

Applied Minerals, Inc.
Form 10-Q
November 14, 2017
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017

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

For the transition period from to

Commission File Number 000-31380

APPLIED MINERALS,
INC.

(Exact name of registrant as
specified in its charter)

Delaware 82-0096527
(State or
other
jurisdiction of
incorporation
or
organization) (I. R. S.
Employer
Identification
No.)

55
Washington
Street -
Suite 11201
301,
Brooklyn,
NY
(Address
of
principal (Zip Code)
executive
offices)

(800)
356-6463
(Issuer's
Telephone
Number,
Including
Area
Code)

Former name, former address, and former fiscal year, if changed since last report:

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

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller-reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transaction period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Edgar Filing: Applied Minerals, Inc. - Form 10-Q

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

The number of shares of the registrant's common stock, \$0.001 par value per share, outstanding as of November 14, 2017 was 137,638,549.

DOCUMENTS INCORPORATED BY REFERENCE: None.

Table of Contents

APPLIED MINERALS, INC.

(An Exploration Stage Company)

THIRD QUARTER 2017 REPORT ON FORM 10-Q

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

	Page(s)
Item 1. <u>Condensed Consolidated Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets as of September 30, 2017 (unaudited) and December 31, 2016</u>	
<u>Condensed Consolidated Statements of Operations (unaudited) for the Three and Nine Months Ended September 30, 2017 and 2016</u>	4
<u>Condensed Consolidated Statements of Cash Flows (unaudited) for the Nine Months Ended September 30, 2017 and 2016</u>	5
<u>Notes to the Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	11
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	15
Item 4. <u>Controls and Procedures</u>	15

PART II. OTHER INFORMATION

Item 1. <u>Legal Proceedings</u>	16
Item 1A. <u>Risk Factors</u>	16
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	16
Item 3. <u>Defaults Upon Senior Securities</u>	16
Item 4. <u>Mine Safety Disclosures</u>	16

Item 5. <u>Other Information</u>	16
Item 6. <u>Exhibits</u>	17
<u>Signatures</u>	18

Table of Contents**PART I. FINANCIAL INFORMATION****APPLIED MINERALS, INC.**

(An Exploration Stage Mining Company)

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2017 (Unaudited)	December 31, 2016
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$270,896	\$1,049,880
Accounts receivable	60,528	364,952
Deposits and prepaid expenses	58,909	371,206
Other current receivables	- 0 -	16,801
Total Current Assets	390,333	1,802,839
Property and Equipment, net	3,129,806	4,075,176
Other Assets		
Deposits	216,724	200,524
Assets Held for Sale	- 0 -	1,000
Total Other Assets	216,724	201,524
TOTAL ASSETS	\$3,736,863	\$6,079,539
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current Liabilities		
Accounts payable and accrued liabilities	687,557	\$622,331
Accrued PIK note interest	1,277,900	961,395
Current portion of notes payable	15,553	234,149
Total Current Liabilities	1,981,010	1,817,875
Long-Term Liabilities		
Long-term portion of notes payable	1,333	13,073
PIK Notes payable, net of \$11,358,212 and \$15,143,123 debt discount at September 30, 2017 and December 31, 2016, respectively	29,535,466	23,040,093
PIK Note derivative	1,142,174	2,176,552
Total Long-Term Liabilities	30,678,973	25,229,718
Total Liabilities	32,659,983	27,047,593

Commitments and Contingencies (Note 8)**Stockholders' Deficit**

Preferred stock, \$0.001 par value, 10,000,000 shares authorized, none issued and outstanding	- 0 -	- 0 -
Common stock, \$0.001 par value, 200,000,000 shares authorized, 133,888,549 and 108,613,549 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	133,888	108,614
Additional paid-in capital	69,537,143	68,506,530
Accumulated deficit prior to the exploration stage	(20,009,496)	(20,009,496)
Accumulated deficit during the exploration stage	(78,584,655)	(69,573,702)
Total Stockholders' Deficit	(28,923,120)	(20,968,054)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$3,736,863	\$6,079,539

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

Table of Contents**APPLIED MINERALS, INC.**

(An Exploration Stage Mining Company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
REVENUES	\$ 148,303	\$ 975,328	\$ 2,300,998	\$ 3,089,422
OPERATING EXPENSES:				
Production costs	412,713	539,951	2,125,007	1,572,795
Exploration costs	47,172	270,700	304,631	821,814
General and administrative	664,217	977,716	2,137,655	3,227,852
Depreciation expense	329,357	340,165	989,122	1,014,585
Total Operating Expenses	1,453,459	2,128,532	5,556,415	6,637,046
Operating Loss	(1,305,156)	(1,153,204)	(3,255,417)	(3,547,624)
OTHER INCOME (EXPENSE):				
Interest expense, net, including amortization of deferred financing cost and debt discount	(2,527,374)	(1,792,412)	(6,843,524)	(4,521,672)
Gain (Loss) on revaluation of PIK Note derivative	(570,473)	1,134,149	1,066,368	2,425,555
Other income (expense)	(4,064)	1,042	21,620	106,021
Total Other Income (Expense)	(3,101,911)	(657,221)	(5,755,536)	(1,990,096)
Net (Loss) Income	\$ (4,407,067)	\$ (1,810,425)	\$ (9,010,953)	\$ (5,537,720)
Net (Loss) Income Per Share (Basic and Diluted)	\$ (0.04)	\$ (0.02)	\$ (0.08)	\$ (0.05)
Weighted Average Shares Outstanding (Basic and Diluted)	118,862,734	108,482,042	112,094,593	101,231,559

