

Applied Minerals, Inc.
Form 10-K
April 16, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

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

For the year ended December 31, 2018

Commission file number: 000-31380

APPLIED MINERALS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

82-0096527

(I.R.S. Employer Identification No.)

55 Washington Street - Suite 301, Brooklyn, NY 11201

(Address of principal executive offices)

(Zip Code)

(800) 356-6463

Issuer's telephone number, including area code

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NO

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act:

YES NO

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

YES NO

Indicate by check mark whether the registrant submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

YES NO

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on June 30, 2018, based on the last sales price on the OTC Bulletin Board on that date, was approximately \$29,518,553.

As of April 16, 2019 there were 175,513,549 shares of common stock outstanding.

APPLIED MINERALS, INC.**YEAR 2018 ANNUAL REPORT ON FORM 10-K****TABLE OF CONTENTS**

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NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based on our current expectations, assumptions, estimates and projections about our business and our industry. Words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may," and other similar expressions identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements.

In the discussion under "Item 1 – Business" and "Item 9 - Management's Discussion and Analysis of Financial Condition and Results of Operations," we discuss a wide range of forward-looking information, including our beliefs and expectations concerning business opportunities, potential customer interest, customer activities (including but not limited to testing, scale-ups, production trials, field trials, product development), and our expectations as to sales, the amount of sales, and the timing of sales. Whether any of the foregoing will actually come to fruition, occur, be successful, or result in sales and the timing and amount of such sales is uncertain.

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

PART I

ITEM 1. BUSINESS

SUMMARY

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 agreement 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 a third party processor (BASF) to process and enhance our halloysite clay products to improve the performance of our customers' existing and new products.

Halloysite

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 shape, high surface area, and reactivity to add significant functionality to a number of applications.

Iron Oxide

Our iron oxide, which we market under the AMIRON™ trade name, is a high purity product. We have sold it as an absorbent for hydrogen sulfide gas contained in natural gas.

Sales

In 2018, we recorded revenues of \$4,873,161, of which \$4,868,466 was related to sales of DRAGONITE to 22 customers, \$1,075 was related to sales of AMIRON to one customer and \$3,620 was related to rental revenue of the Company's water truck to an exploration company.

Characterization of the Mineralization

Over the last ten years, the Company has expended significant resources, including commissioning a resource study, to determine the amount, character and mineability of the mineralization of the deposits at the Dragon Mine.

Classification for SEC Purposes

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. The mineralization indicated by the resource study (described below) we have commissioned cannot be classified as a reserve for purpose of Industry Guide 7.

In 2018, SEC adopted rules to modernize property disclosures for mining companies. Such rules go into effect in 2021. The mineralization indicated by the resource study would not qualify as a reserve under the new rules.

Processing Capability

In 2017, we entered into a tolling agreement with BASF under which BASF will use a water-based system that will process the Company's halloysite in accordance with the Company's specifications, which can include eliminating impurities, such as iron oxide, and surface treating the halloysite to achieve desired effects and functionality.

We have a mineral processing plant with a capacity of up to 45,000 tons of mineralization per annum for certain applications.

Additionally, the Company has a second processing facility with a capacity of up to 10,000 tons per annum that is dedicated to processing its halloysite resource. Such facility can process halloysite using a dry-based, micronizing system. This dry-based system does not eliminate impurities such as iron oxide as effectively as wet processing but is useful in situations where wet processing is not necessary.

Distribution Channels

The Company markets and sells its products directly and through distributors. The Company's CEO spends a significant amount of his time on sales, marketing and product development. The Director of Sales focuses on the marketing of the Company's DRAGONITE products. The Company also uses several leading distribution organizations, E.T. Horn, Brandt Technologies, LLC, and Azelis to market its products. The Company has a non-exclusive distribution agreement with a distributor for Taiwan and an exclusive agreement with a distributor for Japan.

In October, 2017, we entered into a supply agreement with the Kaolin business unit of BASF ("Supply Agreement"). The Supply Agreement provides that the Company will sell, to the extent that BASF submits orders, up to 15,000 tons of halloysite to BASF per year and BASF may process and/or treat and will have an exclusive license (a) to sell halloysite on a worldwide basis for use within the following third party markets: (i) paints and coatings; (ii) inks; (iii) rubbers (excludes flame retardant and wire and cable applications); (iv) adhesives; (v) paper, and (vi) ceramic honeycomb catalytic substrates and (b) to sell halloysite to other business units of BASF.

