

NEW JERSEY MINING CO
Form 10-Q
May 15, 2008

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

FORM 10-Q

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

For the quarterly period ended **March 31, 2008**

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

For the transition period from _____ to _____

Commission file number: **000-28837**

NEW JERSEY MINING COMPANY

(Exact name of registrant as specified in its charter)

Idaho
(State or other jurisdiction
of incorporation)

82-0490295
(IRS employer identification no.)

89 Appleberg Road, Kellogg, Idaho 83837
(Address of principal executive offices)

Registrant's telephone number, including area code: **(208) 783-3331**

Common Stock

The OTC-Bulletin Board

Title of each class

Name and exchange on which registered

Indicate by check mark 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 as the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days.

Yes No

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

On May 1, 2008 36,010,192 shares of the registrant's common stock were outstanding.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated

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filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and small reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

**NEW JERSEY MINING COMPANY
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD
ENDED MARCH 31, 2008**

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PART I-FINANCIAL INFORMATION**Item 1: FINANCIAL STATEMENTS**

New Jersey Mining Company
(A Development Stage Company)

Balance Sheets

March 31, 2008 (Unaudited) and December 31, 2007

ASSETS

| | March 31, 2008 | December 31, 2007 |
|--|-------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 1,102,309 | \$ 271,473 |
| Investment in marketable equity security at market (cost-\$6,531) | 269,412 | 391,872 |
| Interest receivable | 2,322 | 1,277 |
| Inventory | 58,309 | 89,517 |
| Total current assets | 1,432,352 | 754,139 |
| Property, plant, and equipment, net of accumulated depreciation | 1,508,305 | 1,524,463 |
| Mineral properties, net of accumulated amortization | 1,071,920 | 1,004,444 |
| Reclamation bonds | 126,073 | 126,073 |
| Total assets | \$ 4,138,650 | \$ 3,409,119 |

LIABILITIES AND STOCKHOLDERS EQUITY

| | | |
|---|-------------|-------------|
| Current liabilities: | | |
| Accounts payable | \$ 74,870 | \$ 63,544 |
| Accrued payroll and related payroll expenses | 39,243 | 37,730 |
| Obligations under capital lease-current portion | 36,265 | 36,940 |
| Notes payable-current portion | 118,988 | 118,046 |
| Total current liabilities | 269,366 | 256,260 |
| Accrued reclamation costs | 47,650 | 19,800 |
| Obligation under capital lease-non-current | 38,086 | 46,956 |
| Notes payable-non-current | 234,208 | 263,896 |
| Total liabilities | 589,310 | 586,912 |
| Stockholders equity: | | |
| Preferred stock, no par value, 1,000,000 shares authorized; no shares issued and outstanding | | |
| Common stock no par value, 50,000,000 shares authorized; March 31, 2008-35,369,642 and December 31, 2007-32,291,192 shares issued and outstanding | 8,174,772 | 6,935,297 |
| Deficit accumulated during the development stage | (4,888,313) | (4,498,431) |
| Accumulated other comprehensive income | | |
| Unrealized gain in marketable equity security | 262,881 | 385,341 |

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| | | |
|---|--------------|--------------|
| Total stockholders equity | 3,549,340 | 2,822,207 |
| Total liabilities and stockholders equity | \$ 4,138,650 | \$ 3,409,119 |

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The accompanying notes are an integral part of the financial statements.

New Jersey Mining Company
(A Development Stage Company)
Statements of Operations and Comprehensive Loss (Unaudited)
For the Three Month Periods Ended March 31, 2008 and 2007,
And from Inception (July 18, 1996) through March 31, 2008