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

Table of Contents**APPLIED MINERALS, INC.**

(An Exploration Stage Mining Company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the Nine Months Ended September 30, 2017 2016	
Cash Flows from Operating Activities:		
Net loss	\$(9,010,953)	\$(5,537,720)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	989,123	1,014,585
Amortization of discount - PIK Notes	3,784,911	1,824,715
Amortization of deferred financing costs	5,625	5,625
Issuance of PIK Notes in payment of interest	2,704,837	2,402,340
Stock issued for director fees and other services	- 0 -	53,914
Stock-based compensation expense	145,887	558,055
Stock issued for employee compensation	- 0 -	57,748
(Gain) loss on revaluation of PIK Note derivative	(1,066,368)	(2,425,555)
Gain on sale of property	- 0 -	(108,764)
Other	1,000	- 0 -
Change in operating assets and liabilities:		
Accounts receivable	304,424	(222,522)
Other current receivables	16,802	94,647
Deposits and prepaids	296,097	251,901
Accounts payable and accrued liabilities	413,720	80,536
Net cash used in operating activities	(1,414,895)	(1,950,495)
Cash Flows From Investing Activities:		
Sale of property	- 0 -	552,944
Purchases of property and equipment	(43,753)	(190,019)
Net cash provided by (used) in investing activities	(43,753)	362,925
Cash Flows From Financing Activities:		
Payments on notes payable	(230,336)	(204,924)
Proceeds from sale of common stock and warrants	910,000	1,640,000
Net cash provided by financing activities	679,664	1,435,076
Net change in cash and cash equivalents	(778,984)	(152,494)
Cash and cash equivalents at beginning of period	1,049,880	1,803,131

Cash and cash equivalents at end of period	\$270,896	\$1,650,637
---	-----------	-------------

Supplemental disclosure of cash flow information:

Cash paid for interest	\$5,301	\$4,647
------------------------	---------	---------

Supplemental disclosure of noncash financing activity:

Accrued PIK interest paid through issuance of PIK Notes	\$2,704,837	\$2,402,340
---	-------------	-------------

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

Table of Contents

APPLIED MINERALS, INC.

(An Exploration Stage Mining Company)

Notes to the Condensed Consolidated Financial Statements

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Applied Minerals is the owner of the Dragon Mine located in the Tintic Mining District of the State of Utah from where it produces halloysite clay and iron oxide. Since December, 2015, the great majority of the Company's revenue has been related to an 18-month take-or-pay agreement for the sale of AMIRON. Additionally, the Company is currently in various phases of commercial scale trials involving its AMIRON® natural iron oxide and DRAGONITE® halloysite clay-based products for use in a number of markets.

Applied Minerals is a publicly traded company incorporated in the state of Delaware. The common stock trades on the OTC Bulletin Board under the symbol AMNL.

Between December, 2015 and June 2017 the Company completed the sale of \$5.0 million of AMIRON to a customer as required by the terms of an exclusive, take-or-pay supply agreement entered into by the Company. The exclusivity of the agreement applied to the sale of AMIRON for a specific oilfield application. The customer may elect to make another \$5.0 million purchase at the end of five years (December 2020) and extend the exclusivity for this application for a total of ten years. For the nine months ended September 30, 2017, revenues from this customer accounted for 57.8% of total revenues. As of September 30, 2017, amounts owed by this customer totaled \$0. The remaining sales recognized during the nine months ended September 30, 2017, included the sale of DRAGONITE to a range of customers who used it in catalyst, molecular sieve, nucleation, paints and coatings and ceramic applications.

NOTE 2 – LIQUIDITY AND BASIS OF PRESENTATION

The accompanying financial statements have been prepared on a going concern basis. The Company has a history of recurring losses from operations and use of cash in operating activities. For the nine months ended September 30, 2017, the Company's net loss was \$9,010,953 and cash used in operating activities was \$1,414,895. At September 30, 2017, the Company had negative working capital of \$112,857 after taking into account \$1,277,900 of accrued PIK

Note interest, which the Company expects to pay in-kind and \$189,920 of payables for which the Company believes it has a statute of limitations defense. Additionally, the Company also expects to satisfy \$112,000 due a vendor in-kind with DRAGONITE. Although the Company obtained funds through a private placement of stock in August 2017, management cannot provide any assurance that it will be able to obtain additional financing needed. Collectively, these factors raise substantial doubt about the Company's ability to continue as a going concern.

Management believes that in order for the Company to meet its obligations arising from normal business operations through November 2018 that the Company requires (i) additional capital either in the form of a private placement of common stock or debt and/or (ii) additional sales of its products that will generate sufficient operating profit and cash flows to fund operations. Without additional capital or additional sales of its products, the Company's ability to continue to operate will be limited.

Based on the Company's current cash usage expectations, management believes it will not have sufficient liquidity to fund its operations through November 2018. Further, management cannot provide any assurance that it is probable that the Company will be successful in accomplishing any of its plans to raise debt or equity financing or generate significant additional product sales. Collectively, these factors raise substantial doubt regarding the Company's ability to continue as a going concern.

NOTE 3– BASIS OF REPORTING AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements of Applied Minerals, Inc. have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements.

In the opinion of management, these interim unaudited condensed consolidated financial statements contain all of the adjustments of a normal and recurring nature which are considered necessary for a fair presentation of the financial position of the Company and the results of its operations and cash flows for the periods presented. The results of operations for the nine months ended September 30, 2017 are not necessarily indicative of the operating results for the entire year. These financial statements should be read in conjunction with the financial statements and related disclosures for the year ended December 31, 2016, included in the Annual Report of Applied Minerals, Inc. on Form 10-K filed with the SEC on March 31, 2017.

The accompanying interim unaudited condensed consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in these notes. As of September 30, 2017, the Company's significant accounting policies and estimates remain unchanged from those detailed in the Company's

Annual Report on Form 10-K for the year ended December 31, 2016.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Applied Minerals, Inc. and its inactive subsidiary in northern Idaho.

