

STREICHER MOBILE FUELING INC  
Form 8-K  
February 14, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) **February 14, 2007**

**SMF ENERGY CORPORATION**  
(Exact name of registrant as specified in its charter)

**DELAWARE**

**000-21825**

**65-0707824**

(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(I.R.S. Employer  
Identification Number)

**200 W. Cypress Creek Rd., Suite 400 Fort Lauderdale, Florida**  
(Address of principal executive offices)

**33309**  
(Zip Code)

Registrant's telephone number, including area code: **(954) 308-4200**

STREICHER MOBILE FUELING, INC.  
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



### **Item 1.01 Entry Into a Material Definitive Agreement**

Effective February 14, 2007, Streicher Mobile Fueling, Inc., a Florida corporation (“Streicher”) completed its reincorporation in the State of Delaware (the “Reincorporation”) by merging with and into its wholly-owned subsidiary, SMF Energy Corporation, a Delaware corporation (“SMF”). The Reincorporation was effected pursuant to an Agreement of Merger and Plan of Merger and Reorganization, dated February 13, 2007 (the “Merger Agreement”), between Streicher and SMF, a copy of which is filed as Exhibit 2.1 to this Current Report on Form 8-K and is incorporated by reference herein. The Boards of Directors and shareholders of both Streicher and SMF approved the Reincorporation and the Merger Agreement at their annual meetings of directors and shareholders held on December 8, 2006.

Pursuant to the terms of the Merger Agreement, (i) Streicher merged with and into SMF, with SMF being the surviving corporation and Streicher thereby changing its name to SMF Energy Corporation; (ii) SMF succeeded to the ownership of all of Streicher’s assets, has the rights, powers and privileges and assumed all of the obligations of Streicher; (iii) Streicher’s existing Board of Directors and officers became the Board of Directors and officers of SMF; and (iv) the Certificate of Incorporation and Bylaws of SMF govern the surviving corporation.

### **Item 3.03 Material Modification to Rights of Security Holders**

As a result of the Reincorporation, (i) each outstanding share of Streicher common stock, par value \$0.01, was automatically converted into one share of SMF common stock, par value \$0.01; (ii) all options and other rights to acquire Streicher’s common stock outstanding immediately before the Reincorporation were also automatically converted into options and rights to acquire the same number of shares of SMF common stock, with the same terms and conditions. Upon the Reincorporation, each outstanding certificate representing shares of Streicher common stock is deemed, without any action by the shareholder, to represent the same number of shares of SMF common stock. Shareholders do not need to exchange their stock certificates as a result of the Reincorporation.

In accordance with Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the shares of SMF common stock are deemed registered under Section 12(b) of the Exchange Act. SMF common stock will continue to be listed on the NASDAQ Stock Market under the symbol “FUEL.”

Prior to February 14, 2007, Streicher’s corporate affairs were governed by the corporate law of Florida. The rights of its shareholders were subject to its Articles of Incorporation and its Bylaws. As a result of the Reincorporation, holders of Streicher common stock are now holders of SMF common stock, and their rights as holders are governed by the General Corporation Law of Delaware and the Certificate of Incorporation and Bylaws of SMF. For a description of the differences between the rights of holders of Streicher common stock and SMF common stock, see “Comparison of Shareholder Rights Before and After the Reincorporation” in Streicher’s Definitive Proxy Statement on Schedule 14A, filed with the Securities and Exchange Commission on October 30, 2006, which description is incorporated by reference herein.

**Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year**

As noted under Item 1.01 above, effective February 14, 2007, Streicher completed its Reincorporation and was merged with and into SMF, with SMF being the surviving corporation. As a result of the Reincorporation, the incorporating documents and the Bylaws of SMF will govern the surviving corporation, copies of which are filed as Exhibit 3(i) and Exhibit 3(ii), respectively, to this Current Report on Form 8-K.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

The following Exhibits are filed as part of this report:

Exhibit No. Description

2.1 Agreement of Merger and Plan of Merger and Reorganization between Streicher Mobile Fueling, Inc. and SMF Energy Corporation, dated February 13, 2007

3(i) Incorporating Documents of SMF, including: Certificate of Incorporation dated October 6, 2006 (incorporated by reference to Appendix B to the Company's Definitive Proxy Statement on Schedule 14A, filed on October 30, 2006); Certificate of Amendment dated February 12, 2007

3(ii) Bylaws of SMF Energy Corporation (incorporated by reference to Appendix D to the Company's Definitive Proxy Statement on Schedule 14A, filed on October 30, 2006)

99.1 Press release regarding completion of reincorporation, dated February 14, 2007

**SIGNATURE**

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 hereunto duly authorized.

Date: February 14, 2007

SMF ENERGY CORPORATION

By: /s/ Richard E. Gathright

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Richard E. Gathright, President and CEO

EXHIBIT INDEX

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**Property and Equipment, net**

2,157,429 2,802,391

**Other Assets - Deposits**

253,176 240,934

***TOTAL ASSETS***

\$2,947,299 \$3,324,164

**LIABILITIES AND STOCKHOLDERS' (DEFICIT)**

**Current Liabilities**

Accounts payable and accrued liabilities

\$797,724 \$963,609

PIK Note interest accrual

338,741 57,334

Current portion of notes payable

66,415 212,134

**Total Current Liabilities**

1,202,880 1,233,077

**Long-Term Liabilities**

PIK Notes payable, net of debt discount of \$6,941,703 at June 30, 2018 and \$9,755,832 at December 31, 2017, respectively

35,955,200 33,244,605

PIK Note derivative liability

8,748,518 2,047,264

Deferred Rent

7,286 0

**Total Long-Term Liabilities**

44,711,004 35,291,869

**TOTAL LIABILITIES**

45,913,884 36,524,946

**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, 400,000,000 shares authorized, 173,638,549 and 140,763,549 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively

173,639 140,764

Additional paid-in capital

73,748,653 71,152,311

Accumulated deficit prior to the exploration stage

(20,009,496

)

(20,009,496

)

Accumulated deficit during the exploration stage

(96,879,381

)

(84,484,361

)

***Total Stockholders' (Deficit)***

(42,966,585

)

(33,200,782

)

***TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)***

\$2,947,299 \$3,324,164

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



Table of Contents**APPLIED MINERALS, INC.****(An Exploration Stage Mining Company)****CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
<b>REVENUES</b>	\$92,438	\$1,357,413	\$138,085	\$2,152,695
<b>OPERATING EXPENSES:</b>				
Production costs	184,875	827,413	356,461	1,712,294
Exploration costs	55,132	111,949	111,093	257,459
General and administrative	875,909	486,810	2,074,955	1,473,438
Depreciation expense	321,818	328,980	644,962	659,765
<b>Total Operating Expenses</b>	1,437,734	1,755,152	3,187,471	4,102,956
<b>Operating Loss</b>	(1,345,296 )	(397,739 )	(3,049,386 )	(1,950,261 )
<b>OTHER (EXPENSE):</b>				
Interest expense, net, including amortization of deferred financing cost and debt discount	(578,904 )	(2,242,956 )	(3,120,955 )	(4,316,150 )
(Loss) gain on revaluation of PIK Note derivative	1,601,423	741,117	(6,578,504 )	1,636,841
Other income, net	3,738	24,132	353,824	25,684
<b>Total Other (Expense)</b>	1,026,257	(1,477,707 )	(9,345,635 )	(2,653,625 )
<b>NET LOSS</b>	\$(319,039 )	\$(1,875,446 )	\$(12,395,021 )	\$(4,603,886 )
<b>Net Loss Per Share (Basic and Diluted)</b>	\$(0.00 )	\$(0.02 )	\$(0.08 )	\$(0.04 )
<b>Weighted Average Shares Outstanding (Basic and Diluted)</b>	161,874,813	108,715,747	153,860,925	108,664,930

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



Table of Contents**APPLIED MINERALS, INC.****(An Exploration Stage Mining Company)****CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)**

(Unaudited)

	Common Stock			Accumulated	Accumulated	Total
	Shares	Amount	Additional Paid-In Capital	Deficit Prior to Exploration Stage	Deficit During Exploration Stage	Stockholders' Deficit
Balance, December 31, 2017	140,763,549	\$ 140,764	\$ 71,152,311	\$(20,009,496)	\$(84,484,360)	\$(33,200,781)
Shares issued for consulting services	1,500,000	1,500	58,500	- 0 -	- 0 -	60,000
Shares and warrants issued in private placements	29,375,000	29,375	1,555,625	- 0 -	- 0 -	1,585,000
Shares issued for warrant exercise	2,000,000	2,000	78,000	- 0 -	- 0 -	80,000
Stock option compensation expense	- 0 -	- 0 -	904,217	- 0 -	- 0 -	904,217
Net Loss	- 0 -	- 0 -	- 0 -	- 0 -	(12,395,021)	(12,395,021)
Balance, June 30, 2018	173,638,549	\$ 173,639	\$ 73,748,653	\$(20,009,496)	\$(96,879,381)	\$(42,966,585)

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



Table of Contents**APPLIED MINERALS, INC.****(An Exploration Stage Mining Company)****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