INFORMATION ABOUT THE COMPANY

Applied Minerals, Inc. (OTCQB: AMNL) owns the Dragon Mine from which we can extract halloysite clay and iron oxide, which we then process or have processed and sell. We also engage in research and development and frequently work collaboratively with potential customers, consultants, distributors, and BASF to engineer and enhance our halloysite clay and iron oxide products to improve the performance of our customers' existing and new products.

The Dragon Mine is a 267-acre property located in central Utah, approximately 70 miles south of Salt Lake City, Utah.

We market our halloysite clay-based line of products under the tradename DRAGONITE. We have marketed our iron oxide line of products under the tradename AMIRON.

Halloysite is mined and marketed by other companies, primarily by a French company, Imerys, which owns the other major halloysite mine, which is located in New Zealand. The halloysite from that mine is sold primarily for use in ceramics and tableware. When new management came into the Company in 2009, new management decided to focus on new, premium-priced uses of halloysite. Those premium-priced uses had been, and continue to be, identified typically in published research. Because the Company is primarily dedicated to new, advanced uses of halloysite that would permit the Company to charge premium prices, the sales and marketing process is one that often takes an extended period of time. The Company's pricing strategy is opportunistic and if significant competition develops, that strategy could be adversely affected.

The Company acquired the Dragon Mine primarily to exploit the mine's halloysite resources. At the time that the Dragon Mine was acquired, it was assumed that the iron oxide mineralization would be useful only for steelmaking. Given historical price conditions and our method of mining (underground), sales of iron oxide for steelmaking would often not be economic and at best would yield marginal or low profits. The iron oxide resource at the Dragon Mine has a high content of Fe₂O₃. The iron oxide is of high chemical purity, possesses high surface area, fine grains, dispersability, good tinting strength, enhanced color saturation, low color variation, and a low level of heavy metals content, high surface area (25 m²/g – 125 m²/g and reactivity).

In November, 2015, the Company entered into a \$5.0 million agreement to supply a customer its AMIRON iron oxide to be delivered over an 18 month period. The customer used the AMIRON for a specialized catalyst application. The Company agreed not to sell for a five-year period AMIRON to others for such use. In addition, the Company agreed that the customer could order up to 20,000 tons of AMIRON per year during the five-year period. The customer has not purchased any additional AMIRON beyond the \$5 million order. The customer can extend the exclusivity for an additional five years if, before the end of the initial five year period, it orders an additional \$8 million of AMIRON. If the customer orders the additional \$8 million, it can also order up to 20,000 tons of AMIRON per year during the second five-year period.

The \$5 million sale of AMIRON is the Company's only material sale of AMIRON.

INFORMATION ABOUT THE DRAGON MINE

History of the Dragon Mine

The Dragon Mine was first mined in the third quarter of the 19th century and has since been mined by various owners and operators. It was mined for iron oxide from the late nineteenth century until approximately 1931 and it was mined for halloysite clay from approximately 1931 to 1976. From 1949 to 1976, the halloysite was sold for use as a petroleum cracking catalyst. A fire closed the mine in 1976. No mining took place from 1976 until 2001, at which point the Company leased the property with an option to buy it. The Company purchased the property in 2005.

Prior to a change in management in 2009, the Company did relatively little to categorize the mineralization at the Dragon Mine or to identify and exploit markets for the minerals. Since new management was installed in 2009, the Company has used and proposes to continue to use a consulting geologist to categorize the mineralization at the Dragon Mine and management has identified, developed and exploited premium-priced markets for halloysite and, with respect to the single \$5 million sale noted above, iron oxide.

Resource Development/Exploration Drilling Expenses

In 2018 and 2017 the Company spent \$195,685 and \$508,861, respectively, on exploration and resource development.