6

Table of Contents

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. In these condensed consolidated financial statements, the PIK Note derivative liability, stock compensation and the assessment of the possible impairment of long-lived assets involve extensive reliance on management’s estimates. Actual results could differ from those estimates.

Fair Value

ASC Topic 820, *Fair Value Measurement and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This topic also establishes a fair value hierarchy, which requires classification based on observable and unobservable inputs when measuring fair value. The fair value hierarchy distinguishes between assumptions based on market data (observable inputs) and an entity’s own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1 – Quoted prices in active markets for identical assets and liabilities;

Level 2 – Inputs other than level one inputs that are either directly or indirectly observable; and

Level 3 – Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

Liabilities measured at fair value on a recurring basis are summarized as follows:

Fair value measurement using inputs			Carrying amount	
Level 1	Level 2	Level 3	September 30, 2017	December 31, 2016

Financial instruments:

Edgar Filing: Applied Minerals, Inc. - Form 10-Q

Series 2023 PIK Note Derivative	\$-0-	\$-0-	\$68,041	\$68,041	\$142,909
Series A PIK Note Derivative	\$-0-	\$-0-	\$1,074,133	\$1,074,133	\$2,033,643

The following table summarizes the activity for financial instruments at fair value using Level 3 inputs:

Balance at December 31, 2016	\$2,176,552
Additions related to the issuance of PIK Notes	31,990
Net unrealized gains included in net (loss)	(1,066,368)
Balance at September 30, 2017	\$1,142,174

The recorded value of certain financial assets and liabilities, which consist primarily of cash and cash equivalents, receivables, other current assets, and accounts payable and accrued expenses approximates the fair value at September 30, 2017 and December 31, 2016 based upon the short-term nature of the assets and liabilities. Based on borrowing rates currently available to the Company for loans with similar terms, and the remaining short-term period outstanding, the carrying value of notes payable other than PIK Notes approximates fair value. Estimated fair value of the PIK Notes Payable approximate \$31,809,504 and \$23,361,553, respectively, at September 30, 2017 and December 31, 2016.

For the Company's PIK Note derivative liabilities, Level 3 fair value hierarchy was estimated using a Monte Carlo Model using the following assumptions:

Series 2023 PIK Note derivative liability	Fair Value Measurements Using Inputs	
	September 30, 2017	December 31, 2016
Market price and estimated fair value of stock	\$0.04	\$ 0.12
Exercise price	\$1.14	\$ 1.28
Term (years)	5.83	6.58
Dividend yield	\$-0-	\$ -0-
Expected volatility	107.7 %	86.2 %
Risk-free interest rate	2.02 %	2.18 %

Series A PIK Note derivative liability	Fair Value Measurements Using Inputs	
	September 30, 2017	December 31, 2016

Edgar Filing: Applied Minerals, Inc. - Form 10-Q

Market price and estimated fair value of stock	\$0.04	\$ 0.12	
Exercise price	\$0.66	\$ 0.83	
Term (years)	5.83	6.58	
Dividend yield	\$-0-	\$ -0-	
Expected volatility	107.7%	86.2	%
Risk-free interest rate	2.02 %	2.18	%

7

Table of Contents

Per share data

Loss per share for the three months ended September 30, 2017 and 2016, respectively, is calculated based on 118,862,734 and 108,482,042 weighted average outstanding shares of common stock. Loss per share for the nine months ended September 30, 2017 and 2016, respectively, is calculated based on 112,094,593 and 101,231,559 weighted average outstanding shares of common stock.

At September 30, 2017 and 2016, respectively, the Company had outstanding options and warrants to purchase 31,898,352 and 25,314,940 shares of Company common stock, and had notes payable which were convertible into 52,075,593 and 38,676,232 shares, respectively, of the Company common stock, none of which were included in the diluted computation as their effect would be anti-dilutive.

Recent Accounting Pronouncements

Recently Adopted

In November 2015, FASB issued Accounting Standards Update 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. Accounting Standards Update 2015-17 simplifies current guidance and requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet. Accounting Standards Update 2015-17 can be applied either prospectively or retrospectively and is effective for periods beginning after December 15, 2016, with early adoption permitted. The new guidance which was adopted in the quarter ended March 31, 2017 had no effect on its financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting", which simplifies several aspects of the accounting for employee share-based payment transactions. Under this amended guidance, all excess tax benefits and tax deficiencies will be recognized as income tax expense or benefit in the income statement in the period in which the awards vest or are exercised. In the statement of cash flows, excess tax benefits will be classified with other income tax cash flows in operating activities. The amended guidance also gives the option to make a policy election to account for forfeitures as they occur and increases the threshold for awards that are partially settled in cash to qualify for equity classification. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted. The new guidance which was adopted in the quarter ended March 31, 2017 had no effect on the financial statements. In accordance with ASU 2016-09, the Company has made the accounting policy election to continue to estimate forfeitures.

Not Yet Adopted

In May 2014, the FASB issued guidance on revenue recognition, which provides a single, comprehensive revenue recognition model for all contracts with customers and superseded most existing revenue recognition guidance. The main principle under this guidance is that an entity should recognize revenue at the amount it expects to be entitled to in exchange for the transfer of goods or services to customers. This guidance is effective for interim and annual reporting periods beginning after January 1, 2018. The Company will adopt the new standard in the first quarter of 2018. The cumulative effect of the initial adoption will be reflected as an adjustment to the opening balance of retained earnings as of the date of the application of the guidance. The Company will finalize its assessment in the fourth quarter of 2017.