	For the Six Months Ended June 30,	
	2018	2017
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$(12,395,021)	\$(4,603,886)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation	644,962	659,765
Amortization of discount - PIK Notes	2,298,435	2,302,092
Amortization of deferred financing costs	45,502	3,750
Non-cash interest on PIK Notes	770,815	2,007,329
Stock issued for director fees	- 0 -	9,000
Stock issued for consulting services	60,000	- 0 -
Stock based compensation expense	904,217	113,811
(Gain) loss on revaluation of PIK Note derivative	6,578,504	(1,636,841)
Other	-0-	1,000
Change in operating assets and liabilities:		
Accounts receivable	22,773	263,446
Other current receivables	- 0 -	16,801
Deposits and prepaids	102,727	217,957
Accounts payable and accrued liabilities	(158,600 )	162,468
<b>Net cash used in operating activities</b>	<b>(1,125,686 )</b>	<b>(483,308 )</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	-0-	(41,323 )
<b>Net cash used in investing activities</b>	<b>-0-</b>	<b>(41,323 )</b>
<b>Cash Flows From Financing Activities:</b>		
Payments on notes payable	(145,717 )	(163,156 )
Proceeds from sale of common stock	1,585,000	- 0 -
Proceeds from exercise of options or warrants	80,000	- 0 -
<b>Net cash provided by (used in) financing activities</b>	<b>1,519,283</b>	<b>(163,156 )</b>
Net change in cash and cash equivalents	393,597	(687,787 )

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Cash and cash equivalents at beginning of period	47,652	1,049,880
<b>Cash and cash equivalents at end of period</b>	<b>\$441,249</b>	<b>\$362,093</b>

**Supplemental disclosure of cash flow information:**

Cash paid for interest	\$6,206	\$2,743
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**Supplemental disclosure of noncash financing activity:**

Accrued PIK interest paid through issuance of PIK Notes	366,658	\$1,967,131
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The accompanying notes are an integral part of these consolidated financial statements.

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**APPLIED MINERALS, INC.**

**(An Exploration Stage Mining Company)**

Notes to the Consolidated Financial Statements

**NOTE 1– ORGANIZATION AND DESCRIPTION OF BUSINESS**

Applied Minerals, Inc. (the “Company” or “Applied Minerals” or “we” or “us”) (OTCQB: AMNL) owns the Dragon Mine in central Utah. From the mine we extract, process, or have processed by a third party, halloysite clay and iron oxide for sale to a range of end markets. We market the minerals directly and through distributors and also under a profit-sharing arrangement with the Kaolin business unit of BASF Corp. (“BASF”).

We also engage in research and development and frequently work collaboratively with potential customers, consultants, distributors, and BASF to process and enhance our halloysite clay products to improve the performance of existing and new products.

Our halloysite clay, which we market under the DRAGONITE™ trade name, is an aluminosilicate mineral with a hollow tubular shape. DRAGONITE can utilize halloysite’s morphology, high surface area, and reactivity to add significant functionality to a number of 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. The Company sells its halloysite products at negotiated prices.

Our iron oxide, which we market under the AMIRON™ trade name, is a high purity product. We have sold it on an exclusive basis to one customer at a negotiated price for use in an oilfield application and we are continuing to offer AMIRON to that customer on an exclusive basis. Currently, we are not selling AMIRON™ to customers on a continuing basis for use in any other application.

The Company is classified as an “exploration stage” company for purposes of Industry Guide 7 of the U.S. Securities and Exchange Commission (“SEC”) Under Industry Guide 7, companies engaged in significant mining operations are classified into three categories, referred to as “stages” - exploration, development, and production. Exploration stage includes all companies that do not have established reserves in accordance with Industry Guide 7. Such companies are deemed to be “in the search for mineral deposits.” Notwithstanding the nature and extent of development-type or production-type activities that have been undertaken or completed, a company cannot be classified as a development or production stage company unless it has established reserves in accordance with Industry Guide 7.

In 2017, we entered into a tolling agreement with BASF under which BASF will process the Company’s halloysite product, utilizing a water-based system. The BASF system is capable of eliminating impurities, such as iron oxide, and chemically treating the surface of halloysite to achieve desired functionality.

We have a mineral processing plant with a capacity of up to 45,000 tons of mineralization per annum for certain applications. The plant is currently dedicated to processing its halloysite products.

Additionally, the Company has a second processing facility with a capacity of up to 10,000 tons per annum. This smaller plant is currently dedicated to processing the Company’s halloysite. This smaller plant processes halloysite using a dry-based, micronizing system. This dry-based system does not eliminate impurities, such as iron oxide, as effectively as a water-based system but is useful in situations where the removal of impurities is not necessary.

For the foreseeable future, the Company expects to utilize a commercial-sized crusher to process its iron oxide to satisfy any sales of its AMIRON product.

For the six months ended June 30, 2018, the Company’s two largest customers accounted for approximately 63% of total revenue and at June 30, 2018 amounts owed by the Company’s two largest customers represented 0% of accounts receivable.

#### *Exploration Agreement*

On December 22, 2017, the Company and Continental Mineral Claims, Inc. (“CMC”) entered into an Exploration Agreement with Option to Purchase (“Agreement”). The Company granted to CMC the exclusive right and option to enter upon and conduct mineral exploration activities (the “Exploration License”) for Metallic Minerals on the Company’s Dragon Mine mine site in Utah (the “Mining Claims”). Metallic Minerals are defined to include minerals with a high specific gravity and metallic luster, such as gold, silver, lead, copper, zinc, molybdenum, titanium, tungsten, uranium, tin, iron, etc., but shall exclude any such Metallic Minerals that are intermingled within any economically-recoverable, non-metallic mineral deposits located at or above an elevation of 5,590 feet above sea level. Non-metallic minerals include clay and iron oxide, the minerals mined by the Company. The Company believes that all economic recoverable non-metallic mineral deposits are well above 5,590 feet above sea level. The Exploration License is for a period of ten years.



In consideration of the Exploration License CMC has paid the Company \$350,000 and will pay it \$150,000 on or before the first anniversary of the Exploration License, \$250,000 on or before each subsequent anniversary during the Exploration License term following the first anniversary of the Effective Date of this Agreement, unless the Exploration License is terminated earlier by CMC by exercising the option or failing to make the required payment for the Exploration License.

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CMC may exercise the option at any time during the Exploration License term. Upon exercise of the Option and the completion of the closing, CMC shall acquire 100% of the Metallic Rights within the Mining Claims from the Company, subject to the terms and conditions of the Agreement.

The consideration to be paid by CMC to the Company after exercising the option for the acquisition of the Metallic Rights shall be payable as follows: \$3,000,000; and, CMC shall grant to the Company a five percent (5%) Net Profits Interest ("NPI") royalty over the Metallic Minerals produced from the Mining Claims. The NPI royalty shall be initially capped at \$20,000,000 (the "NPI Cap"). The NPI Cap shall be subject to reduction in the event the Company elects to take the Share Contribution, as set forth below.

Upon exercise of the option, the Company shall retain the all rights and title to (1) the surface interest (with exception of those rights associated with the Metallic Rights), and (2) all non-metallic minerals (expressly including all industrial minerals including clays and iron oxides).

It is anticipated that CMC will acquire rights similar to the Metallic Rights with respect to contiguous and nearby properties and such rights will be contributed to a new company formed or designated by CMC to own and operate CMC's Tintic District project, which would involve the Metallic rights and similar rights regarding adjacent or nearby properties ("PubCo") that intends to go public.

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The Company shall have the right, at its sole election, to convert a portion of its NPI royalty interest into \$2,000,000 worth of shares in PubCo up to a maximum of Two Percent (2%) net value of PubCo (the "Share Contribution"), through a reduction of the NPI Cap. The Company shall make the determination whether to take the Share Contribution or not, and so notify CMC, within ninety (90) days, of the completion (and delivery to the Company) of a feasibility study by CMC for the Tintic District project. If the Company elects not to take the Share Contribution, the Company's NPI royalty shall remain unchanged, including the NPI Cap, which will remain at \$20,000,000.

The Agreement contains protections in favor of the Company against unreasonable interference of its current and future mining operations by CMC. CMC may not do anything that may, at the Company's determination, adversely impact the Company's Mining Operations. "Mining Operations" shall mean the activities incident to mineral extraction, permitting, and any operations by CMC or the Company relating to the removal of minerals, respectively, that are or may reasonably be conducted on the Mining Claims, including the exploration for, and development, active mining, removing, producing and selling of any minerals, including the Metallic Minerals. The Agreement states that the parties understand that the Company is willing to enter into the Agreement only if it is assured that CMC will not have any right to unreasonably interfere with the Company's current mining operations and possible future Mining Operations on the Mining Claims.

There are no assurances that CMC will exercise its option to purchase 100% of the Metallic Rights.