| | March 31, | | From Inception (July 18, 1996) Through March 31, 2008 |
|--|-------------------|-------------------|---|
| | 2008 | 2007 | |
| Income earned during the development stage: | | | |
| Sales of gold | \$ 50,559 | \$ | \$ 149,715 |
| Sales of concentrate | | 48,744 | 601,168 |
| | 50,559 | 48,744 | 750,883 |
| Costs and expenses: | | | |
| Direct production costs | 65,933 | 104,694 | 831,307 |
| Management | 67,073 | 63,184 | 1,042,388 |
| Exploration | 113,407 | 80,695 | 1,712,132 |
| Gain on sale of mineral property | | | (90,000) |
| Depreciation and amortization | 52,616 | 29,169 | 392,960 |
| General and administrative expenses | 142,333 | 112,139 | 1,751,292 |
| Total operating expenses | 441,362 | 389,881 | 5,640,079 |
| Other (income) expense: | | | |
| Timber sales | | | (54,699) |
| Timber expense | | | 14,554 |
| Royalties and other income | (1,266) | (917) | (71,468) |
| Royalties expense | 656 | | 34,273 |
| Gain on sale of marketable equity security | | | (70,109) |
| Interest income | (3,563) | (8,252) | (34,634) |
| Interest expense | 3,252 | 3,800 | 60,250 |
| Write-off of goodwill | | | 30,950 |
| Write-off of investment | | | 90,000 |
| Total other (income) expense | (921) | (5,369) | (883) |
| Net loss | 389,882 | 335,768 | 4,888,313 |
| Other Comprehensive income: | | | |
| Unrealized (gain) loss on marketable equity security | 122,460 | (75,000) | (262,881) |
| Comprehensive loss | \$ 512,342 | \$ 260,768 | \$ 4,625,432 |
| Net loss per common share-basic | \$ 0.01 | \$ 0.01 | \$ 0.28 |
| Weighted average common shares outstanding-basic | 33,538,593 | 29,736,290 | 17,512,942 |

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

New Jersey Mining Company
(A Development Stage Company)
Statements of Cash Flows (Unaudited)
For the Three Month Periods Ended March 31, 2008 and 2007,
And from Inception (July 18, 1996) through March 31, 2008

| | March 31, | | From Inception (July 18, 1996) through March 31, 2008 |
|---|--------------|--------------|---|
| | 2008 | 2007 | |
| Cash flows from operating activities: | | | |
| Net loss | \$ (389,882) | \$ (335,768) | \$ (4,888,313) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | | |
| Depreciation and amortization | 52,616 | 29,169 | 392,959 |
| Write-off of equipment | | | 11,272 |
| Write-off of goodwill and investment | | | 120,950 |
| Gain on sale of mineral property | | | (90,000) |
| Gain on sale of marketable equity securities | | | (70,109) |
| Stock issued for: | | | |
| Management and directors fees | 19,350 | 22,200 | 686,387 |
| Services and other | 11,125 | 7,700 | 172,436 |
| Exploration | 3,000 | 21,200 | 71,881 |
| Mineral property agreement | | | 15,000 |
| Change in: | | | |
| Inventories | 31,209 | 39,444 | (58,308) |
| Accounts receivable | | 2,041 | |
| Interest receivable | (1,045) | | (2,322) |
| Other assets | | | (778) |
| Accounts payable | 11,327 | (49,975) | 84,106 |
| Accrued payroll and related payroll expense | 1,512 | (2,745) | 39,242 |
| Accrued reclamation costs | | | 19,800 |
| Net cash used by operating activities | (260,788) | (266,734) | (3,495,797) |
| Cash flows from investing activities: | | | |
| Purchases of property, plant, and equipment | (7,304) | (147,279) | (985,236) |
| Deposits on equipment purchases | | (43,550) | |
| Purchase of mineral property | | | (14,904) |
| Proceeds from sale of mineral property | | | 120,000 |
| Purchase of reclamation bonds | | | (126,073) |
| Purchase of certificates of deposits | | | (200,000) |
| Proceeds from sales of certificates of deposits | | 200,000 | 200,000 |
| Purchase of marketable equity security | | | (7,500) |
| Proceeds from sales of marketable equity securities | | | 71,078 |
| Cash of acquired companies | | | 38,269 |
| Deferral of development costs | (68,781) | (24,337) | (484,883) |
| Net cash used by investing activities | (76,085) | (15,166) | (1,389,249) |
| Cash flows from financing activities: | | | |
| Exercise of stock purchase warrants | 1,206,000 | | 2,003,600 |

