

Applied Minerals, Inc.
Form S-1/A
April 10, 2015
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As filed with the Securities and Exchange Commission on April 10, 2015

Registration No. _____

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

Amendment No. 1

to

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

Delaware 1400 82-0096527
(State of jurisdiction of (Primary Standard Industrial (I.R.S. Employer
incorporation or organization) Classification Code Number) Identification No.)

110 Greene Street, Suite 1101, New York, NY 10012
(212) 226-4265

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

William Gleeson
General Counsel
Applied Minerals, Inc.

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110 Greene Street – Suite 1101, New York, NY 10012

(212) 226-4251

(Name, address and telephone number of agent for service)

Approximate date of proposed sale to the public:

From time to time after this Registration Statement becomes effective.

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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PROSPECTUS
APPLIED MINERALS, INC.

40,931,093 shares of Common Stock

This prospectus relates to the offer and sale, from time to time, by the sellers (“Selling Stockholders”) of up to 40,931,093 shares of Common Stock, par value \$.001 (“Common Stock”) issuable on conversion of 10% PIK-Election Convertible Notes due 2018 (“Series A Notes” or the “Notes”) issued on November 3, 2014. 21,574,441 of those Shares were issuable as of the issue date on the conversion of the Series A Notes. Payment-in-kind interest is interest paid by increasing the principal of the Series A Notes. 19,356,652 shares is the maximum number of additional shares that may be issued on conversion of Series A Notes. This number assumes that the Company elects to pay only payment-in-kind interest (not cash) and immediately prior to the 2018 maturity date, the maturity date to be extended from 2018 to 2023, the interest rate is lowered to 1% and the conversion price is reduced by \$.10, all in accordance with the terms of the Notes. Given the Company’s financial condition, it is likely that interest payments will be made only in the form of payment-in-kind. The shares of Common Stock that may be issued on conversion of the Series A Notes are referred to as the “Shares.”

The term “Selling Stockholders” includes the persons listed in the table under “Selling Stockholders,” and also donees, pledgees, transferees or other successors-in-interest, selling Shares or interests in Shares received after the date of this prospectus from a Selling Stockholder as a gift, pledge, partnership distribution, or other transfer. The Selling Stockholders may sell all or any portion of their Shares in one or more transactions on any stock exchange, market or trading facility on which the shares are traded or in private, negotiated transactions. Each Selling Stockholder will determine the prices at which the Selling Stockholder’s Shares will be sold. Although the Company will incur expenses in connection with the registration of the Shares offered under this prospectus, the Company will not receive any proceeds from the sale of the shares of Common Stock by the Selling Stockholders.

Our Common Stock is quoted on the OTCBB under the symbol “AMNL.” On April 8, 2015, the closing bid quotation of our Common Stock was \$ 0.68. Our principal executive offices are located 110 Greene Street, Suite 1101, New York, NY 10012. Our telephone number is (212) 226-4265.

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

The shares of Common Stock offered under this prospectus involve a high degree of risk. See “Risk Factors” beginning at page 7 and the risk factors that are incorporated by reference in this prospectus from our filings made with the

Securities and Exchange Commission.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is —, 2015

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

The Selling Stockholders are offering to sell, and seeking offers to buy, shares of the Shares only in jurisdictions where offers and sales are permitted.

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

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NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K 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.

In the discussion under "Business" and in particular under "Business Review- 2014", the Company discusses a wide range of forward-looking information, including the Company's beliefs and expectations concerning business opportunities, potential customer interest, customer activities (including but not limited to testing, scale-ups, production trials, field trials, product development), and the Company's expectations as to sales, the amount of sales, and the timing of sales. Whether any of the foregoing will actually come to fruition, occur, be successful, or result in sales and the timing and amount of such sales is uncertain.

More generally, all forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forwardlooking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section of this Annual Report entitled "1A. RISK FACTORS."

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PROSPECTUS SUMMARY

You should read this summary in conjunction with the more detailed information and financial statements in this prospectus and any supplement thereto as well as incorporated by reference into this prospectus or any supplement. This summary does not contain all of the information you should consider before investing in our securities. You should read all of the information in this prospectus and any supplement thereto and incorporated in this prospectus carefully, especially the risks of investing in our securities (see “Risk Factors”) before making an investment decision.