More Detailed Description of the Mineralization at the Dragon Mine

Clays. Kaolinite and halloysite are clays and members of the kaolin group of clays. Both are aluminosilicate clays. Kaolinite and halloysite are essentially chemically identical, but have different morphologies (shapes). Kaolinite typically appears in plates or sheets. Halloysite, in contrast, typically appears in the shape of hollow tubes. On average, the halloysite tubes have a length in the range of 0.5 - 3.0 microns, an exterior diameter in the range of 50 - 70 nanometers and an internal diameter (lumen) in the range of 15 - 30 nanometers. Formation of halloysite occurs when kaolinite sheets roll into tubes due to the strain caused by a lattice mismatch between the adjacent silicon dioxide and aluminum oxide layers. Halloysite is non-toxic and natural, demonstrating high biocompatibility without posing any risk to the environment.

Kaolinite is one of the world's most common minerals. U.S. production in 2016 was approximately 6.1 million tons.

Halloysite is, by comparison, a rarer mineral and we believe worldwide production is less than 25,000 tons.

Iron Oxide. Hematite is the mineral form of iron oxide, which exists in a range of colors, including black to steel or silver-gray and brown to reddish brown, or red.

Goethite is an iron hydroxide oxide mineral, which exists in a range of colors, including yellowish to reddish to dark brown. If goethite is sufficiently heated to eliminate its contained water, it is transformed into hematite.

Mixtures of goethite and hematite are the color brown.

STATUS OF THE COMPANY FOR SEC REPORTING PURPOSES

The Company is classified as an "exploration stage" company for purposes of Industry Guide 7 of the U.S. Securities and Exchange Commission.

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 engaged in the search for mineral deposits (that is, reserves), which are not in either the development or production stage. In order to be classified as a development or production stage company, the company must have already established reserves. 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.

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

The Company has commissioned an ongoing study described above that was conducted using the standards of the JORC Code of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. The mineralization described in the study does not qualify as reserves for purposes of Industry Guide 7

In 2018, SEC adopted rules to modernize property disclosures for mining companies. Such rules go into effect in 2021. The mineralization indicated by the resource study would not qualify as a reserve under the new rules.

Despite the fact that the Company has not established reserves for purposes of Industry Guide 7, the Company has mined, processed and sold, and intends to continue to mine, process, and sell halloysite clay and iron oxide from the Dragon Mine.

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

In 2016, SEC proposed rules to modernize property disclosures for mining companies. The mineralization indicated by the resource study would not qualify as a reserve under the proposed rules.

PROCESSING CAPABILITIES

In 2017, we entered into a tolling agreement with BASF Corp. (“BASF”) under which BASF will “wet process” the Company’s halloysite to comply with the Company’s specifications, which can include eliminating impurities such as iron oxide and surface treating to achieve desired effects and functionality. The tolling agreement provides for tolling up to 15,000 tons per year. The Company has been orally assured that such capacity can be increased as reasonably necessary.

We have a mineral processing plant with a capacity of up to 45,000 tons per annum for certain applications. The facility can be used for iron oxide or halloysite. It is currently being used for halloysite.

Additionally, the Company has a second processing facility with a capacity of up to 10,000 tons per annum that is dedicated to its halloysite resource. Such facility can “dry process” halloysite using a micronizing system. Dry processing does not eliminate impurities such as iron oxide as effectively as wet processing but is useful in situations where wet processing is not necessary.

In October, 2017, we entered into a supply agreement with the Kaolin business unit of BASF Corp. pursuant to which BASF can purchase up to 15,000 tons per year, which it can process and sell into five specified markets. As of April 16, 2019, no sales of halloysite have been made by the Kaolin business unit.

MINING AND PRODUCTION ACTIVITY IN 2018 AND 2017

The following table discloses for the twelve (12) months ended December 31, 2018 and 2017, respectively (i) the number of tons of halloysite clay and iron oxide extracted by the Company from the Dragon Mine and (ii) the number of tons of finished product produced by the Company:

	2018	2017
Tons extracted		
Halloysite clay	314	407
Iron oxide	0	8,704
Products produced (tons)		
Halloysite clay	76	200
Iron oxide	0	8,962

CUSTOMERS**DRAGONITE**

The Company currently has 16 active customers for DRAGONITE. While there is no assurance that any such prospects will result in commercial customers, management has a reasonable belief that seven (7) major pieces of business may close in 2019, and close this year and another 13 programs with other customers that may close in 2020 or a little later.

AMIRON

In 2017, we sold \$1,365,816 of iron oxide to one customer under a \$5 million, take-or-pay sale agreement negotiated in 2015. During 2018 we sold an immaterial amount of AMIRON to two customers.