**NOTE 2 - LIQUIDITY AND BASIS OF PRESENTATION**

The Company has a history of recurring losses from operations and the use of cash in operating activities. For the six months ended June 30, 2018, the Company's net loss was \$12,395,021 and cash used in operating activities was \$1,125,686. As of June 30, 2018, the Company had current assets of \$536,694 and current liabilities of \$1,202,880 of which \$338,741 was accrued PIK Note interest likely to be paid in additional PIK Notes. The Company's current liabilities also include (i) \$63,537 of accrued management bonus payable as determined by the Company's Audit Committee, (ii) \$59,810 of a note payable related to the financing of the Company's D&O and G/L policies, (iii) \$159,310 of payables to a compounder for which it has agreed to satisfy in halloysite product and (iv) \$156,200 of disputed accrued expenses for which the Company believes it has a statute of limitations defense.

Based on the Company's current cash usage expectations, management believes it will not have sufficient liquidity to fund its operations through August 20, 2019. 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 additional product sales. Collectively these factors raise substantial doubt regarding the Company's ability to continue as going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded assets amounts and classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

Management believes that in order for the Company to meet its obligations arising from normal business operations through August 20, 2019 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.

### **NOTE 3– BASIS OF REPORTING AND SIGNIFICANT ACCOUNTING POLICIES**

The accompanying unaudited condensed 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 three and six months ended June 30, 2018 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, 2017, included in the Annual Report of Applied Minerals, Inc. on Form 10-K/A filed with the SEC on August 14, 2018.

The accompanying interim unaudited condensed consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in these notes. The Company's significant accounting policies and estimates remain unchanged from those detailed in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2017.

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### Exploration-Stage Company

Effective January 1, 2009, the Company was, and still is, classified as an exploration company because the existence of proven or probable reserves at the Company's Dragon Mine property have not been demonstrated and no significant revenue has been earned from the mine. Under the SEC's Industry Guide 7, a mining company is considered an exploration stage company until it has declared mineral reserves determined in accordance with the guide and staff interpretations thereof.

### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Applied Minerals, Inc. and its inactive subsidiary, which holds 100 acres of timber and mineral property in northern Idaho.

### 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 consolidated financial statements, the warrant and PIK note derivative liabilities, stock compensation, impairment of long-lived assets and valuation allowance on income taxes involve extensive reliance on management's estimates. Actual results could differ from those estimates.

### Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less. The Company minimizes its credit risk by investing its cash and cash equivalents, which sometimes exceed federally insured limits with major financial institutions located in the United States with a high credit rating.

### Receivables

Trade receivables are reported at outstanding principal amounts, net of an allowance for doubtful accounts.

Management evaluates the collectability of receivable account balances to determine the allowance, if any. Management considers the other party's credit risk and financial condition, as well as current and projected economic and market conditions, in determining the amount of the allowance. Receivable balances are written off when management determines that the balance is uncollectable. No allowance was required at June 30, 2018 and December 31, 2017.

Property and Equipment

Property and equipment are carried at cost net of accumulated depreciation and amortization. Depreciation and amortization is computed on the straight-line method over the estimated useful lives of the assets, or the life of the lease, whichever is shorter, as follows:

	Estimated Useful Life (years)
Building and Building Improvements	5 – 40
Mining equipment	2 – 7
Office and shop furniture and equipment	3 – 7
Vehicles	5

Depreciation expense for the three months ended June 30, 2018 and 2017 totaled \$321,818, and \$328,980, respectively, and for the six months ended June 30, 2018 and 2017 totaled \$644,962 and \$659,765, respectively.

Impairment of Long-lived Assets

The Company periodically reviews the carrying amounts of long-lived assets to determine whether current events or circumstances warrant adjustment to such carrying amounts. Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. When such events occur, the Company compares the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset to its carrying amount. If this comparison indicates that there is an impairment, the amount of the impairment is typically calculated using discounted expected future cash flows where observable fair values are not readily determinable. Considerable management judgment is necessary to estimate the fair value of assets. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value, less cost to sell. The Company has determined that there was no impairment of its long-lived assets as of June 30, 2018 and 2017.

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Revenue Recognition

Revenue includes sales of halloysite clay and iron oxide during 2017 and is recognized when title passes to the buyer and when collectability is reasonably assured. Title passes to the buyer based on terms of the sales contract. Product pricing is determined based on negotiated contractual arrangements with the Company's customers.

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance on revenue recognition, which provides a single, comprehensive revenue recognition model for all contracts with customers and supersedes 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. The Company identified the predominant changes to its accounting policies resulting from the application of this guidance and quantified the impact on its consolidated financial statements. The cumulative effect of the initial adoption of this guidance did not have any significant impact on the Company's consolidated financial statements as the Company did not have any significant customer contracts in place at December 31, 2017. The Company adopted this guidance on January 1, 2018. For 2018, revenue is recognized when control over the product transfers to the customer.

Mining Exploration and Development Costs

Land and mining property are carried at cost. The Company expenses prospecting and mining exploration costs. At the point when a property is determined to have proven and probable reserves, subsequent development costs will be capitalized and will be charged to operations using the units-of-production method over proven and probable reserves. Upon abandonment or sale of a mineral property, all capitalized costs relating to the specific property are written off in the period abandoned or sold and a gain or loss is recognized.

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### Income taxes

The Company uses an asset and liability approach which results in the recognition of deferred tax liabilities and assets for the expected future tax consequences or benefits of temporary differences between the financial reporting basis and the tax basis of assets and liabilities, as well as operating loss and tax credit carry forwards, using enacted tax rates in effect in the years in which the differences are expected to reverse.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of its deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. A full valuation allowance has been provided for the Company's net deferred tax assets as it is more likely than not that they will not be realized.

Authoritative guidance provides that the tax effects from an uncertain tax position taken or expected to be taken in a tax return can be recognized in our financial statements only if the position is more likely than not of being sustained on audit based on the technical merits of the position. As of December 31, 2012, no benefit from uncertain tax positions was recognized in our financial statements. The Company has elected to classify interest and/or penalties related to income tax matters in income tax expense.

### Stock Options and Warrants

The Company follows ASC 718 (Stock Compensation) and 505-50 (Equity-Based Payments to Non-employees), which provide guidance in accounting for share-based awards exchanged for services rendered and requires companies to expense the estimated fair value of these awards over the requisite service period. The Company instituted a formal long-term and short-term incentive plan on November 20, 2012, which was approved by its shareholders. Prior to that date, we did not have a formal equity plan, but all equity grants, including stock options and warrants, were approved by our Board of Directors. We determine the fair value of the stock-based compensation awards granted to non-employees as either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. If the fair value of the equity instruments issued is used, it is measured using the stock price and other measurement assumptions as of the earlier of either of (1) the date at which a commitment for performance by the counterparty to earn the equity instruments is reached, or (2) the date at which the counterparty's performance is complete. Beginning in the quarter ended June 30, 2013 the Company began using the simplified method to determine the expected term for any options granted because the Company did not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term. The Company previously utilized the contractual term as the expected term.

### Environmental Matters

Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures resulting from the remediation of existing conditions caused by past



operations that do not contribute to future revenue generations are expensed. Liabilities are recognized when environmental assessments indicate that remediation efforts are probable and the costs can be reasonably estimated.

Estimates of such liabilities are based upon currently available facts, existing technology and presently enacted laws and regulations taking into consideration the likely effects of inflation and other societal and economic factors, and include estimates of associated legal costs. These amounts also reflect prior experience in remediating contaminated sites, other companies' clean-up experience and data released by The Environmental Protection Agency or other organizations. Such estimates are by their nature imprecise and can be expected to be revised over time because of changes in government regulations, operations, technology and inflation. Recoveries are evaluated separately from the liability and, when recovery is assured, the Company records and reports an asset separately from the associated liability.

Based upon management's current assessment of its environmental responsibilities, it does not believe that any reclamation or remediation liability exists at June 30, 2018.

### **Recent Issued Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance on revenue recognition, which provides a single, comprehensive revenue recognition model for all contracts with customers and supersedes 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. The Company identified the predominant changes to its accounting policies resulting from the application of this guidance and quantified the impact on its consolidated financial statements. The cumulative effect of the initial adoption of this guidance did not have any significant impact on the Company's consolidated financial statements as the Company did not have any significant customer contracts in place at December 31, 2017. The Company adopted this guidance on January 1, 2018.