Securities Being Offered This prospectus relates to the offer and sale, from time to time, by the sellers (“Selling Stockholders”) of up to 40,931,093 shares of Common Stock, par value \$.001 (“Common Stock”) issuable on conversion of 10% PIK-Election Convertible Notes due 2018 (“Series A Notes” or the “Notes”) issued on November 3, 2014. 21,574,441 of those Shares were issuable as of the issue date on the conversion of the Series A Notes. Payment-in-kind interest is interest paid by increasing the principal of the Series A Notes. 19,356,652 shares is the maximum number of additional shares that may be issued on conversion of Series A Notes. This number assumes that the Company elects to pay only payment-in-kind interest (not cash) and immediately prior to the 2018 maturity date, the maturity date to be extended from 2018 to 2023, the interest rate is lowered to 1% and the conversion price is reduced by \$.10, all in accordance with the terms of the Notes. Given the Company’s financial condition, it is likely that interest payments will be made only in the form of payment-in-kind. The shares of Common Stock that may be issued on conversion of the Series A Notes are referred to as the “Shares.”

See “The Series A Notes,” “The Offering,” and “Selling Stockholders.”

Use of Proceeds The Company will receive none of the proceeds for the sale of the Shares. The proceeds will go to the Selling Stockholders.

See “Use of Proceeds”

Plan of Distribution The term “Selling Stockholders” includes the persons listed in the Selling Stockholders table and also donees, pledgees, transferees or other successors-in-interest, selling Shares or interests in Shares received after the date of this prospectus from a Selling Stockholder as a gift, pledge, partnership distribution or other transfer. The Selling Stockholders may, from time to time, sell any or all of their Shares 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 Stockholders may also engage in puts and calls and other transactions in our Common Stock or derivatives of our Common Stock and may sell or deliver the Shares in connection with these trades.

Broker-dealers engaged by the Selling Stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated.

See “Plan of Distribution.”

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Business The Company owns the Dragon Mine, located in Eureka, Utah. For reporting purposes under the rules of the U.S. Securities and Exchange Commission, the Company is classified as an exploration-stage company. The Dragon Mine contains deposits of halloysite clay as well as deposits of mixed clays containing various levels of halloysite and also deposits of iron oxide. In addition, there are approximately 24,229 tons of iron oxide above ground and already mined. This consistent grade consists of over 94% pure iron oxide. Finally, there are also five waste piles at the Dragon Mine resulting from the mining operations of former owners and the clay minerals in waste piles may have potential for commercialization.

As of April 8, 2015, the Company has not classified the halloysite or the other clay deposits at the Dragon Mine as reserves according to Industry Guide No. 7 of the U.S. Securities and Exchange Commission.

As of April 8, 2015, the Company is marketing its halloysite clay products under the tradename Dragonite for the purpose of enhancing the performance of a range of high-end commercial applications, many of which have not previously utilized halloysite. It is also marketing the halloysite clay for certain traditional uses of halloysite clay. The Company is not marketing the other clays.

The Company is also marketing its iron oxide, but as of April 8, 2015 has not classified the iron oxide deposit as a reserve according to Industry Guide No. 7.

The Company has not yet begun to market the mineralization in the waste piles and as of April 8, 2015, has not classified that mineralization in the waste piles as a reserve according to Industry Guide No. 7.

As of April 8, 2015 sales of halloysite and the iron oxide have been minimal.

Under Industry Guide 7, a “reserve” is “that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.” Generally speaking, a company may not declare reserves, unless, among other requirements, competent professional engineers conduct a detailed engineering and economic study and prepare a “bankable” or “final” feasibility study that “demonstrates that a mineral deposit can be mined profitably at a commercial rate.”

The Company commissioned a study of “resources” under the JORC Code of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. That study indicated the existence of JORC “resources” of halloysite clay and iron oxide. A JORC resource is defined as a “mineral deposit in such

form, grade . . . and quantity that there are reasonable prospects for eventual economic extraction,” a lower standard than that used for a final feasibility study.

Significant additional steps, including the demonstration of the ability of the Company to penetrate markets, would be necessary before a “bankable” or “final” feasibility study can be prepared.

Despite the fact that the Company has not established reserves, the Company has mined, processed and sold, and intends to continue to mine, process, and sell, halloysite clay and iron oxide from the Dragon Mine.

A consequence of the absence of reserves under Industry Guide 7 is that the mining company, such as the Company, is deemed to lack an objective basis to assert that it has a deposit with mineralization that can be economically and legally extracted or produced and sold to produce revenue.

In November, 2014, the Company raised \$12.5 million in capital financing through the issuance of the Series A Notes.