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| | | | | |
|--|---------------------|-------------------|---------------------|-----------|
| Sales of common stock, net of issuance costs | | 1,025,319 | | 4,225,626 |
| Principal payments on capital lease | (9,545) | (8,478) | | (129,437) |
| Principal payments on notes payable | (28,746) | (4,313) | | (112,434) |
| Net cash provided by financing activities | 1,167,709 | 1,012,528 | | 5,987,355 |
| Net change in cash and cash equivalents | 830,836 | 730,628 | | 1,102,309 |
| Cash and cash equivalents, beginning of period | 271,473 | 76,821 | | 0 |
| Cash and cash equivalents, end of period | \$ 1,102,309 | \$ 807,449 | \$ 1,102,309 | |
| Supplemental disclosure of cash flow information | | | | |
| Interest paid in cash | \$ 9,504 | \$ 3,801 | \$ 57,139 | |
| Non-cash investing and financing activities: | | | | |
| Common stock issued for: | | | | |
| Property, plant, and equipment | | | \$ 44,765 | |
| Mineral properties | | | \$ 294,300 | |
| Payment of accounts payable | \$ 12,205 | | \$ 12,205 | |
| Acquisitions of companies, excluding cash | | | \$ 743,653 | |
| Capital lease obligation incurred for equipment acquired | | | \$ 178,588 | |
| Notes payable for property and equipment acquired | \$ 22,378 | | \$ 446,399 | |

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

New Jersey Mining Company
Notes to Financial Statements
(Unaudited)

1. Basis of Presentation:

The unaudited financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, as well as the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation of the interim financial statements have been included. Operating results for the three month period ended March 31, 2008, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2008.

For further information refer to the financial statements and footnotes thereto in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007.

The Company presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 7, Accounting for Development Stage Entities, as management believes that while the Company's planned principal operations have commenced, the revenue generated from them is not sufficient to cover all corporate costs. Additional development of the Company's properties is necessary before a transition is made to reporting as a production stage company.

2. Description of Business

New Jersey Mining Company (the Company) was incorporated as an Idaho corporation on July 18, 1996. The Company's primary business is exploring for and developing gold, silver and base metal mining resources in Idaho.

3. Equity

Exercise of Stock Purchase Warrants

During the first quarter of 2008 the Company issued 3,015,000 shares of unregistered common stock, pursuant to the exercise of common stock purchase warrants. The warrants were exercised at \$0.40 per share for net proceeds of \$1,206,000.

Common Stock Issued for Goods and Services

The Company issued 38,700 shares of restricted common stock to President Fred W. Brackebusch for management services rendered in the first quarter of 2008. The shares were valued at a price of \$0.50 per share.

During the first quarter of 2008, the Company issued 9,750 shares at an average price of \$0.52 to other accredited and sophisticated individuals for goods and services, 10,000 shares at an average price of \$0.60 to certain hourly employees for service awards during the year, and 5,000 shares at an average price of \$0.60 for exploration goods and services.

4. Fair Value Measurement

Effective January 1, 2008, we adopted the provisions of SFAS No. 157, Fair Value Measurements, for our financial assets and financial liabilities without a material effect on our results of operations or financial position. The effective date of SFAS No. 157 for non-financial assets and non-financial liabilities has been deferred by FSP 157-2 to fiscal years beginning after November 15, 2008, and we do not anticipate the impact of adopting SFAS 157 for non-financial and non-financial liabilities to have a material impact on our results of operations or financial position.

SFAS No. 157 expands disclosure requirements to include the fair value measurement, and its fair value hierarchy level, for each major category of assets and liabilities that are measured at fair value.

Hierarchy level is determined by segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3).

The table below sets forth our financial asset that was accounted for at fair value at March 31, 2008, and its respective hierarchy level. We had no other financial assets or liabilities accounted for at fair value at March 31, 2008.

| | Balance at March 31, 2008 | Hierarchy Level |
|---|------------------------------|--------------------|
| Investments in marketable equity securities | 269,412 | Level 1 |

We also adopted the provisions of SFAS No. 159, The Fair Value Option for Financial Liabilities, effective January 1, 2008. SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. The adoption of SFAS No. 159 has not had a material effect on our financial position or results of operations as of and for the three months ended March 31, 2008.