In February 2016, the FASB issued ASU 2016-02 (“Topic 842”) new accounting guidance for leases, which supersedes previous lease guidance. Under this guidance, for all leases with terms in excess of one year, including operating leases, the Company will be required to recognize on its balance sheet a lease liability and a right-of-use asset representing its right to use the underlying asset for the lease term. The new guidance retains a distinction between finance leases and operating leases and the classification criteria is substantially similar to previous guidance. Additionally, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed. The Company is currently evaluating the impact of this guidance on its consolidated financial statements. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the effect this ASU will have on its consolidated financial statement and disclosures.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” which (i) significantly changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model; and (ii) provides for recording credit losses on available-for-sale (AFS) debt securities through an allowance account. The update also requires certain incremental disclosures. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the effect this ASU will have on its consolidated financial statements and disclosures.

Table of Contents**NOTE 4 - INCOME TAX**

Income tax provisions or benefits for interim periods are computed based on the Company's estimated annual effective tax rate. Based on the Company's historical losses and its expectation of the continuation of losses for the foreseeable future, the Company has determined that it is more likely than not that deferred tax assets will not be realized and, accordingly, has provided a full valuation allowance as of September 30, 2017 and December 31, 2016.

NOTE 5 – CONVERTIBLE DEBT (PIK NOTES)

As of September 30, 2017, the liability components of the PIK Notes on the Company's balance sheet are listed in the following table:

	Series 2023 Notes	Series A Notes	Total
PIK Note Payable, Gross	\$15,513,290	\$25,388,513	\$40,901,803
Less: Discount	(1,598,654)	(9,759,558)	(11,358,212)
Less: Deferred Financing Cost	(2,992)	(5,133)	(8,125)
PIK Note Payable, Net	\$13,911,644	\$15,623,822	\$29,535,466
PIK Note Derivative Liability	\$68,041	\$1,074,133	\$1,142,174

As of December 31, 2016, the liability components of the PIK Notes on the Company's balance sheet are listed in the following table:

	Series 2023 Notes	Series A Notes	Total
PIK Note Payable, Gross	\$14,071,008	\$24,125,958	\$38,196,966
Less: Discount	(1,721,898)	(13,421,225)	(15,143,123)
Less: Deferred Financing Cost	(5,064)	(8,686)	(13,750)
PIK Note Payable, Net	\$12,344,046	\$10,696,047	\$23,040,093
PIK Note Derivative Liability	\$142,909	\$2,033,643	\$2,176,552

As of September 30, 2017, the conversion price of the Series 2023 Notes was \$1.14 and the conversion price of the Series A Notes was \$0.66. These conversion prices were adjusted per the terms of the Series 2023 Notes and Series A Notes, respectively after the Company's capital raise closed on August 29, 2017.

NOTE 6 - STOCKHOLDERS' EQUITY

During the nine months ended September 30, 2017, the Company issued a total of 250,000 shares of common stock valued at \$10,050 to directors and consultants as payments of fees.

During the nine months ended September 30, 2017, the Company issued 22,750,000 shares of common stock valued at \$910,000 as part of a private placement ("August 2017 offering"). In addition, a total of 2,275,000 shares valued at \$91,000 were issued in lieu of payment for fees associated with the August 2017 offering.

In connection with the August 2017 offering, the Company entered into registration rights agreements with each of the purchasers. The Company has an option to acquire the warrants; *provided*, that, the following conditions are met: (a) the average VWAP for the 20 consecutive trading days immediately preceding the date on which the call notice is given is equal or greater than \$0.20 and (b) a registration statement covering the resale of shares issuable upon exercise of the warrants is effective.

NOTE 7 - OPTIONS AND WARRANTS TO PURCHASE COMMON STOCK

Outstanding Stock Warrants

A summary of the status of the warrants outstanding and exercisable at September 30, 2017 is presented below:

Warrants Outstanding and Exercisable			
Exercise Price	Number Outstanding	Weighted Average	Weighted
		Remaining Contractual Life (years)	Average Exercise Price
\$0.04	6,256,250	4.92	\$ 0.04

Edgar Filing: Applied Minerals, Inc. - Form 10-Q

\$0.25	3,283,283	3.75	\$ 0.25
\$1.15	461,340	3.58	\$ 1.15
	10,000,873	4.48	\$ 0.36

Between January 1, 2017 and September 30, 2017, 6,256,250 warrants were issued as part of the sale of 22,750,000 Units. Each Unit included one (1) share of common stock and a warrant to purchase $\frac{1}{4}$ of a share of common stock. The intrinsic value of the outstanding warrants was \$0 at September 30, 2017.

Table of ContentsOutstanding Stock Options

A summary of the status and changes of the options granted under stock option plans and other agreements for the nine months ended September 30, 2017 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life *
Outstanding at beginning of period	21,277,479	\$ 0.87	4.00
Issued	650,000	0.25	4.75
Exercised	- 0 -	- 0 -	- 0 -
Forfeited	(30,000)	1.55	- 0 -
Outstanding at end of period	21,897,479	\$ 0.85	3.72
Exercisable at end of period	21,277,479	\$ 0.87	4.19

* Measured in years

During the nine months ended September 30, 2017, the Company granted 650,000 options to purchase the Company's common stock with a weighted average exercise price of \$0.25. The options vested immediately. The weighted-average grant-date fair value of the options granted was \$0.02.

Compensation expense of \$23,077 and \$145,832 has been recognized for the vested options for the three months ended September 30, 2017 and 2016, respectively, and \$145,887 and \$510,877 for the nine months ended September 30, 2017 and 2016, respectively. The aggregate intrinsic value of the outstanding and exercisable options at September 30, 2017 was \$0 and \$0, respectively. At September 30, 2017, approximately \$35,099 of unamortized compensation expense associated with unvested options will be recognized over the next 0.33 years on a weighted average basis.