Sales by Customer Use

The table below discloses the percentage of total revenue by product category for the twelve months ended December 31, 2018 and 2017. “Testing” represents revenue generated from the sale of products used for laboratory testing by customers or potential customers. “Scale-Ups” represents revenue generated from the sale of products to customers or potential customers to determine whether our products perform successfully within a production-scale environment. “Commercial Production” represents revenue generated from the sale of products to customers that are either consumed by the customer or incorporated into a product that is sold by a customer to a third-party. “Other” represents revenue generated from the sale of products for which the Company is not aware of the use by a potential customer.

Percentages of Sales Classified by

	Customer Use	
	2018	2017
<i>Sales for:</i>		
Commercial Production	97	95
Scale-Ups	2	5
Testing	*	*
Other	*	*

Total	100	100
* < 1%		

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SALES AND MARKETING

The Company markets and sells its products directly and/or through distributors.

The Company's CEO spends a significant amount of his time on sales and marketing, directly and assisting the Company's sales staff and distributors. The Director of Sales focuses on the marketing of the Company's DRAGONITE products to high-value application markets and the establishment and management of relationships with distributors.

E.T. Horn acts as exclusive distributor for AMIRON in the following states: Washington, Oregon, Idaho, Montana, Wyoming, California, Nevada, Utah, Arizona, New Mexico. It acts as exclusive distributor of DRAGONITE in those states plus Texas, Oklahoma, Arkansas, and Louisiana.

Brandt Technologies, LLC acts as exclusive distributor for DRAGONITE and AMIRON in North Dakota, South Dakota, Nebraska, Kansas, Missouri, Iowa, Minnesota, Wisconsin, Illinois, Indiana, Kentucky, Ohio, and Michigan.

Azelis, by itself and through its subsidiaries, Ribelin Sales, Inc., E.W. Kaufman Co., and GMZ Inc., cement acts as exclusive distributor for DRAGONITE in Mississippi. Alabama, Tennessee, Georgia, Florida, South Carolina, North Carolina, Virginia, West Virginia, Maryland, Delaware, Pennsylvania, New Jersey, Connecticut, New York, Vermont, Massachusetts, New Hampshire, and Maine. The Company intends to engage a distributor for AMIRON in these states.

The Company has a non-exclusive distribution agreement with a distributor for Taiwan and an exclusive agreement with a distributor for Japan.

In October, 2017, we entered into an supply agreement with the Kaolin business unit of BASF Corp. ("Supply Agreement"). The Supply Agreement provides that the Company will sell halloysite to BASF and BASF may process and/or treat and will have an exclusive license to sell halloysite on a worldwide basis for use within the following third party markets: (i) paints and coatings; (ii) inks; (iii) rubbers (excludes flame retardant and wire and cable applications); (iv) adhesives; (v) paper, and (vi) ceramic honeycomb catalytic substrates and (b) use by other business units of BASF provided that such BASF business unit only uses or sells the halloysite as part of a product another product. Under the terms of the Supply Agreement, each party is reimbursed from the proceeds of sale for its direct costs and the Company and the BASF Kaolin business unit equally share the profits of any sales of halloysite by the Kaolin business unit. The Supply Agreement has an initial term of three years and automatically renews unless one

party terminates. As of April 16, 2019, no sales of halloysite have been made by the Kaolin business unit.

APPLICATION MARKETS

DRAGONITE

The following is a description of the application markets in which the Company has commercial customers for halloysite-based DRAGONITE products:

Molecular Sieves and Catalysts.

Molecular Sieves. DRAGONITE™ is a binder to zeolite crystals to enhance a molecular sieve's productivity in critical functions such as drying of natural gas and air, separation of liquid from product streams, and separation of impurities from a gas stream. DRAGONITE possesses a dispersion ability that allows it to combine with the zeolite crystals without reducing the rate of diffusion of liquids and gases. DRAGONITE's fine particle size, porosity, and thermal stability also ensure that adsorbates diffuse rapidly through the sieve without affecting the adsorbent blend's physical properties.