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 guidance is effective for the Company beginning January 1, 2019. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

Table of Contents**NOTE 4– PROPERTY AND EQUIPMENT**

The following is a summary of property, plant, and equipment – at cost, less accumulated depreciation:

	March 31, 2018	December 31, 2017
Land	\$500,000	\$500,000
Land improvements	171,122	171,122
Buildings	3,129,519	3,129,519
Mining equipment	1,784,115	1,784,115
Milling equipment	2,841,726	2,841,726
Laboratory equipment	607,716	607,716
Office equipment	70,529	70,529
Vehicles	150,810	150,810
	9,255,537	9,255,537
Less: Accumulated depreciation	(7,098,108)	(6,453,146)
Total	\$2,157,429	\$2,802,391

**NOTE 5– FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS**

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 at June 30, 2018:

	<b>Fair value measurement using inputs</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial instruments:</b>			
Series 2023 Note Derivative	\$-0-	\$ -0-	\$748,417
Series A Note Derivative	\$-0-	\$ -0-	\$8,000,101

The following table summarizes the activity during the six months ended June 2018 and 2017 for financial instruments at fair value using Level 3:

Balance at December 31, 2017	\$2,047,264	Balance at December 31, 2016	\$2,176,552
Issuance of additional Series 2023 Notes	- 0 -	Issuance of additional Series 2023 Notes	25,038
Issuance of additional Series A Notes	122,750	Issuance of additional Series A Notes	- 0 -
Net unrealized gain (loss) included in operations	6,578,504	Net unrealized gain (loss) included in operations	(1,636,841)
Balance at June 30, 2018	\$8,748,518	Balance at June 30, 2017	\$564,749

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The recorded value of certain financial assets and liabilities, which consist primarily of cash and cash equivalents, receivables, and accounts payable and accrued expenses approximate their fair value at March 31, 2018 and December 31, 2017 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 approximate fair value. The estimated fair value of the PIK Notes Payable was \$12,842,158 and \$11,395,208 at June 30, 2018 and December 31, 2017 (Level 3), respectively.

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

<b>Series 2023 Note derivative liability</b>	Fair Value		
	Measurements		
	Using Inputs		
	June	December	
	30,	31,	
	2018	2017	
Market price and estimated fair value of stock	\$0.17	\$ 0.05	
Exercise price (1)	\$0.59	\$ 0.59	
Term (years)	5.08	5.58	
Dividend yield	-0-	-0-	
Expected volatility	130.4%	115.3	%
Risk-free interest rate	2.73 %	2.24	%

(1) Exercise price is reflective of amended Series 2023 Notes issued in December 2017 as discussed in Note 8.

<b>Series A Note derivative liability</b>	Fair Value		
	Measurements		
	Using Inputs		
	June	December	
	30,	31,	
	2018	2017	
Market price and estimated fair value of stock	\$0.17	\$ 0.05	
Exercise price (1)	\$0.40	\$ 0.40	
Term (years)	5.09	5.58	
Dividend yield	-0-	-0-	
Expected volatility	130.4%	115.3	%
Risk-free interest rate	2.73 %	2.24	%

(1) Exercise price is reflective of amended Series A Notes issued in December 2017 as discussed in Note 7.

## NOTE 6 - NOTES AND LEASES PAYABLE

Notes payable at June 30, 2018 and December 31, 2017:

	June 30, 2018	December 31, 2017
Note payable for equipment, payable \$1,339 monthly, including interest (a)	\$6,605	\$13,073
Note payable to insurance companies, payable \$5,045 - \$17,959 monthly, (b) and (c)	59,810	199,061
	66,415	212,134
Less: Current Portion	(66,415)	(212,134)
<b>Notes Payable, Long-Term Portion</b>	<b>\$- 0 -</b>	<b>\$- 0 -</b>

On October 31, 2014, the Company purchased mining equipment for \$65,120 by paying deposit and issuing a note (a) in the amount of \$57,900 with an interest rate of 5.2%. The note is collateralized by the mining equipment with payments of \$1,339 for 48 months, which started on November 30, 2014.

(b) The Company signed a note payable with an insurance company dated October 17, 2016 for liability insurance, payable in monthly installments, including interest ranging from 2.6% - 4.15%

(c) The Company signed a note payable with an insurance company dated October 17, 2017 for liability insurance, payable in monthly installments, including interest ranging from 3.1% - 5.78%

During the three months ended June 30, 2018 and 2017, the Company's interest payments totaled \$705 and \$1,216, respectively. During the six months ended June 30, 2018 and 2017, the Company's interest payments totaled \$6,206 and \$2,743, respectively.

Table of Contents**NOTE 7– CONVERTIBLE DEBT (PIK NOTES)**

The Company raised \$23 million of financing through the issuance of two series of Paid-In-Kind (“PIK”)-Election Convertible Notes in 2013 (“Series 2023 Notes”) and 2014 (“Series A Notes”). The original terms of the Series A Notes included among other things: (i) a maturity of November 1, 2018 with an option to extend to November 1, 2019, (ii) a stated interest rate of 10% paid semi-annually and (iii) a conversion price of \$0.90, adjusted downward based on an anti-dilution provision. The original terms of the Series 2023 Notes included among other things: (i) a maturity of August 1, 2023, (ii) a stated interest rate of 10% paid semi-annually and (iii) a conversion price of \$1.40, adjusted downward based on an anti-dilution provision. On December 14, 2017, an amendment agreement, entered into between the Company and the holders of the Series A Notes and Series 2023 Notes, went into effect. The agreement resulted in changes to certain terms of the Series A and Series 2023 Notes. The key terms of the Series A and Series 2023 Notes, as amended, are highlighted in the table below:

<b>Key Terms</b>	<b>Series 2023 Notes</b>	<b>Series A Notes</b>
Inception Date	08/01/2013	11/03/2014
Cash Received	\$10,500,000	\$12,500,000
Principal (Initial Liability)	\$10,500,000	\$19,848,486
Maturity (Term)	Matures on August 1, 2023, but convertible into shares of the Company’s common stock at the discretion of the holder or by the Company based on the market price of the Company’s stock;	Matures on May 1, 2023 but extends to August 1, 2023 if the Series 2023 Notes are still outstanding. Convertible into shares of the Company’s common stock at the discretion of the holder or by the Company based on the market price of the Company’s stock;
Exercise Price	\$0.59, adjusted downward based on anti-dilution provisions/downround protection	\$0.40, adjusted downward based on anti-dilution provisions/down-round protection;
Stated Interest	10% per annum through December 14, 2017, 3% per annum thereafter, due semiannually;	10% per annum through December 14, 2017, 3% per annum thereafter, due semiannually;
Derivative Liability	\$2,055,000 established at inception due to the	\$9,212,285 established at inception due to

existence of down-round protection; revalued every quarter using Monte Carlo model	existence of down-round protection; revalued every quarter using a Monte Carlo model
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As of June 30, 2018, the liability components of the PIK Notes on the Company's balance sheet are listed in the following table:

	<b>Series 2023 Notes</b>	<b>Series A Notes</b>	<b>Total</b>
PIK Note Payable, Gross	\$ 16,152,402	\$ 27,214,693	\$ 43,367,095
Less: Discount	(1,453,542 )	(5,488,161 )	(6,941,703 )
Less: Deferred Financing Cost	(201,756 )	(268,436 )	(470,192 )
PIK Note Payable, Net	\$ 14,497,104	\$ 21,548,096	\$ 35,955,200
PIK Note Derivative Liability	\$ 748,417	\$ 8,000,101	\$ 8,748,518

As of December 31, 2017, the liability components of the PIK Notes on the Company's balance sheet are listed in the following table:

	<b>Series 2023 Notes</b>	<b>Series A Notes</b>	<b>Total</b>
PIK Note Payable, Gross	\$ 16,090,721	\$ 26,909,716	\$ 43,000,437
Less: Discount	(1,538,299 )	(7,701,839 )	(9,240,138 )
Less: Deferred Financing Cost	(221,280 )	(294,414 )	(515,694 )
PIK Note Payable, Net	\$ 14,331,142	\$ 18,913,463	\$ 33,244,605
PIK Note Derivative Liability	\$ 163,634	\$ 1,883,630	\$ 2,047,264

#### Series A Notes (Amended)

On November 3, 2014 ("Issue Date"), the Company issued, in a private placement pursuant to investment agreements, \$19,848,486 principal amount of 10% PIK-Election Convertible Notes due 2018 ("Series A Notes") in exchange for \$12,500,000 in cash and the cancellation of previously-issued warrants held by one investor.

The original terms of the Series A Notes included among other things: (i) a maturity of November 1, 2018 with an option to extend to November 1, 2019, (ii) a stated interest rate of 10% paid semi-annually and (iii) a conversion price of \$0.90, adjusted downward based on an anti-dilution provision.





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At June 30, 2018, the fair value of the Series A Note Derivative was estimated to be \$8,000,101. During the three and six months ended June 30, 2018, the Company amortized \$80,142 and \$2,239,656, respectively of debt discount and deferred financing cost relating to the Series A Notes Payable and issued additional PIK Notes of \$304,977 in lieu of cash interest payments, increasing the Series A Notes Payable carrying value to \$21,458,096 as of June 30, 2018.

At December 31, 2017, the fair value of the Series A Note Derivative was estimated to be \$1,883,630, which includes the value of the derivative related to the additional PIK Notes issued in May and November 2017 for the semi-annual interest payments due and the additional notes issued in December, 2017. During the year ended December 31, 2017, the Company amortized \$5,808,294 of debt discount and deferred financing cost relating to the Series A Notes Payable and issued additional PIK Notes in lieu of interest payments of \$2,797,836, increasing the Series A Notes Payable carrying value to \$26,909,721 as of December 31, 2017.

As of June 30, 2018, the Company was in compliance with the covenants of the Series A Notes.