NOTE 8 - COMMITMENTS AND CONTINGENCIESOffice Lease

During 2016, the Company rented office space in New York, NY on a month-to-month basis at a monthly rent of approximately \$16,700 per month, for an aggregate of approximately \$201,000 for the year ended December 31, 2016. Effective January 1, 2017, the Company moved to a new temporary office location in Brooklyn, NY on a month-to-month basis at a monthly rent of approximately \$6,000 per month. The temporary office rental was pending completion of the Company's permanent office location in the same Brooklyn, NY building. On May 16, 2017, the Company entered into a five-year lease agreement for new permanent office space, the Company is obligated to pay a monthly rent of approximately \$9,000 for the period from May 16, 2017 through March 31, 2022.

The following table summarizes the Company's contractual obligations under the lease agreement referred above:

Payment Due By Year

	2017	2018	2019	2020	2021	2022	Total
Rent Obligations	\$26,100	\$107,010	\$110,222	\$113,530	\$116,934	\$24,480	\$498,285

Contingencies

In accordance with ASC Topic 450, when applicable, we record accruals for contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. We may become involved in or subject to, routine litigation, claims, disputes, proceedings and investigations in the ordinary course of business, which could have a material adverse effect on our financial condition, cash flows or results of operations.

NOTE 9 - SUBSEQUENT EVENTS

On October 4, 2017 the Company raised \$150,000 through the sale of 3,750,000 Units as part of August 2017 offering. Each Unit consisted of one share of Common Stock and one five-year warrant to purchase 0.25 share of Common Stock. Four (4) warrants can be exercised to acquire one whole share of Common Stock for \$0.04.

In October, 2017 the Company entered into an exclusive supply and purchase agreement with BASF Corporation. Per the agreement the Company and BASF will develop, co-brand and market halloysite-clay based products to markets that include paints and coatings, inks, rubber, adhesives, paper and ceramic honeycomb catalytic substrates. Both parties to the agreement will share profits.

Table of Contents

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

Forward-looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based on our current expectations, assumptions, estimates and projections about our business and our industry. Words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may," and other similar expressions identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements.

Overview

Applied Minerals, Inc. (the "Company" or "we" or "us") is focused primarily on (i) the development, marketing and sale of our halloysite clay-based DRAGONITE™ line of products for use in advanced applications such as, but not limited to, reinforcement additives for polymer composites, flame retardant additives for polymers, catalysts, controlled release carriers for paints and coatings, strength reinforcement additives for cement, concrete, mortars and grouts, advanced ceramics, rheology additives for drilling fluids, environmental remediation media, and carriers of agricultural agents and (ii) the development, marketing and sale of our AMIRON™ line of iron oxide products for pigmentary and technical applications. Halloysite is an aluminosilicate with a tubular structure that provides functionality for a number of applications. Iron oxides are inorganic compounds that are widely used as pigments in paints, coatings and colored concrete.

The Company owns the Dragon Mine, which has significant deposits of high-quality halloysite clay and iron oxide. The 267-acre property is located in southwestern Utah and its resource was mined for halloysite on a large-scale, commercial basis between 1949 and 1976 for use as a petroleum cracking catalyst. The mine was idle until 2001 when the Company leased it to initially develop its halloysite resource for advanced, high-value applications. We purchased 100% of the property in 2005. After further geological characterization of the mine, the Company identified a high-purity, natural iron oxide resource that it has commercialized to supply certain pigmentary and technical markets.

The Company has a mineral processing plant with a capacity of up to 45,000 tons per annum for certain applications that is currently dedicated to the processing of its AMIRON product. The Company has a smaller processing facility with a capacity of 5,000 – 10,000 tons per annum that is currently dedicated to its halloysite resource. The Company

believes it can increase its halloysite production capacity to meet an increase in demand through (i) an expansion of our on-site production capacity through a relatively modest capital investment and (ii) the use of a manufacturing tolling agreement.

In late 2015, the Company entered into a \$5 million take-or-pay supply agreement for its AMIRON product. The \$5 million portion of the take-or-pay agreement was completed in June, 2017. The customer may elect to make another \$5.0 million purchase at the end of five years and extend the exclusivity for this application for a total of ten years. The Company currently sells its DRAGONITE product to a manufacturer of advanced industrial molecular sieves, a leading manufacturer of zeolites, a building products manufacturer for use as a nucleating agent, and to a manufacturer of ceramic applications. The Company is involved in a number of advanced-stage product development projects with customers that operate within industries that include, but are not limited to, catalysts, molecular sieves, zeolites, oilfield services applications, flame retardant synergists and functional additives for paints and coatings. The Company has engaged leading special material distribution organizations, HORN, Brandt Technologies and Azelis Americas for the U.S. market, and Fimatec LTD for the Japanese market. In October, 2017 the Company entered into an exclusive supply and purchase agreement with BASF Corporation. Per the agreement the Company and BASF will develop, co-brand and market halloysite-clay based products to markets that include paints and coatings, inks, rubber, adhesives, paper and ceramic honeycomb catalytic substrates. Both parties to the agreement will share profits.

Applied Minerals is a publicly traded company incorporated in the state of Delaware. The common stock trades on the OTCQB under the symbol AMNL.

Critical Accounting Policies and Estimates

A complete discussion of our critical accounting policies and estimates is included in our Form 10-K for the year ended December 31, 2016. There have been no material changes in our critical accounting policies and estimates during the nine-month period ended September 30, 2017 compared to the disclosures on Form 10-K for the year ended December 31, 2016.