Catalysts. DRAGONITE can be used as a catalyst and catalyst support for the hydrotreatment and hydrodemetalation of hydrocarbonaceous feedstocks. DRAGONITE can be used to remove impurities such as metals, sulfur, nitrogen, and asphaltenes. Crude oil petroleum must be processed in order to make it into gasoline and other fuels.. Catalytic cracking involves the addition of a catalyst to speed up the cracking. The reactive nature of halloysite lends itself to being a catalyst especially for high sulfur oil. Halloysite can also be used as a support for catalysts, which are applied to the halloysite as a coating.

Halloysite from the Dragon Mine was mined and processed as a catalyst for petroleum cracking from 1949 to 1976.

Flame Retardant Additives

Flame retardant additives are widely used in flammable and flame resistant plastics and are found in electronics, building insulation, polyurethane foam, and wire and cable.

Plastic manufacturers typically mix or load a small amount of flame retardant into plastic to lower the risk of flammability of their products. We believe that DRAGONITE can be used as a partial replacement for Alumina Trihydrate (ATH) and Magnesium Hydroxide (MDH) in certain applications and as a synergist to ATH and MDH in other applications.

At typical loadings, ATH and MDH can adversely affect certain mechanical properties of plastics. We believe that DRAGONITE, in conjunction with ATH and MDH, exhibits a synergistic performance. Our research and development indicates that DRAGONITE can be used to replace 50% - 75% of antimony trioxide (ATO) in plastic without affecting flame retardancy, retaining the same rating under UL 94, the Standard for Safety of Flammability of Plastic Materials for Parts in Devices and Appliances testing.

We believe that in certain applications the use of DRAGONITE instead of other fire retardant products may allow a manufacturer to use less fire retardant and may, in addition, may enable the manufacturer to reduce the weight of the manufactured part. DRAGONITE-XR does not release its naturally bound water until 400°C, making it suitable for polymers processed under extreme conditions.

Other clays compete in the markets for partially replacing ATH, MDH, and ATO.

Binders for Ceramics

DRAGONITE is an effective binder for traditional ceramic products (any of various hard, brittle, heat-resistant and corrosion-resistant materials made by shaping and then firing a nonmetallic mineral, such as clay, at a high temperature). Binders are substances that improve the mechanical strength of green ceramic bodies so they can pass through production steps before firing without breakage. We believe that DRAGONITE, when used as a binder, also effectuates an improvement in the casting rate of the ceramic manufacturing process. This would equate to an increase in manufacturing efficiency.

Nucleation of Polymers; Reinforcement of Polymers.

Nucleation. Plastics and polymers are composed of long molecular chains that form irregular, entangled coils in a melted resin, the phase in which a resin is liquid and its molecules can move about freely. In semi-crystalline polymers, the chains rearrange upon freezing and form partly ordered regions. Examples of semi-crystalline polymers are polyethylene (PE), polypropylene (PP), Nylon 6 and Nylon 6-6. Crystallization of a polymer occurs as a result of nucleation, a process that starts with small, nanometer-sized domains upon which the polymer chains arrange in an orderly manner to develop larger crystals. The overall rate of crystallization of a polymer can be increased by a nucleating agent. In plastic molding processes, especially in injection molding, the plastic part must remain in the mold until crystallization is complete (freezing). To the extent that crystallization is accelerated, the time in the mold can be reduced, thereby resulting in productivity enhancement. We believe that DRAGONITE added to a resin at a loading of just 1% can significantly speed up the process of crystallization.

We believe DRAGONITE can be effective as a nucleating agent for both polyethylene and polypropylene.

Reinforcement Fillers. Many plastics are reinforced with a filler to enhance the mechanical properties of a polymer. Reinforced plastics, in certain instances, can compete with stiffer materials like metal while also offering an opportunity to reduce the weight of a manufactured part (“light-weighting”).

We believe that the utilization of DRAGONITE as a reinforcing filler can result in the improvement of one or more mechanical properties of a polymer such as modulus (the measure of how well a polymer resists breaking when pulled apart), strength (the measure of the stress needed to break a polymer), and impact resistance (the measure of a polymer’s resistance when impacted by a sharp and sudden stress).

Paints and Coatings

Halloysite has been shown to improve the adhesion and impact resistance properties of polymer-based paints and coatings. Additionally, halloysite has been shown to significantly improve the corrosion resistance of paints and coatings over synthetic anti-corrosion agents. Paints and coatings are one of the application markets on which BASF is focused as part of its Supply Agreement with the Company.