Series 2023 Notes (Amended)

In August 2013, the Company received \$10,500,000 of financing through the private placement of 10% mandatory convertible Notes due 2023 ("Series 2023 Notes"). The principal amount of the Notes is due on maturity. The Company can elect to pay semi-annual interest on the Series 2023 Notes with additional PIK Notes containing the same terms as the Series 2023 Notes, except interest will accrue from issuance of such notes. The Company can also elect to pay interest in cash. In February, 2017 and August, 2017, the Company issued \$703,550 and \$738,728, respectively, in additional Series 2023 Notes to the holders to pay the semi-annual interest. Additionally, on December 14, 2017, the Company issued \$577,439 of additional 2023 Notes, which represented the accrued interest of the Series 2023 Notes on the day on which the terms of the Series 2023 Notes were effectively amended.

The original terms of the Series 2023 Notes included among other things: (i) a maturity of August 1, 2023, (ii) a stated interest rate of 10% paid semi-annually and (iii) a conversion price of \$1.40, adjusted downward based on an anti-dilution provision.

At June 30, 2018, the fair value of the Series 2023 Note Derivative was estimated to be \$748,417, which includes the value of the derivative related to additional PIK Notes issued in February 2018. During the three and six months ended June 30, 2018, the Company amortized \$50,115 and \$104,281, respectively of debt discount and deferred financing cost relating to the Series 2023 Notes Payable and issued additional PIK Notes of \$61,681 in lieu of cash interest payments, increasing the Series 2023 Notes Payable carrying value to \$14,497,104 as of June 30, 2018.

At December 31, 2017, the fair value of the Series 2023 Note Derivative was estimated to be \$163,634, which includes the value of the derivative related to additional PIK Notes issued in February and August 2016 for the semi-annual interest payments due and the additional notes issued in December, 2017. During the year ended December 31, 2017, the Company amortized \$200,360 of debt discount and deferred financing cost relating to the Series 2023 Notes Payable and issued additional PIK Notes of \$2,019,717 in lieu of cash interest payments, increasing the Series 2023 Notes Payable carrying value to \$16,090,721 as of December 31, 2017. As part of the amendment agreement, the holders of the Series 2023 Notes received warrants to purchase 3,720,000 million shares of common stock at \$0.10 per share. The Black Scholes value of these warrants totaled \$224,290.

As of June 30, 2018, the Company was in compliance with the covenants of the Series 2023 Notes.

## **NOTE 8- STOCKHOLDERS' EQUITY**

### Preferred Stock

The Company is authorized to issue 10,000,000 shares of noncumulative, non-voting, nonconvertible preferred stock, \$0.001 par value per share. At June 30, 2018 and December 31, 2017, no shares of preferred stock were outstanding.

### Common Stock

On December 7, 2017, stockholders of the Company approved to increase the authorized shares of common stock from 250,000,000 to 400,000,000 shares, \$0.001 par value per share. At June 30, 2018 and December 31, 2017, 173,638,549 and 140,763,549 shares were issued and outstanding, respectively.

### 2018

During the six months ended June 30, 2018 the Company issued (i) 1,500,000 shares of common stock at a price of \$0.04 per share to a consultant for investor relation services to be performed, (ii) 17,375,000 shares of common stock at a price of \$0.04 per share, (iii) 3,000,000 shares of common stock at a price of \$0.05 per share, (iv) 1,000,000 shares of common stock at a price of \$0.10 per share, (v) 2,000,000 shares of common stock at a price of \$0.04 per share upon the exercise of a warrant to purchase shares of common stock, and (vi) 8,000,000 units, (one unit consisting of one share of common stock and one warrant to purchase one share of common stock at a price of \$0.15) at a price of \$0.08 per unit.

### 2017

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During 2017, the Company issued: (i) 250,000 shares of common stock, at a price of \$0.36 per share, to directors; (ii) 26,500,000 units, (one unit consisting of one share of common stock and one warrant to purchase 0.25 shares of common stock at a price of \$0.04 per unit; (iii) 2,275,000 units, at a price of \$0.04 per unit, as payment for fees associated with a private placement of stock and (iv) 3,125,000 shares of common stock, at a price of \$0.04 per share, upon the exercise of warrants to purchase common stock.

Table of Contents**NOTE 9– OPTIONS AND WARRANTS TO PURCHASE COMMON STOCK**Outstanding Stock Warrants

A summary of the status and changes of the warrants issued for the six months ended 2018:

	Shares Issuable	Weighted Average Exercise Price
Outstanding at January 1, 2018	18,813,373	\$ 0.14
Issued	8,000,000	\$ 0.15
Exercised	(2,000,000 )	\$ 0.04
Forfeited	--	--
Outstanding at June 30, 2018	24,813,373	\$ 0.15

A summary of the status of the warrants outstanding and exercisable at June 30, 2018 is presented below:

Exercise Price	Warrants Outstanding and Exercisable		
	Shares Issuable upon Exercise of	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
\$ 1.15	461,340	2.8	\$ 1.15
\$ 0.25	3,283,283	3.0	\$ 0.25
\$ 0.04	2,068,750	4.3	\$ 0.04

\$ 0.10	11,000,000	4.5	\$ 0.10
\$ 0.15	8,000,000	3.0	\$ 0.15
	24,813,373	5.2	\$ 0.15

### Outstanding Stock Options

On November 20, 2012, the shareholders of the Company approved the adoption of the Applied Minerals, Inc. 2012 Long-Term Incentive Plan (“LTIP”) and the Short-Term Incentive Plan (“STIP”) and the performance criteria used in setting performance goals for awards intended to be performance-based. Under the LTIP, 8,900,000 shares are authorized for issuance. The STIP does not refer to a particular number of shares under the LTIP, but would use the shares authorized in the LTIP for issuance under the STIP. The CEO, the CFO, and named executive officers, and directors, among others are eligible to participate in the LTIP and STIP. Prior to the adoption of the LTIP and STIP, stock options were granted under individual arrangements between the Company and the grantees, and approved by the Board of Directors.

In May, 2016, the Company adopted the 2016 Long-Term Incentive Plan (“2016 LTIP”). The number of shares of common stock for issuance or for reference purposes subject to the 2016 LTIP was 2,000,000.

On December 7, 2016, the stockholders of the Company approved the 2016 Incentive Plan. The purpose of the 2016 Incentive Plan is to enhance the profitability and value of the Company for the benefit of its stockholders by enabling the Company to offer eligible employees, consultants, and non-employee directors incentive awards in order to attract, retain and reward such individuals and strengthen the mutuality of interests between such individuals and the Company’s stockholders. The aggregate number of shares of Common Stock that may be issued or used for reference purposes under the 2016 Incentive Plan or with respect to which awards may be granted may not exceed 15,000,000 shares, which may be either (i) authorized and unissued Common Stock or (ii) Common Stock held in or acquired for the treasury of the Company.

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The Compensation Committee of the Company Board of Directors has full authority to administer and interpret the 2016 Incentive Plan, to grant awards under the 2016 Incentive Plan, to determine the persons to whom awards will be granted, to determine the types of awards to be granted, to determine the terms and conditions of each award, to determine the number of shares of Common Stock to be covered by each award and to make all other determinations in connection with the 2016 Incentive Plan and the awards thereunder as the Committee, in its sole discretion, deems necessary or desirable.

On December 14, 2017, the Board of Directors approved the 2017 Incentive Plan ("2017 IP"). Forty million (40,000,000) shares of Common Stock are subject to the 2017 IP.

The fair value of each of the Company's stock option awards is estimated on the date of grant using the Black-Scholes option-pricing model that uses the assumptions noted in the table below. Expected volatility is based on an average of historical volatility of the Company's common stock. The risk-free interest rate for periods within the contractual life of the stock option award is based on the yield curve of a zero-coupon U.S. Treasury Bond on the date the award is granted with a maturity equal to the expected term of the award.

The significant assumptions relating to the valuation of the Company's options granted during the six months ended June 30, 2018 were as follows on a weighted average basis:

Dividend Yield		0%
Expected Life (in years)	2.48	– 2.96
Expected Volatility	163.73%	– 177.59%
Risk Free Interest Rate	2.54%	– 2.62%

A summary of the status and changes of the options granted under stock option plans and other agreements during the six months ended June 30, 2018:

	Shares Issuable Upon Exercise of Options	Weighted Average Exercise Price
Outstanding at December 31, 2017	57,057,768	\$ 0.36
Granted	4,224,999	\$ 0.11
Exercised	--	--

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Forfeited	(232,645 )	1.36
Outstanding at June 30, 2018	61,050,122	\$ 0.34

During the six months ended June 30, 2018, the Company granted 4,224,999 options to purchase the Company's common stock with a weighted average exercise price of \$0.11. The options vest monthly through June, 2019.