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements, if any, and the impact of these pronouncements on our Condensed Consolidated Financial Statements, if any, see Note 3 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Table of Contents**Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016****Results of Operations**

The following sets forth, for the periods indicated, certain components of our operating earnings, including such data stated as percentage of revenues:

	Three Months Ended September 30,		Variance	
	2017	2016	Amount	%
REVENUES	\$ 148,303	\$ 975,328	\$(827,025)	(84.8%)
OPERATING EXPENSES:				
Production costs	412,713	539,951	(127,238)	(23.6%)
Exploration costs	47,172	270,700	(223,528)	(82.6%)
General and administrative	664,217	977,716	(313,499)	(32.1%)
Depreciation expense	329,357	340,165	(10,808)	(3.2%)
Total Operating Expenses	1,453,459	2,128,532	(675,073)	(31.7%)
Operating Loss	(1,305,156)	(1,153,204)	151,952	13.2 %
OTHER INCOME (EXPENSE):				
Interest expense, net, including amortization of deferred financing cost and debt discount	(2,527,374)	(1,792,412)	734,962	41.0 %
(Loss) gain on revaluation of PIK Note derivative	(570,473)	1,134,149	1,704,622	150.3%
Other income (expense)	(4,064)	1,042	5,106	490.0%
Total Other Income (Expense)	(3,101,911)	(657,221)	2,444,690	372.0 %
NET LOSS	\$ (4,407,067)	\$ (1,810,425)	\$ 2,596,642	143.4 %

Revenue generated during the three months ended September 30, 2017 was \$148,303, a decrease of \$827,025, or 84.8%, when compared to the same period in 2016. This decrease was due primarily to an \$857,000 decline in sales of AMIRON iron oxide to a customer, which had entered into an 18-month take-or-pay supply agreement in November 2015. The Company completed its required delivery of 31,250 tons of AMIRON to the customer in June 2017. The decline was also driven by the decline of \$57,000 in sales of DRAGONITE to a customer, which uses it in a molecular sieve application and a decline of \$16,000 in sales of DRAGONITE to a customer, which uses it in a specialized zeolite application. The decline was partially offset by a \$72,000 increase in the sale of DRAGONITE to a customer,

which uses it in a flame retardant application for wood products.

Total operating expenses for the three months ended September 30, 2017 were \$1,453,459 compared to \$2,128,532 of operating expenses incurred during the same period in 2016, a decrease of \$675,073 or 31.7%. The decline in operating costs was driven by primarily by a \$313,499, or 32.1%, decline in general and administrative expense, a \$223,528, or 82.6%, decline in exploration costs, and a \$127,238, or 23.6%, decline in production costs when compared to the same period in 2016.

Production costs include those operating expenses which management believes are directly related to the mining and processing of the Company's iron oxide and halloysite minerals, which result in the production of its AMIRON and DRAGONITE products for commercial sale. Production costs include, but are not limited to, wages and benefits of employees who mine material and who work in the Company's milling operations, energy costs associated with the operation of the Company's two mills, the cost of mining and milling supplies and the cost of the maintenance and repair of the Company's mining and milling equipment. Wages and energy are the two largest components of the Company's production costs.

Production costs incurred during the quarter totaled \$412,713, a decline of \$127,238 or 23.6% when compared to the same period in 2016. The decline was driven primarily by a \$210,000 decline in wages incurred during the period related to a reduction in the Company's workforce due to the completion in June 2017 of the delivery of 31,250 tons of AMIRON to a customer, which had entered into an 18-month take-or-pay supply agreement in November 2015. The completion of the delivery of AMIRON also resulted in a \$30,000 decrease in utility expense when compared to the same period in 2016. The decline in production expense was partially offset by the incurrence of \$61,000 of freight expense related to the transportation of DRAGONITE halloysite clay to BASF, Kaolin for development work, the incurrence of \$26,100 of consulting expense related to the investigation of an accident at the mine and an increase of approximately \$23,000 in costs incurred for equipment repairs and rentals.

Table of Contents

Exploration costs include operating expenses incurred at the Dragon Mine that are not directly related to production activities. Exploration costs incurred during the three months ended September 30, 2017 were \$47,172 compared to \$270,700 of costs incurred during the same period in 2016, a decrease of \$223,524 or 82.6%. The decline in exploration costs during the period was driven, in large part, by a further reduction in exploration activities at the Dragon Mine. Exploration activities were further reduced as the Company's operations have become more focused on production.

The Company's general and administrative expenses are associated with its New York operations. General and administrative expenses incurred during the three months ended September 30, 2017 totaled \$664,217 compared to \$977,716 of expense incurred during the same period in 2016, a decrease of \$313,499, or 32.1%. The decline was driven primarily by a \$198,400 decrease in wage expense related to a reduction in both headcount and salaries at the Company's New York operations, a \$129,000 decline in the value of equity-based compensation granted to employees and directors, and a \$15,000 decline in rent expense.

Operating loss incurred during the three months ended September 30, 2017 was \$1,305,156 compared to a loss of \$1,153,204 incurred during the same period in 2016, a change of \$151,952 or 13.2%. The increase in operating loss during the quarter was due to an 84.8% decrease in revenue partially offset by a 31.7% decrease in operating expense.

Net loss for the three-month period ending September 30, 2017 was \$4,407,067 compared to net loss of \$1,810,425 incurred during the same period in 2016, an increase of \$2,596,642. The increase in net loss was due primarily to a \$151,952 increase in operating loss and a \$2,444,690 increase in total other expense. The increase in total other expense was driven by a \$1,704,622 change in the gain on revaluation of PIK Note derivative due to a smaller decline in the Company's stock price when compared to the same period in 2016 and its impact on the calculation of revaluation during the current period and a \$734,962 change in interest expense due to an increase in the principal amount of the Company's Series 2023 and Series A PIK Notes, which has resulted from the payment of interest in additional PIK Notes.