Other Opportunities.

Other potential markets that present opportunities for halloysite but as to which the Company does not have commercial customers include cement (halloysite may increase tensile strength more than twice the increase in compressive strength while reducing permeability), batteries (the silicon material in halloysite, which is an aluminasilicate, may be extracted from halloysite and used in anode in lithium ion batteries and halloysite may be used in electrolyte in batteries), and controlled release carrier in cosmetics and in other applications.

AMIRON

The AMIRON line of natural iron oxide-based products can be used in technical and pigmentary application markets. An immaterial amount of sales of AMIRON were made in 2018 and no sales of AMIRON have been made so far in 2019.

THE SALES PROCESS

The Company sells its products using employees, agents, and distributors, selling on a global basis.

DRAGONITE

The Company markets its DRAGONITE into two general types of application markets.

The first type is a market in which halloysite has not been previously used, or is to be used as an additive in substitution for another additive, to enhance a functionality of an application. This type of market requires a number of steps to be completed before a sale can be consummated. Like any new material that will be incorporated into a commercial manufacturing process, a significant amount of testing must be performed by a customer before DRAGONITE can be incorporated into a manufacturing process and a product. Sales of this type often require working with the potential customers' existing formulations, which can vary from potential customer to potential customer.

Working with a potential customer could include identifying a solution, such as (i) surface coating or (ii) when to introduce DRAGONITE into the formulation or (iii) the conditions under which it should be introduced or (iv) changes, deletions, additions, or substitutions involving other elements of the customer's formulation. Without the customer's collaboration in identifying a solution, DRAGONITE could be unsuccessful in achieving the customer's goals. This process can take an extended period of time (years in the case of discoloration of polymers as a result of the introduction of DRAGONITE) and, in some cases, there is no solution. In this type of market, price can be an important consideration and in some cases, we are not able to compete.

The second type of market is one in which halloysite clay is currently being used in traditional application markets. Within these established markets, we believe our DRAGONITE products often offers an enhanced value proposition with respect to purity and other properties sought by customers, although in some cases DRAGONITE's purity and/or other properties may not be required or useful. The pricing of our products relative to those of our competitors, however, will always be a significant factor in determining our ability to penetrate these markets.

AMIRON

The Company encounters the same types of challenges marketing AMIRON, as it faces in marketing DRAGONITE. In particular, the Company must compete on price and quality in relation to competitive materials.

The Company is not currently devoting significant efforts or resources to marketing AMIRON. It cannot be assured that we will be successful in penetrating markets for AMIRON.

RESEARCH, DEVELOPMENT AND TESTING

The Company's research and development and testing efforts are focused on the continued creation of commercial applications for our halloysite-based products and our iron oxides. The Company conducts research and development efforts internally and occasionally through consultants. The Company is using BASF to conduct research. The Company also conducts product research and development collaboratively with distributors, customers and potential customers.

In 2018 and 2017, the Company spent \$0 and \$170,407 for testing and research, respectively.

TRADEMARKS AND PATENTS

We have trademarked the name DRAGONITE and AMIRON. We believe these trademarks are important to the successful marketing of our product offering.

REGULATION

The Utah Department of Natural Resources sets the guidelines for exploration and other mineral related activities based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated 1953, as amended, and the General Rules and Rules of Practice and Procedures, R647-1 through R647-5. We have received a large mine permit from the Department. The Company does not believe that such regulations, including environmental regulations, have or will adversely affect the Company's business or have a material impact on capital expenditures, earnings and competitive position of the Company.

We carry a Mine Safety and Health Administration (MSHA) license (#4202383) for the Dragon Mine and report as required to MSHA. The Company is subject to extensive regulation and periodic inspections by the Mine Safety and Health Administration, which was created by the Mine Safety and Health Act of 1977. The regulations generally are designed to assure the health and safety of miners and our mine is periodically inspected by MSHA. The Company

does not believe that such regulations have or will materially adversely affect the Company's business or have a material impact on capital expenditures, earnings and competitive position of the Company.