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A summary of the status of the options outstanding at June 30, 2018 is presented below:

Options Outstanding	Options Exercisable			
	Weighted	Weighted		Weighted
Number Outstanding	Average	Average	Number	Average
	Remaining	Exercise	Exercisable	Exercise
	Contractual	Price		Price
	Life (years)			
35,322,222	9.34	\$ 0.06	26,697,225	\$ 0.06
545,289	9.48	\$ 0.075	408,968	\$ 0.075
377,777	4.93	\$ 0.11	69,444	\$ 0.11
3,000,000	4.61	\$ 0.12	1,000,000	\$ 0.12
500,000	3.13	\$ 0.16	500,000	\$ 0.16
81,395	5.64	\$ 0.21	81,395	\$ 0.21
100,000	2.22	\$ 0.22	100,000	\$ 0.22
1,066,155	2.87	\$ 0.24	1,066,155	\$ 0.24
2,087,500	4.29	\$ 0.25	2,087,500	\$ 0.25
35,595	4.79	\$ 0.27	35,595	\$ 0.27
474,815	5.86	\$ 0.28	474,815	\$ 0.28
234,506	4.64	\$ 0.285	234,506	\$ 0.285
81,522	2.56	\$ 0.30	81,522	\$ 0.30
200,000	6.63	\$ 0.66	200,000	\$ 0.66
150,000	6.61	\$ 0.68	150,000	\$ 0.68
7,233,277	0.50	\$ 0.70	7,233,277	\$ 0.70
488,356	6.89	\$ 0.73	488,356	\$ 0.73
3,104,653	3.65	\$ 0.83	3,104,653	\$ 0.83
975,000	5.95	\$ 0.84	975,000	\$ 0.84
300,000	5.14	\$ 1.10	300,000	\$ 1.10
300,000	4.99	\$ 1.15	300,000	\$ 1.15
115,000	2.74	\$ 1.35	115,000	\$ 1.35
300,000	3.90	\$ 1.55	300,000	\$ 1.55
3,077,060	4.39	\$ 1.66	3,077,060	\$ 1.66
900,000	3.14	\$ 1.90	900,000	\$ 1.90
61,050,122	6.82	\$ 0.34	49,980,471	\$ 0.40

On December 14, 2017, the Company's management was granted performance-based options to purchase 27.5 million shares of the Company's common stock at \$0.06 per share. The options expire on December 13, 2027. At December 31, 2017, the first fifty percent (50%) of the performance-based options vested as management was able to (i) close



the sale of an aggregate of \$600,000 of units (consisting of a share of common stock of the Company and a warrant to buy 0.25 of a share of common stock of the Company) at \$0.04 per unit and (ii) establish toll processing arrangements with two toll processors of halloysite that, in management's good faith belief, can process halloysite to the Company's specifications. An additional twenty-five percent (25%) of the performance-based options vested on February 1, 2018 when management generated \$900,000 of additional cash proceeds through (i) the sale of common stock and (ii) the licensing of a right to explore the Dragon Mine property for certain precious metals. The vesting of the remaining 8.3%, 8.3% and 8.4% of the performance-based options occurs when (i) EBITDA is positive over a twelve-month period, (ii) EBITDA is at or greater than \$2 million over a twelve-month period and (iii) EBITDA is at or greater than \$4 million over a twelve-month period, respectively. At June 30, 2018, the achievement of the performance targets was not deemed probable.

Compensation expense of \$192,299 and \$775,299 has been recognized for the vested options for the three and six months ended June 30, 2018. The aggregate intrinsic value of the outstanding options at June 30, 2018 was \$4,114,914. At June 30, 2018, (i) \$442,520 of unamortized compensation expense for time-based unvested options will be recognized over the next 0.53 years on a weighted average basis; and (ii) \$354,750 of unamortized compensation expense for performance-based unvested options will be recognized as the achievement of the performance targets becomes probable.

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**NOTE 10 - PER SHARE DATA**

The computation of basic earnings (loss) per share of common stock is based on the weighted average number of shares outstanding during the year. The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the year plus the common stock equivalents that would arise from the exercise of stock options and warrants outstanding under the treasury method and the average market price per share during the year as well as the conversion of notes. At June 30, 2018, the weighted average shares outstanding excluded options to purchase 61,050,122 shares of common stock of the Company, warrants to purchase 24,813,373 shares of common stock of the Company and 94,413,680, shares of common stock of the Company issuable upon the conversion of notes because their effect would be anti-dilutive. At June 30, 2017, the weighted average shares outstanding excluded options to purchase 21,897,479 shares of common stock of the Company, warrants to purchase 3,744,623 shares of common stock of the Company and 40,677,826 shares of common stock of the Company issuable upon the conversion of notes payable because their effect would be anti-dilutive.

**NOTE 11- COMMITMENTS AND CONTINGENCIES**

**Office Lease**

On January 1, 2017, the Company moved its headquarters to a temporary location. The Company paid a monthly rent of \$6,000 through March 31, 2017 for the temporary office. On April 1, 2017, the Company entered into a 5-year lease agreement for permanent office space. At June 30, 2018, the Company's total monthly office rental payments, due through March 31, 2022, was \$442,997. As June 30, 2018, \$53,766 of total rent payments are due through December 31, 2018, \$163,998 of total rent payments are due through December 31, 2019, \$277,518 of total rental payments are due through December 31, 2020, \$394,452 of total rent payments are due through December 31, 2021 and \$423,828 of total rent payments are due through March 31, 2022.

**NOTE 12 – SUBSEQUENT EVENTS**

During July 2018, the Company sold 1,875,000 shares of common stock at \$0.08 per share to two investors in private transactions. The investors were also issued warrants to purchase 1,875,000 shares of stock with an exercise price of \$0.15 per share.



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**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 "Applied Minerals" or "we" or "us") (OTCQB: AMNL) owns the Dragon Mine in central Utah. From the mine we extract, process, or have processed by a third party, halloysite clay and iron oxide for sale to a range of end markets. We market the minerals directly and through distributors and also under a profit-sharing arrangement with the Kaolin business unit of BASF Corp. ("BASF").

We also engage in research and development and frequently work collaboratively with potential customers, consultants, distributors, and BASF to process and enhance our halloysite clay products to improve the performance of existing and new products.

Our halloysite clay, which we market under the DRAGONITE™ trade name, is an aluminosilicate mineral with a hollow tubular shape. DRAGONITE can utilize halloysite's morphology, high surface area, and reactivity to add significant functionality to a number of 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. The Company sells its halloysite products at negotiated prices.

Our iron oxide, which we market under the AMIRON™ trade name, is a high purity product. We have sold it on an exclusive basis to one customer at a negotiated price for use in an oilfield application and we are continuing to offer AMIRON to that customer on an exclusive basis. Currently, we are not selling AMIRON™ to customers on a continuing basis for use in any other application.

The Company is classified as an “exploration stage” company for purposes of Industry Guide 7 of the U.S. Securities and Exchange Commission (“SEC”) Under Industry Guide 7, companies engaged in significant mining operations are classified into three categories, referred to as “stages” - exploration, development, and production. Exploration stage includes all companies that do not have established reserves in accordance with Industry Guide 7. Such companies are deemed to be “in the search for mineral deposits.” Notwithstanding the nature and extent of development-type or production-type activities that have been undertaken or completed, a company cannot be classified as a development or production stage company unless it has established reserves in accordance with Industry Guide 7.

In 2017, we entered into a tolling agreement with BASF under which BASF will process the Company’s halloysite product, utilizing a water-based system. The BASF system is capable of eliminating impurities, such as iron oxide, and chemically treating the surface of halloysite to achieve desired functionality.

We have a mineral processing plant with a capacity of up to 45,000 tons of mineralization per annum for certain applications. The plant is currently dedicated to processing its halloysite products.

Additionally, the Company has a second processing facility with a capacity of up to 10,000 tons per annum. This smaller plant is currently dedicated to processing the Company’s halloysite. This smaller plant processes halloysite using a dry-based, micronizing system. This dry-based system does not eliminate impurities, such as iron oxide, as effectively as a water-based system but is useful in situations where the removal of impurities is not necessary.

For the foreseeable future, the Company expects to utilize a commercial-sized crusher to process its iron oxide to satisfy any sales of its AMIRON product.

For the six months ended June 30, 2018, the Company largest customers account for approximately 36% of total revenue and at June 30, 2018 amounts owed by the Company’s largest customer represented 0% of accounts receivable.

Table of Contents*Critical Accounting Policies and Estimates*

A complete discussion of our critical accounting policies and estimates is included in our Form 10-K/A for the year ended December 31, 2017. There have been no material changes in our critical accounting policies and estimates during the six-month period ended June 30, 2018 compared to the disclosures on Form 10-K/A for the year ended December 31, 2017.