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

Plan of Operation

The Company is executing its strategy to conduct exploration for gold, silver and base metal deposits in the greater Coeur d'Alene Mining District of northern Idaho while concurrently conducting mining and mineral processing operations on higher grade ore reserves it has located on its exploration properties. The financial strategy is to generate cash from these operations to pay for corporate expenses and to provide additional funds for exploration, thus reducing the need to raise funds through financing activities including sale of common stock. The strategy includes finding and developing ore reserves in order to increase production of gold, silver, and base metals.

The Company has five properties at which most exploration is being conducted; the Toboggan Project, the Niagara, the Golden Chest, the Silver Strand, and the Coleman. The Toboggan Project is a group of prospects in the Murray, Idaho District that appear to be related to alkaline magmatism and contain gold and silver telluride minerals. In the first quarter of 2008 a joint venture agreement was signed with Newmont North America Exploration Limited relating to exploration of the Toboggan Project. Newmont will conduct exploration in a 38 square mile area centered on the prospects that the Company has staked in the past two years. The Niagara copper-silver deposit was drilled in the 1970s, and although more drilling is needed to increase the confidence in resource estimates and to evaluate whether gold is a significant component of the deposit, the Company will conduct in-fill drilling and economic studies to determine if the deposit can be mined profitably. At the Golden Chest mine, production is not being done while a ramp is being driven to access a block of reserves discovered by drilling from the surface. Permits are in place and development of infrastructure has commenced in order to be able to begin production of silver-gold ore at the Silver Strand mine in 2008. At the Coleman underground mine, a drift is being driven toward a drill intercept which indicates the presence of higher grade gold-silver mineralization.

The Company continued to conduct core drilling operations in the first quarter of 2008 with its own core drilling machine. Drilling was done on the Scotch Thistle and Coleman properties in the New Jersey mine area of interest. Anomalous gold values were intersected at the Scotch Thistle prospect, but the drilling did not result in any new ore reserves. In the remainder of 2008, drilling will continue in the New Jersey mine area until weather allows the mobilization of the drill to the Murray area where drilling will continue for the rest of the year.

At the Toboggan Project where gold-silver telluride mineral systems have been located, Newmont will conduct exploration in 2008. Plans are to conduct soil and stream sediment sampling and geological reconnaissance.

The Company will also conduct geophysical surveys at the Niagara deposit and at other locations in the Murray area in the 2008 season.

At the Silver Strand mine, work will resume about June 1, 2008 when the heavy snowpack has melted. It is planned to complete the new adit started in 2007 and to start mining one of the ore reserve blocks late in the season.

The New Jersey mineral processing plant was operated during the latter part of the first quarter of 2008, processing ore from the Coleman vein. It is now planned to idle the plant after a stockpile of ore is processed until higher grade ore from the Silver Strand mine is available.

Changes in Financial Condition

The Company maintains an adequate cash balance by increasing or decreasing its exploration expenditures as limited by availability of cash from operations or from financing activities. The cash balance at the end of the first quarter of 2008 was \$1,102,309, and Figure 1 shows the corresponding balances for previous accounting periods.

The cash balance increased materially during the first quarter of 2008 due to the exercising of stock warrants which yielded \$1,206,000. Investment in marketable equity security decreased from \$391,872 to \$269,412 during the quarter due to decline in the stock price.

Results of Operations

Income Earned during the Development Stage (Revenue) for the first quarter 2008 was \$50,559 compared to \$48,744 in the first quarter of 2007. Figure 2 shows the net loss for the first quarter of 2008 of \$389,882 compared to the net loss for the first quarter of 2007 of \$335,768 and the net losses in previous accounting periods. The net loss increased in 2008 because of higher exploration and management costs.