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Results of Operations

The following sets forth, for the periods indicated, certain components of our operating earnings, including such data stated as percentage of revenues:

	Nine Months Ended		Variance	
	September 30, 2017	2016	Amount	%
REVENUES	\$2,300,998	\$3,089,422	\$(788,424)	(25.5 %)
OPERATING EXPENSES:				
Production costs	2,125,007	1,572,795	552,212	35.1 %
Exploration costs	304,631	821,814	(517,183)	(62.9 %)
General and administrative	2,137,655	3,227,852	(1,090,197)	(33.8 %)
Depreciation expense	989,122	1,014,585	(25,463)	(2.5 %)
Total Operating Expenses	5,556,415	6,637,046	(1,080,631)	(16.3 %)
Operating Loss	(3,255,417)	(3,547,624)	(292,207)	(8.2 %)
OTHER INCOME (EXPENSE):				
Interest expense, net, including amortization of deferred financing cost and debt discount	(6,843,524)	(4,521,672)	2,321,852	51.3 %
(Loss) gain on revaluation of PIK Note derivative	1,066,368	2,425,555	1,359,187	56.0 %
Other income (expense)	21,620	106,021	84,401	79.6 %
Total Other Income (Expense)	(5,755,536)	(1,990,096)	3,765,440	189.2 %
NET LOSS	\$ (9,010,953)	\$ (5,537,720)	\$ 3,473,233	62.7 %

Revenue generated during the nine months ended September 30, 2017 was \$2,300,998, compared to \$3,089,422 of revenue generated during the same period in 2016, a decrease of \$788,424 or 25.5%. The decline was driven primarily by a \$1,382,800 decline in sales of AMIRON iron oxide to a customer, which had entered into an 18-month take-or-pay supply agreement in November 2015. The Company completed its required delivery of 31,250 tons of AMIRON to the customer in June 2017. The decline was partially offset by a \$198,400 increase in the sale of DRAGONITE as a nucleating agent to a manufacturer of building products, a \$154,400 increase in the sale of DRAGONITE to a manufacturer of molecular sieves, \$138,000 of sales of DRAGONITE to a compounder of polymer additives, \$72,000 of sales of DRAGONITE to a global manufacturer of wood products for use in a flame retardant application, a \$28,500 increase in the sale of DRAGONITE to a manufacturer of specialty zeolites and a \$10,450 increase in the sale of DRAGONITE to a manufacturer of high-performance, polymer-based proppants.

Table of Contents

Total operating expenses for the nine months ended September 30, 2017 were \$5,556,415 compared to \$6,637,046 of operating expenses incurred during the same period in 2016, a decrease of \$1,080,631 or 16.3%. The decline in operating costs was driven primarily by a \$1,090,197, or 33.8%, decrease in general and administrative expense and a \$517,183, or 62.9%, decrease in exploration costs, partially offset by an increase in production expense of \$552,212, or 35.1%.

Production costs include those operating expenses which management believes are directly related to the mining and processing of the Company's iron oxide and halloysite minerals, which result in the production of its AMIRON and DRAGONITE products for commercial sale. Production costs include, but are not limited to, wages and benefits of employees who mine material and who work in the Company's milling operations, energy costs associated with the operation of the Company's two mills, the cost of mining and milling supplies and the cost of the maintenance and repair of the Company's mining and milling equipment. Wages and energy are the two largest components of the Company's production costs.

Production costs for the nine months ended September 30, 2017 totaled \$2,125,007, an increase of \$552,212 or 35.1% when compared to the same period in 2016. The increase was the result of the incurrence of \$180,500 of expense related to manufacturing of master batch related to a customer sale, the incurrence of \$123,300 of expense related to the shipment of DRAGONITE clay to BASF for product development and production, a \$125,000 increase in equipment repair expense, a \$53,000 increase in equipment rental expense, and a \$48,000 increase in shipments of DRAGONITE samples.

Exploration costs include operating expenses incurred at the Dragon Mine that are not directly related to production activities. Exploration costs incurred during the nine months ended September 30, 2017 were \$304,631 compared to \$821,814 of costs incurred during the same period in 2016, a decrease of \$517,183 or 62.9%. The decline in exploration costs during the period was driven, in large part, by a further reduction in exploration activities at the Dragon Mine. Exploration activities were further reduced as the Company's operations have become more focused on production.

The Company's selling and administrative expenses are associated primarily with its New York operations. General and administrative expenses incurred during the nine months ended September 30, 2017 totaled \$2,137,655 compared to \$3,227,852 of expense incurred during the same period in 2016, a decrease of \$1,090,197, or 33.8%. The decline was driven primarily by a \$515,500 decrease in wage expense due to a reduction in headcount and salaries of certain executives, a \$341,600 decrease in the value of equity option-based compensation granted to employees and directors and a \$132,600 decrease in the director compensation due to a reduction in cash compensation and the value of stock-based grants.

Operating loss incurred during the nine months ended September 30, 2017 was \$3,255,417 compared to a loss of \$3,547,624 incurred during the same period in 2016, a decrease of \$292,207 or 8.2%. The decrease in operating loss

during the nine months ended September 30, 2017 was due to a \$1,080,631, or 16.3%, decrease in operating expense, partially offset by a \$788,424, or 25.5%, decrease in revenue.

Net loss for the nine months ended September 30, 2017 was \$9,010,953 compared to a loss of \$5,537,720 incurred during the same period in 2016, an increase of \$3,473,233, or 62.7%. The increase in net loss was due primarily to a \$3,765,440, or 189.2%, increase in total other expense. The increase in total other expense was driven primarily by a \$2,321,852 increase in interest expense due to an increase in the principal amount of the Company Series 2023 and Series A PIK Notes and a \$1,359,187 decrease in the gain on revaluation of PIK Note derivative due to a smaller change in the price of the Company's common stock during the period.