At December 31, 2014 and December 31, 2013, the Company had accumulated deficits during the exploration stage of \$72,138,289 and \$61,821,972, respectively, in addition to unprofitable operations. For the twelve months ended December 31, 2014 and 2013, the Company sustained net losses from continuing operations of \$10,316,317 and \$13,063,526, respectively. The Company's future is contingent upon its ability to obtain additional financing and/or to generate revenue and cash flow to meet its obligations on a timely basis. The Company has historically been unable to generate enough revenue and cash flow to fund its operating expenses and capital expenditures.

See “Business,” “Properties,” and “Financial Statements.”

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An investment in our Common Stock is very speculative and involves a high degree of risk. If you decide to buy our Common Stock, you should be able to afford a complete loss of your investment.

Risk Factors

In order to meet operating expenses, the Company has had to raise funds from investors through the issuance of equity and convertible debt securities. If the Company is unable to fund its operations through the commercialization of the Dragon Mine, and/or the sale of equity, debt, or a combination of both, it may have to file bankruptcy.

See "Risk Factors."

Holders of Common Stock are entitled to one vote per share. Holders of Common Stock have no cumulative voting rights in the election of directors. Two shareholders have certain rights, which are described in the footnote 4 to the Selling Stockholders table to nominate directors.

Common Stock Rights

Holders of Common Stock are entitled to receive ratably dividends if, as, and when dividends are declared from time to time by our Board of Directors out of funds legally available for that purpose, after payment of dividends required to be paid on outstanding preferred stock or series Common Stock. The Series A Notes prohibit dividends without the approval of the holders of a majority of the principal amount of the Series A Notes. The Company has never paid a dividend and does not anticipate paying one in the future.

See "Description of Common Stock."

Market for Our

Our Common Stock is traded on the OTCBB. On April 8, 2015, the closing market price on the OTCQB was \$0.68.

Common Stock

See "Price Range of our Common Stock."

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BUSINESS

Applied Minerals, Inc. (the “Company” or “we” or “us”) is focused primarily on (i) the development and marketing of our halloysite clay-based DRAGONITE™ line of products for use to improve the performance of end-products in application markets such as flame retardant additives for plastics, nucleation, thermosets and adhesives, reinforcement, molecular sieves and catalysts, ceramics, binders, cosmetics, controlled release carriers and environmental remediation and (ii) the development and marketing of our AMIRON™ line of iron oxide products for pigmentary and technical applications.

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 develop its halloysite resource for advanced, high-value applications. We purchased 100% of the property in 2005.

Halloysite is an aluminosilicate clay that possesses a tubular morphology with a hollow lumen (pore). Traditionally, halloysite has been used to manufacture porcelain, bone china and catalysts used in the petroleum cracking process. A significant amount of academic and industrial research has been performed on the commercial uses of halloysite clay beyond porcelain products and ceramic catalysts. This research has identified a wide array of application areas in which the unique morphology of halloysite can be utilized to either enhance the performance of existing applications or create new high-performance ones. Since 2009, management has been primarily focused on developing halloysite-based products for advanced applications, such as, but not limited to, reinforcement additives for polymer composites, flame retardant additives for polymers, controlled release carriers for paints and coatings, environmental remediation media, and carriers of agricultural agents. The clays used in these advanced applications sell for significantly higher prices than those used in more traditional applications. Nanoclays have been used as additives to develop high performance plastic composites. These nanoclays provide functionality to polymer matrices that cannot be replicated using traditional fillers. Nanoclays, such as treated montmorillonite, sell for up to \$5,000 per ton due, in large part, to the cost associated with exfoliating the clay so it may be properly dispersed within a polymer matrix. Halloysite has been shown to be as effective a polymer additive as nanoclay without requiring a costly exfoliation to disperse it within a polymer matrix. The Company has and continues to utilize a number of employees and consultants to research and develop the use of halloysite for advanced applications.

In addition to the development of its halloysite resource, management has also developed a line of iron oxide-based products for the pigmentary and technical markets. The Dragon Mine has a resource of 3.3 million tons of natural iron oxide mineralized material, which is comprised primarily of goethite and hematite. Initially, the resource was considered to be utilizable as only an input of the steel-manufacturing process but, upon additional analysis, the iron resource was found to be a high-quality natural iron oxide due to its high Fe₂O₃ content, exceptional chemical purity, good dispersability, good tinting strength and color saturation, low color variation, and low content of heavy metals. High-quality iron oxides have commercial uses in a number of higher value applications such as the aforementioned

pigmentary and technical markets. The Company's AMIRON product line includes semi-transparent and opaque pigments for the construction, concrete, paints and coatings, and plastics and rubber industries. AMIRON's technical oxides, due to their particularly high surface area of 25 m²/g – 125 m²/g and reactivity, can be used as the media for the removal of toxins from waste and drinking water, as a catalyst for desulfurization, and a foundry sand additive. The Company currently has 24,229 tons of mined iron ore in stockpiles on the surface of the mine property.