Recent Accounting Pronouncements

See NOTE 3 – BASIS OF REPORTING AND SIGNIFICANT ACCOUNTING POLICIES

*Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017***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 June 30,		Variance	
	2018	2017	Amount	%
<b>REVENUES</b>	\$92,438	\$1,357,413	\$(1,264,975)	(93 %)
<b>OPERATING EXPENSES:</b>				
Production costs	184,875	827,413	(642,538 )	(78 %)
Exploration costs	55,132	111,949	(56,817 )	(51 %)
General and administrative	875,909	486,810	389,099	80 %
Depreciation expense	321,818	328,980	(7,162 )	(2 %)
<b>Total Operating Expenses</b>	<b>1,437,734</b>	<b>1,755,152</b>	<b>(317,418 )</b>	<b>(18 %)</b>
<b>Operating Loss</b>	<b>(1,345,296)</b>	<b>(397,739 )</b>	<b>(947,557 )</b>	<b>238 %</b>
<b>OTHER INCOME (EXPENSE):</b>				

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Interest expense, net, including amortization of deferred financing cost and debt discount	(578,904 )	(2,242,956)	1,664,052	(74 %)
Gain on revaluation of PIK Note derivative	1,601,423	741,117	860,306	116 %
Other income, net	3,738	24,132	(20,394 )	(85 %)
<b>Total Other Income (Expense)</b>	<b>1,026,257</b>	<b>(1,477,707)</b>	<b>2,503,964</b>	<b>(169%)</b>
<b>NET LOSS</b>	<b>\$(319,039 )</b>	<b>\$(1,875,446)</b>	<b>\$1,556,407</b>	<b>(83 %)</b>

Revenue for the three months ended June 30, 2018 totaled \$92,438, compared to \$1,357,413 for the same period in 2017, a decrease of \$1,264,975 or 93%. Sales of DRAGONITE during the three months ended June 30, 2018 totaled \$92,438, a decline of \$602,254 or 87% when compared to the same period in 2017. Sales of AMIRON during the three months ended June 30, 2018 totaled \$0, a decline of \$662,688 when compared to the same period in 2017.

The decrease in total sales was driven primarily by the absence of sales of AMIRON to one customer during the three months ended June 30, 2018. In December, 2015 the Company entered into an agreement to supply one customer its AMIRON iron oxide for use as a catalyst. The agreement required the Company to deliver \$5 million of AMIRON to the customer through June, 2017. During the three months ended June 30, 2018, the Company sold no AMIRON to the above-referenced customer compared to \$676,344 of AMIRON sold to the customer during the same period in 2017.

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The \$602,254 decrease in sales of DRAGONITE during the three months ended June 30, 2018 was driven primarily by a \$326,040 decrease in sales to a manufacturer of specialty molecular sieves, a \$154,890 decrease in sales to one of the Company's distributor, a \$138,000 decrease in sales to a compounder for use as a nucleating agent and a \$45,000 decrease in sales to manufacturer of molecular sieves who is currently developing an advanced molecular sieve using DRAGONITE. The decline in sales of DRAGONITE during the period was partially offset by \$36,000 of sales to a large manufacturer of gardening and landscape equipment, a \$10,000 increase in sales to a producer of ceramic clay bodies, an \$8,678 increase in sales to a manufacturer of flame retardant products who is expected to commercialize a flame retardant product using DRAGONITE during the latter half of 2018 and \$6,339 of sales to two companies focused on testing DRAGONITE as a nucleating agent.

Total operating expenses for the three months ended June 30, 2018 were \$1,437,734 compared to \$1,755,152 of operating expenses incurred during the same period in 2017, a decrease of \$317,418 or 18%. The decrease in operating expense, when compared to the same period in 2017, was driven primarily by a decline in production costs of \$643,248 or 78% and a decline in exploration costs of \$56,107, or 50%, partially offset by an increase in general and administrative expense of \$389,099 or 80%.

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 three months ended June 30, 2018 totaled \$184,875 compared to \$827,413 of production costs incurred during the same period in 2017. The decrease of \$642,538 was driven primarily by a general decline in production activity at the mine during the three months ended June 30, 2018 compared to the same period in 2017. The decline in production activity during the current period was driven primarily by the fulfillment, in June 2017, of an agreement entered into by the Company to supply a customer with \$5.0 million of AMIRON. The larger components of the decline in production costs included a \$280,664 or 78% decline in wage expense, the absence of \$144,389 of costs related to the compounding of a DRAGONITE-loaded masterbatch by a toll processor, a \$69,417, or 96%, decline in propane and equipment rental costs, a \$50,671 or 93% decline in freight costs, a \$39,065 or 60% decline in utilities expense, and a \$35,221 decline in Utah workers' compensation expense due to a dividend payment received from the companies Utah workers' compensation policy.

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 June 30, 2018 were \$55,132 compared to \$111,949 of incurred during the same period in 2017, a decrease of \$56,817 or 51%. The decrease was driven primarily a reduction in general activity at the Dragon Mine property.



General and administrative expenses incurred during the three months ended June 30, 2018 totaled \$875,909 compared to \$486,810 of expense incurred during the same period in 2017, an increase of \$389,099 or 80%. The Company's selling and administrative expenses are associated primarily with its New York operations.

The \$375,888 increase in general and administrative expense was driven primarily by a \$456,003 increase in equity-based compensation expense for officers, directors and consultants resulting primarily from the vesting of performance-based options granted to officers in 2017 and options granted to directors in 2017 in lieu of quarterly cash fees for their services through June 2018. The increase in equity-based compensation expense was partially offset by a \$36,210 reversal of expense related to an office security deposit, a \$33,305, or 61%, decline travel and entertainment expense and a \$10,448, or 32%, decrease on office rent expense.

Operating loss incurred during the three months ended June 30, 2018 was \$1,345,296, an increase of \$947,557 or 238%, when compared to the same period in 2017. The increase in operating loss during the quarter was due to a 93% decrease in revenue and a 80% increase in general and administrative expense, partially offset by a 78% decrease in production expense and a 50% decrease in exploration expense.

Total other income incurred during the three months ended June 30, 2018 was \$1,026,257, decrease in other expense of \$2,503,964, or 169%, compared to the same period in 2017. The decline in total other expense during the period was driven by a \$1,664,052, or 74%, decrease in interest expense incurred due to the restructuring of the terms of the Company's outstanding PIK Notes and an \$860,306, or 116%, increase in the gain on the revaluation of the PIK Note derivative liability due to a decrease in the value of the Company's common stock.

Net Loss for the three-month period ending June 30, 2018 was \$319,039, a reduction of \$1,556,047 or 83%, when compared to the same period in 2017. The decrease in net loss was due primarily to a \$2,503,963 decrease in other expense and a \$317,418 decrease in operating expense, partially offset by a \$1,264,975 decrease in revenue.

Table of Contents*Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017***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:

	Six Months Ended June 30,		Variance	
	2018	2017	Amount	%
<b>REVENUES</b>	\$ 138,085	\$ 2,152,695	\$(2,014,610)	(94 %)
<b>OPERATING EXPENSES:</b>				
Production costs	356,461	1,712,294	(1,355,833)	(79 %)
Exploration costs	111,093	257,459	(146,366 )	(57 %)
General and administrative	2,074,955	1,473,438	601,517	41 %
Depreciation expense	644,962	659,765	(14,803 )	(2 )%
<b>Total Operating Expenses</b>	<b>3,187,471</b>	<b>4,102,956</b>	<b>(915,485 )</b>	<b>(22 %)</b>
<b>Operating Loss</b>	<b>(3,049,386 )</b>	<b>(1,950,261)</b>	<b>(1,099,125)</b>	<b>56 %</b>
<b>OTHER INCOME (EXPENSE):</b>				
Interest expense, net, including amortization of deferred financing cost and debt discount	(3,120,955 )	(4,316,150)	1,195,195	(28 %)
Gain (loss) on revaluation of PIK Note derivative	(6,578,504 )	1,636,841	(8,215,345)	(502 %)
Other income (expense)	353,824	25,684	328,140	1,278 %
<b>Total Other Expense</b>	<b>(9,345,635 )</b>	<b>(2,653,625)</b>	<b>(6,692,010)</b>	<b>252 %</b>
<b>NET LOSS</b>	<b>\$(12,395,021)</b>	<b>\$(4,603,886)</b>	<b>\$(7,791,135)</b>	<b>169 %</b>

Revenue generated during the six months ended June 30, 2018 was \$138,085, compared to \$2,152,695 of revenue generated during the same period in 2017, a decrease of \$2,014,610 or 94%. Sales of DRAGONITE during the period totaled \$138,085, a decline of \$675,578, or 83%, compared to the same period in 2017. Sales of AMIRON during the period totaled \$0, a decline of \$1,339,032, or 100%, compared to the same period in 2017.

The decline of sales of DRAGONITE was driven primarily by a \$383,240 decline in sales to a manufacturer of specialty molecular sieves, a \$196,801 decline in sales to a distributor of DRAGONITE, a \$138,000 decline in sales to a compounder who uses DRAGONITE as a nucleating agent for resins and a \$45,000 decline in sales to a manufacturer molecular sieves who is currently developing an advanced molecular sieve using DRAGONITE. The declines were partially offset by a \$36,000 increase in sales to a large manufacturer of gardening and landscape equipment, a \$13,600 increase in sales to a leading manufacturer of ceramic bodies, an \$11,092 increase in sales to an Asia-based distributor, a \$10,678 increase in sales to a manufacturer of flame retardant products who will commercialize a product utilizing DRAGONITE during the latter half of 2018, \$9,150 of sales to three companies evaluating DRAGONITE as a nucleating agent and a \$6,019 increase in sales to a distributor of DRAGONITE samples to research facilities.

The decline in the sales of AMIRON was due to the fulfillment by the Company of a 5-year, \$5.0 million take-or-pay supply agreement in June 2017. The agreement required the Company to supply \$5.0 million of AMIRON to one customer over an 18-month period beginning late December 2015. The customer may order additional volume of AMIRON through December 2020.