Gold production was 31 ounces in the first quarter of 2008 as compared to 32 ounces for the respective 2007 period. Gold production is expected to be minimal in the second quarter and then to increase, along with silver production, when Silver Strand ore processing starts.

Stopping operations at the Golden Chest mine are expected to be suspended for the remainder of 2008 while the access ramp is being extended to the Idaho vein reserves. Once the Idaho vein ramp development is completed there will be enough reserves for many years of mining at the rate of 4,000 tonnes/year.

Ore production is planned to start at the Silver Strand mine in the third quarter of 2008, however a capital expenditure of approximately \$150,000 will be required to bring the mine into production. Operating results at the Silver Strand mine will depend upon the price of silver as well as gold. Present silver and gold prices are sufficient in management's estimation to generate a gross profit at the Silver Strand mine based on the operating plan which was part of the permitting process.

Some capital expenditures are planned for the mineral processing plant in 2008 for a new ore feeder and another filter. Mill feed will come from the Coleman mine and the Silver Strand mine in 2008.

The amount of money to be spent on exploration at the Company's mines and prospects will depend upon the amount of gross profit generated by operations and the amount of money raised by financing activities. Basically, management expects to be able to continue the present operating scenario with its three active mines and mineral processing plant indefinitely, but expanded exploration or production activities depend upon the results of financing activities.

Item 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for small reporting companies.

Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

At March 31, 2008, our President who also serves as our Chief Accounting Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) of the Securities Exchange Act of 1934 (the Exchange Act), which disclosure controls and procedures are designed to insure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods specified by the Securities & Exchange Commission rules and forms.

Based upon that evaluation, it was concluded that our disclosure controls were effective as of March 31, 2008, to ensure timely reporting with the Securities and Exchange Commission. Specifically, the Company's corporate governance and disclosure controls and procedures provided reasonable assurance that required reports were timely and accurately reported in our periodic reports filed with the Securities and Exchange Commission.

Changes in internal control over financial reporting.

The President and Principal Accounting Officer conducted evaluations of our internal controls over financial reporting to determine whether any changes occurred during the quarter ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. No material changes in internal control over financial reporting occurred in the quarter ended March 31, 2008.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

None

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

Neither the constituent instruments defining the rights of the Company's securities filers nor the rights evidenced by the Company's outstanding common stock have been modified, limited or qualified.

During the first quarter of 2008 the Company issued 3,015,000 shares of unregistered common stock, pursuant to the exercise of common stock purchase warrants. The warrants were exercised at \$0.40 per share for net proceeds of \$1,206,000. In management's opinion, the sale of the restricted shares, as defined under Rule 144, was made in reliance on exemptions from registration provided by Section 4(2) and Rule 506 of Regulation D of the Securities Act of 1933, as amended and other applicable Federal and state securities laws.

The Company issued 38,700 shares of restricted common stock to President Fred W. Brackebusch for management services rendered in the first quarter of 2008. The shares were valued at a price of \$0.50 per share. In management's opinion, the securities were issued pursuant to exemption from registration under Section 4(2) of the Securities Act of 1933, as amended.

During the first quarter of 2008, the Company issued 9,750 shares at an average price of \$0.52 to other accredited and sophisticated individuals for goods and services, 10,000 shares at an average price of \$0.60 to certain hourly employees for service awards during the year, and 5,000 shares at an average price of \$0.60 for exploration goods and services. In management's opinion, the securities were issued pursuant to exemptions from registration under Section 4(2) of the Securities Act of 1933, as amended.

Item 3. DEFAULTS UPON SENIOR SECURITIES

The Company has no outstanding senior securities.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS

| <u>Number</u> | <u>Description</u> |
|---------------|--|
| 31.1 | <u>Certification pursuant to Section 302 of the Sarbanes-Oxley act of 2002.</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.</u> |

SIGNATURES

Pursuant to 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.

NEW JERSEY MINING COMPANY

By: /s/ Fred W. Brackebusch

Fred W. Brackebusch, its
President, Treasurer & Director
Date: May 14, 2008

By: /s/ Grant A. Brackebusch

Grant A. Brackebusch, its
Vice President & Director
Date: May 14, 2008