vary seasonally. None of our employees is covered by any collective bargaining agreement.