The Company has carried out an extensive drilling program to characterize the mineralized material at the Dragon Mine. In January 2014, the Company commissioned a mineral processing plant with a capacity of up to 45,000 tons per annum for certain applications. Currently, this facility is dedicated to the iron oxide resource except for occasional processing of halloysite. Additionally, the Company has small processing facility with a capacity of 5,000 – 10,000 tons per annum that is dedicated to its halloysite resource.

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The following table discloses (i) the number of tons of halloysite clay and iron oxide extracted by the Company from the Dragon Mine and (ii) the number of tons of finished product produced by the Company during the 12 months ended December 31, 2013 and 2014, respectively:

	2014	2013
Tons extracted		
Halloysite clay	650	450
Iron oxide	2,200	3,300
Products produced (tons)		
Halloysite clay	69	22
Iron oxide	166	13

The table below discloses the percentage of total revenue by product category for the twelve months ended December 31, 2014 and 2013. "Testing" represents revenue generated from the sale of products used for laboratory testing by customers or potential customers. "Scale-Ups" represents revenue generated from the sale of products to customers or potential customers to determine whether our products perform successfully within a production-scale environment. "Commercial Production" represents revenue generated from the sale of products to customers that are either consumed by the customer or incorporated into a product that is sold by a customer to a third-party. "Other" represents revenue generated from the sale of products for which the Company is not aware of the use by a potential customer.

	Percentages of Sales Classified by Customer Use	
Sales for:	2014	2013
Commercial Production	70	69
Scale-Ups	26	17
Testing	2	4
Other	2	10
	100	100

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

BUSINESS REVIEW - 2014

Financing

On November 4, 2014, the Company raised \$12,500,000 through the sale of \$19,848,483 principal amount of 10% Convertible-Elect PIK Notes due 2018 (the “ Series A Notes”). The Series A Notes are mandatorily convertible by the Company after two years under certain conditions and the maturity of the Notes may be extended if certain conditions are met.

Technical Ceramics and Porcelain

During 2014 the Company continued to supply a well-known producer of ceramic formulations. This customer utilizes DRAGONITE as a binder for use in high-value ceramic tiles. DRAGONITE, among other things, provides increased strength, whiteness, and translucency for certain ceramic applications.

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A large manufacturer of sanitaryware products has carried out a product development scale-up of an application that utilizes DRAGONITE as an additive that both improves the green strength of the ceramic body and reduces the manufacturing time of the ceramic-based product. The Company continues to focus on the conversion of this opportunity. Management is marketing such functionality of its DRAGONITE to the two other leading global sanitaryware producers.

OPF Enterprises, LLC, a sales agent of the Company, continues to introduce the Company's DRAGONITE to potential customers focused on ceramic applications. The purity and physical characteristics of the Dragon Mine's halloysite continue to attract significant attention from potential customers.

Plastics, Adhesives and Coatings

The Company continued to receive orders in 2014 for its DRAGONITE HP nucleating agent from a leading producer of plastic lawn and garden equipment. DRAGONITE HP, for this customer, is being utilized in two separate products primarily to (i) improve product strength, (ii) reduce structural defects and shrinkage of molded parts, resulting in lower scrap rates, and (iii) reduce cycle time of its molded plastic components, which results in a decrease in manufacturing costs.

Beginning in 2015, this customer has decided to outsource the molding of one of its two products utilizing Dragonite-HP to an injection molding contractor. As part of this transition, the injection molding contractor was introduced Dragonite HP. After seeing the benefits of Dragonite-HP in the products produced for the lawn and garden customer, the contractor communicated to the Company its intention to utilize Dragonite-HP for certain other of its customers. During the first quarter of 2015, this customer ordered 10 tons of Dragonite-HP.

During the latter half of 2014, the Company received a purchase order for 20 tons of DRAGONITE from a leading manufacturer and marketer of foaming agents for plastics. DRAGONITE, when combined with a foaming agent, both enhances foaming properties and reduces cycle time for the foamed plastic part. The Company expects this customer to aggressively market its foaming agent with DRAGONITE and believes the order rate for DRAGONITE will increase in 2015.