Total operating expenses for the six months ended June 30, 2018 were \$3,187,471 compared to \$4,102,956 of operating expenses incurred during the same period in 2017, a decrease of \$915,485 or 22%. The decline in operating costs was driven primarily by a decline of \$1,356,533 in production costs and a \$145,666 decline in exploration costs, partially offset by an increase of \$601,517 in general and administrative costs.

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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 six months ended June 30, 2018 were \$356,461 compared to \$1,712,294 of costs incurred during the same period in 2017, a decrease of \$1,355,833 or 79%. The decrease in costs was driven primarily by lower production activity at the Dragon Mine due to the fulfillment of the 5-year, \$5.0 million supply agreement. The primary components of the decline in production costs during the period included \$682,544 of lower wage, wage-related, workers' compensation and healthcare expense, \$228,833 of lower propane, utility and mining materials costs, and \$174,178 of lower equipment maintenance, repair and rentals costs. The reduction in production costs was also driven by the elimination of \$177,400 of costs related to the toll manufacturing of a DRAGONITE-loaded masterbatch for a customer and an \$82,296 decrease in freight costs related to the elimination of the shipment of certain products, which occurred during the same period in 2017.

Exploration costs incurred during the six months ended June 30, 2018 were \$111,793 compared to \$257,459 incurred during the same period in 2017, a decrease of \$146,666 or 57%. Exploration costs are associated with the Company's activities at its Dragon Mine location, excluding costs directly associated with production. The decline was driven primarily by a decline in non-production related wages and benefits incurred during the period.

The Company's general and administrative expenses are associated primarily with its New York operations. General and administrative expenses incurred during the six months ended June 30, 2018 totaled \$2,074,955 compared to \$1,473,438 of expense incurred during the same period in 2017, an increase of \$601,517 or 41%. The increase was driven primarily by a \$766,305 increase in equity-based compensation granted primarily to the vesting of options granted to certain executives and directors during the latter half of 2017. The increase in equity-based compensation expense was partially offset by a \$91,091 decrease in wage and wage-related expense and a \$64,763 decrease in travel and entertainment expense.

Operating loss incurred during the six months ended June 30, 2018 was \$3,049,386 compared to a loss of \$1,950,261 incurred during the same period in 2017, an increase of \$1,099,125 or 56%. The increase in operating loss during the quarter was due to a 94% decrease in revenue and a 41% increase in general and administrative expense, partially offset by a 79% decrease in production costs and a 57% decrease in exploration costs.

Total other expense during the six months ended June 30, 2018 totaled \$9,345,635, an increase of \$6,692,010 or 252%. The increase in other expense was driven primarily by an \$6,578,504 loss realized on the revaluation of the

PIK Note derivative liability compared to a \$1,636,801 gain realized during the same period in 2017, partially offset by a decrease in interest expense of \$1,195,195 due to a restructuring of the Company's Series A and Series 2023 Notes and an increase in other income of \$328,140 comprised primarily of lease income earned during the three months ended March 31, 2018.

Net Loss for the six-month period ending June 30, 2018 was \$12,395,021 compared to a loss of \$4,603,886 incurred during the same period in 2017, an increase of \$7,791,135 or 169%. The increase in net loss was driven primarily by a \$2,014,610 decrease in total revenue and a \$6,692,010 increase in total other expense, partially offset by a \$915,485 decrease in operating expense.

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**LIQUIDITY AND CAPITAL RESOURCES**

The Company has a history of recurring losses from operations and the use of cash in operating activities. For the six months ended June 30, 2018, the Company's net loss was \$12,395,021 and cash used in operating activities was \$1,125,686. As of June 30, 2018, the Company had current assets of \$536,694 and current liabilities of \$1,202,880 of which \$338,741 was accrued PIK Note interest likely to be paid in additional PIK Notes. The Company's current liabilities also include (i) \$63,537 of accrued management bonus payable as determined by the Company's Audit Committee, (ii) \$59,810 of a note payable related to the financing of the Company's D&O and G/L policies, (iii) \$159,310 of payables to a compounder for which it has agreed to satisfy in halloysite product and (iv) \$156,200 of disputed accrued expenses for which the Company believes it has a statute of limitations defense.

Based on the Company's current cash usage expectations, management believes it will not have sufficient liquidity to fund its operations through August 20, 2019. 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 additional product sales. Collectively these factors raise substantial doubt regarding the Company's ability to continue as going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded assets amounts and classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

Management believes that in order for the Company to meet its obligations arising from normal business operations through August 20, 2019 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.

Cash used in operating activities during the six months ended June 30, 2018 was \$1,125,686 compared to \$483,308 during the same period in 2017, an increase of \$642,378 or 133%. Cash used in operating activities during 2018 before adjusting for changes in operating assets and liabilities was \$1,053,695, \$90,284 less than the comparable period in 2017.

Cash used in investing activities during the six months ended June 30, 2018 was \$0 compared to \$41,323 during the same period in 2017.

Cash provided by financing activities during the six months ended June 30, 2018 was \$1,519,283 compared to \$163,156 of cash used during the same period in 2017. The \$1,682,439 increase in cash generated during the period was due primarily to \$1,585,000 of proceeds generated from the sale of common stock of the Company and \$80,000

of proceeds from the exercise of warrants to purchase shares of common stock of the Company.

Total assets at June 30, 2018 were \$2,947,299 compared to \$3,324,164 at December 31, 2017, a decrease of \$376,865 due primarily to the depreciation of the book value of the Company's property and equipment. Total liabilities were \$45,913,885 at June 30, 2018, compared to \$36,524,946 at December 31, 2017. The increase in total liabilities was due primarily to a \$6,701,254 increase in the balance of the PIK Note derivative liability and a \$2,710,595 increase in the PIK Note balance.

## ISSUANCE OF CONVERTIBLE DEBT

For information with respect to issuance of convertible debt, see Note 8 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.

The following table summarizes our contractual obligations as of June 30, 2018 that requires us to make future cash payments:

	Payment due by period				
	Total	< 1 year	1 – 3 years	3 – 5 years	> 5 years
<b>Contractual Obligations:</b>					
Rent obligations	\$422,997	\$108,339	\$226,530	\$88,128	\$- 0 -
<b>Total</b>	\$422,997	\$108,339	\$226,530	\$88,128	\$- 0 -

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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





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**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.

We have identified material weaknesses in our internal control over financial reporting. If we fail to develop or maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential stockholders could lose confidence in our financial reporting, which could harm our business and the trading price of our stock.

During the preparation of our consolidated financial statements for the year ended December 31, 2017, we and our independent registered public accounting firm, identified deficiencies in our internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board. Management determined the control deficiencies constitute material weaknesses in our internal control over financial reporting.

The existence of a material weakness could result in errors in our financial statements, cause us to fail to meet our reporting obligations and cause investors to lose confidence in our reported financial information, leading to a decline in the trading price of our stock.

Management has identified the following material weaknesses, which have caused management to conclude that as of June 30, 2018, our internal controls over financial reporting were not effective at the reasonable assurance level:

- \* Insufficient segregation of duties, oversight of work performed and lack of compensating controls in our finance and accounting functions due to limited personnel; and
- \* We lack a sufficient process for periodic financial reporting and review of financial reports and statements.

Management is currently interviewing a number of consultants one of which it will engage to assist it in improving its internal controls.

Notwithstanding the existence of these material weaknesses in our internal control over financial reporting, the management believes that the consolidated financial statements included in this Form 10-Q fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

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**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.**

Except for the below, there were no additions or material changes to the Company's risk factors disclosed in Item 1A of Part I in the Company's 2017 Annual Report on Form 10-K/A.

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

During January, 2018 the Company issued 1,500,000 shares of common stock to a consultant at a price of \$0.04 per share.

During February, 2018 the Company sold 3,625,000 shares of common stock at a price of \$0.04 per share. The proceeds from the sale were used to fund working capital.

During March, 2018 the Company sold 3,000,000 shares of common stock at a price of \$0.05 per share. The proceeds from the sale were used to fund working capital.

During March, 2018 the Company sold 1,000,000 shares of common stock at a price of \$0.10 per share. The proceeds from the sale were used to fund working capital.

During March a shareholder exercised warrants to purchase 500,000 shares of stock at \$0.04 per share. The proceeds from the exercise of the warrants were used to fund working capital.

During April and May 2018, the Company sold 13,750,000 shares of common stock at a price of \$0.04 per share. The proceeds from the sale were used to fund working capital.

During June 2018, the Company sold 8,000,000 units at a price of \$0.08 per unit. Each unit consists of one share of common stock and one warrant to purchase one share of common stock at a price of \$0.15. The proceeds from the sale were used to fund working capital.

### **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.

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**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	<u>Mine Safety Disclosure</u>
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.



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**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: August 20, 2018 /s/ ANDRE ZEITOUN  
By: Andre Zeitoun  
Chief Executive Officer

Dated: August 20, 2018 /s/ CHRISTOPHER T. CARNEY  
By: Christopher T. Carney  
Chief Financial Officer