LIQUIDITY AND CAPITAL RESOURCES

The Company has a history of recurring losses from operations and use of cash in operating activities. For the nine months ended September 30, 2017, the Company's net loss was \$9,010,953 and cash used in operating activities was \$1,414,895. At September 30, 2017, the Company had negative working capital of \$122,857 after taking into account \$1,277,900 of accrued PIK Note interest, which the Company expects to pay in-kind and \$189,920 of payables for which the Company believes it has a statute of limitations defense. Additionally, the Company also expects to satisfy \$112,000 due a vendor in-kind with DRAGONITE.

Management believes that in order for the Company to meet its obligations arising from normal business operations through November, 2018 that the Company requires (i) additional capital either in the form of a private placement of common stock or debt and/or (ii) additional sales of its products that will generate sufficient operating profit and cash flows to fund operations. Without additional capital or additional sales of its products, the Company's ability to continue to operate will be limited.

Based on the Company's current cash usage expectations, management believes it will not have sufficient liquidity to fund its operations through November, 2018. Further, management cannot provide any assurance that it is probable that the Company will be successful in accomplishing any of its plans to raise debt or equity financing or generate significant additional product sales. Collectively, these factors raise substantial doubt regarding the Company's ability to continue as a going concern.

Cash used in operating activities during the first nine months of 2017 was \$1,414,895 compared to \$1,950,495 of cash used during the same period in 2016. The primary driver behind the \$535,600 reduction in cash used by operating activities during the period was an \$826,481 increase in cash generated from changes in operating assets and liabilities, partially offset by an increase in net loss of \$290,881 after adjusted for non-cash expenses and gains.

Cash used by investing activities during 2017 was \$43,753 compared to \$362,925 provided during the same period in 2016. The decrease in cash generated by investing activities during the period primarily resulted from the absence of proceeds of \$552,944 generated from the sale of the Company's non-core Idaho properties during the same period in 2016.

Table of Contents

Cash provided by financing activities during 2017 was \$679,664 compared to \$1,435,076 of cash provided during the same period in 2016. The difference was driven primarily by a \$730,000 decline in total proceeds raised from the sale of shares of common stock in August 2017 compared to the sale of shares of common stock in June 2016.

Total assets at September 30, 2017 were \$3,736,863 compared to \$6,079,539 at December 31, 2016, a decrease of \$2,342,676 due primarily to a decline in cash of \$778,984, a reduction in accounts receivable, deposits and prepaid expenses of \$633,522 and a \$945,370 decrease in net property and equipment.

Total liabilities were \$32,659,983 at September 30, 2017, compared to \$27,047,593 at December 31, 2016. The increase in liabilities was driven primarily by the increase in the outstanding balances of the Series 2023 and Series A PIK Notes, which resulted from the payment of interest expense through the issuance of additional Series 2023 and Series A PIK Notes.

ISSUANCE OF CONVERTIBLE DEBT

For information with respect to issuance of convertible debt, see Note 5 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements between the Company and any other entity that have, or are reasonable likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors.

For information with respect to the Company's contractual obligations under the five-year office space lease agreement, see Note 8 of Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have no exposure to fluctuations in interest rates, foreign currencies, or other factors.

ITEM 4. CONTROLS AND PROCEDURES

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934 (the “Exchange Act”), our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter covered by this quarterly report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were, as of the end of the fiscal quarter covered by this quarterly report, effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(d) under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated our internal controls over financial reporting to determine whether any changes occurred during the quarter covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there has been no such change during the quarter covered by this report.

Table of Contents

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As of the date of this report, there is no pending or threatened litigation. We may become involved in or subject to, routine litigation, claims, disputes, proceedings and investigations in the ordinary course of business, could have a material adverse effect on our financial condition, cash flows or results of operations.

ITEM 1A. RISK FACTORS.

There were no additions or material changes to the Company's risk factors disclosed in Item 1A of Part I in the Company's 2016 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Through November 14, 2017, the Company raised \$1,060,000 through the sale of 26,500,000 Units as part of a private placement. Each Unit consisted of one share of Common Stock and one five-year warrant to purchase 0.25 share of Common Stock. Four (4) warrants can be exercised to acquire one whole share of Common Stock for \$0.04.

In connection with the August 2017 offering, the Company entered into registration rights agreements with each of the purchasers. The Company has an option to acquire the warrants; *provided*, that, the following conditions are met: (a) the average VWAP for the 20 consecutive trading days immediately preceding the date on which the call notice is given is equal or greater than \$0.20 and (b) a registration statement covering the resale of shares issuable upon exercise of the warrants is effective.

The sale of the unit was exempt under Section 4(2) of the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and this Item is included in Exhibit 95 to this Form 10-Q.

ITEM 5. OTHER INFORMATION

None.

16

Table of Contents

ITEM 6. EXHIBITS

(a) Exhibits.

The following exhibits are included in this report:

Exhibit Number	Description of Exhibit
31.1	<u>Certification pursuant to Rule 13a-14 of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, of the Principal Executive Officer</u>
31.2	<u>Certification pursuant to Rule 13a-14 of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, of the Principal Financial Officer</u>
32.1	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Principal Executive Officer</u>
32.2	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Principal Financial Officer</u>
95	Mine Safety Disclosure
101.INS	XBRL Instance
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation

XBRL Information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

Table of Contents

SIGNATURES

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

APPLIED MINERALS, INC.

Dated: November 14, 2017 /s/ ANDRE M. ZEITOUN
By: Andre M. Zeitoun
Chief Executive Officer

Dated: November 14, 2017 /s/ CHRISTOPHER T. CARNEY
By: Christopher T. Carney
Chief Financial Officer