Management continues to market its DRAGONITE HP as a nucleating agent additive to companies with large injection molding operations, promoting the decrease in cycle time that can be achieved from using the additive. The Company was able to secure a number of customer trials in 2014 and plans to secure additional trials in 2015. Only DRAGONITE HP and one other product, which sells for \$30,000 per ton, can nucleate polyethylene. Currently, a very small amount of the 50 million tons of polyethylene produced annually is nucleated, which presents a large opportunity for the Company's DRAGONITE product. The Company also sells DRAGONITE as a nucleating agent for polypropylene.

During 2014, a leading global producer of structural acrylic adhesives launched its next generation of structural acrylic products containing our DRAGONITE XR product. The volumes sold for this new acrylic adhesive product

were small in 2014 but demand for this new product is expected to grow in 2015, which could lead to an increase in the volume of DRAGONITE sold for this application. Additionally, this manufacturer is developing a number of new products utilizing DRAGONITE as an additive.

Mitsui Plastics continues to market DRAGONITE as an additive for reinforcement, cycle time reduction, and flame retardancy. Two customers, an adhesives manufacturer and a wire-and-cable manufacturer, experienced positive testing results using DRAGONITE for reinforcement and as a dispersant for certain flame retardant additives, respectively. It is expected that a product, utilizing DRAGONITE for reinforcement, is to be commercialized in 2016.

A large manufacturer of automotive tires has tested DRAGONITE for the reinforcement of rubber. During the latter half of 2014, the Company shipped DRAGONITE to the tire manufacturer to be used in a scale-up trial. The trial is scheduled to complete sometime during the first half of 2015.

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During 2014 one of the world's largest manufacturers of building products developed a flame retardant coating application utilizing DRAGONITE. The product has been commercialized and small amounts are being sold. Volumes are expected to grow once this customer completes the required industry registration process for this product.

The Lorama Group, Inc. ("Lorama") continues to market DRAGONITE to potential customers as a high value additive for flame retardant paints and coatings as well as for the UV curing of coatings. During the fourth quarter of 2014, Lorama ordered 20 tons of DRAGONITE for delivery in the first quarter of 2015.

During 2014, Lorama introduced DRAGONITE to one of the largest wood coatings manufacturers in South America, which has utilized it in a flame retardant formulation for wood coatings. The product has been tested and meets industry requirements. The customer will run a plant trial in early 2015. If the trial is successful, the Company expects to realize sales of DRAGONITE to this customer during 2015.

The Company continues to sell DRAGONITE to Sigma-Aldrich, which, in turn, continues to receive interest in the material from corporate R&D departments as well as academic research organizations. These sales, in certain instances, have led to development projects with our Company once the initial lab sample evaluation has taken place.

Catalysts and Molecular Sieves

A high quality manufacturer of molecular sieves commenced scale-up trials using DRAGONITE as a binder for a catalyst product. A production trial is scheduled for early 2015. If successful the Company believes a commercialization of the product could occur sometime during the latter half of 2015 or in 2016.

A global supplier of molecular sieves performed a successful bench-scale trial using DRAGONITE to manufacture a synthetic zeolite. Approximately 10 metric tons were shipped in October to conduct a production scale-up trial. If successful, sales of DRAGONITE to this customer could start sometime during 2015.

Cosmetics

In early 2015 the Company signed a term sheet to form a joint venture with a leading developer and retailer of cosmetic products. The joint venture will own and market a brand of cosmetic products utilizing the unique characteristics of DRAGONITE-PUREWHITE. A significant amount of work related to the development and branding of these products has occurred over the last 18 months. The Company will own a significant equity stake in the joint venture. The Company expects the joint venture agreement to be executed sometime in the latter half of 2015.

Advanced Natural Iron Oxides

Pigmentary

During the fourth quarter of 2014, Lorama ordered 20 tons of AMIRON™ for pigment applications for delivery in the first quarter of 2015. Lorama is currently acting as a customer and a non-exclusive distributor for the AMIRON line of iron oxide pigments. Lorama is aggressively introducing AMIRON to its paints and coatings customers located in Europe, Asia and South America and North America. These customers have indicated strong interest in the product and Lorama's marketing efforts resulted in a number of scale-up trials conducted during 2014 by potential customers.

During 2014 a leading producer of mulch colorants began developing a number of products using AMIRON, focusing, in part, on developing a range of natural colors that synthetic pigments cannot provide. This producer is also looking to use AMIRON as an extender for its current line of colorants. Production scale-ups are expected for 2015. Management continues to market its AMIRON to other mulch colorant producers.

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