The clays that the Company mines, including halloysite, may contain various levels of crystalline silica when mined. Crystalline silica is considered a hazardous substance under regulations promulgated by the U.S. Occupational Health and Safety Administration (OSHA) and U.S. Mine Health and Safety Administration (MSHA) and as a result is subject to permissible exposure limits (PELs), both in the mine and at the workplaces of our customers. The Company is required to provide Safety Data Sheets (SDS) at the mine and accompanying sales of products to customers. The Company must also apply hazard warning to labels of containers of the product sold to customers, if levels of crystalline silica are present above specified thresholds. Kaolin and halloysite are also subject to PELs.

EMPLOYEES

As of March 30, 2019, the Company had 13 employees. None of our employees are covered by a collective bargaining agreement, we have never experienced a work stoppage, and we consider our labor relations to be excellent.

ITEM 1A. RISK FACTORS

AN INVESTMENT IN OUR SECURITIES IS VERY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS, ALONG WITH THE OTHER MATTERS RELATED TO RISK REFERRED TO HEREIN THIS ANNUAL REPORT, BEFORE YOU DECIDE TO BUY OUR SECURITIES. IF YOU DECIDE TO BUY OUR SECURITIES, YOU SHOULD BE ABLE TO AFFORD A COMPLETE LOSS OF YOUR INVESTMENT.

Our business activities are subject to significant risks, including those described below. Every investor, or potential investor, in our securities should carefully consider these risks. If any of the described risks actually occurs, our business, financial position and results of operations could be materially and adversely affected. Such risks are not the only ones we face and additional risks and uncertainties not presently known to us or that we currently deem immaterial may also significantly and adversely affect our business.

SPECIFIC RISKS APPLICABLE TO APPLIED MINERALS

LOSSES, DEFICITS, GOING CONCERN.

We have experienced annual operating losses for as long as we have financial records (since 1998). For the years ended December 31, 2018 and 2017, the Company sustained losses from continuing operations of \$3,325,993 and \$14,910,659, respectively. At December 31, 2018 and 2017, the Company had accumulated deficits of \$107,819,850 and \$104,493,857, respectively. We have very limited cash as of the date of this report, negative cash flow, and continuing unprofitable operations. Accordingly, our independent registered public accounting firm, MaloneBailey, LLP, has included a going concern paragraph in its opinion on our financial statements.

We may need to seek additional financing to support our continued operations; however, there are no assurances that any such financing can be obtained on favorable terms, if at all, especially in light of the restrictions imposed on the

incurrence of additional debt by the Series A Notes and the Series 2023 Notes.

Material Weakness in our Internal Control over Financial Reporting

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, 2018, 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

MATURITY OF OUTSTANDING PIK-ELECTION CONVERTIBLE NOTES.

Unless the Company becomes quite successful its outstanding PIK-Election Convertible Notes may not elect to voluntarily convert into common stock. Unless the Company is able to generate significant cash flow, the Company may not have sufficient funds to pay outstanding PIK-Election Convertible Notes when such notes mature. Unless the stock price increases very significantly, the Company may not be able to force conversion of the notes before maturity.

The Company has two series of convertible, PIK notes outstanding, 3% PIK-Election Convertible Notes due May 1, 2023 ("Series A Notes") and 3% PIK-Election Notes due August 1, 2023 ("Series 2023 Notes"). As of April 16, 2019, the outstanding balance of the Series A Notes was approximately \$27.6 million and the outstanding balance of the Series 2023 Notes was approximately \$16.4 million. If the Company continues to pay interest in additional PIK Notes, the outstanding balances will increase to approximately \$51.1 million in 2023.

The description of the risks associated with maturity and mandatory conversion set forth below is limited to the Series A Notes, but the risks related to the Series 2013 Notes are similar.

The Series A Notes mature on May 1, 2023. The Series 2023 Notes mature on August 1, 2023.

The holders of the Series A Notes may convert their principal and accrued but unpaid interest into shares of common stock of the Company at any time. As of April 16, 2019, the conversion price of the Series A Notes was \$0.40 per share and would have converted into approximately 70.0 million shares of common stock of the Company. As of April 16, 2019, the conversion price of the Series 2023 Notes was \$0.59 per shares and would have converted into approximately 28.4 million shares of common stock of the Company.

The Series A Notes are mandatorily convertible by the Company at any time when (i) the volume weighted average price of the shares of the common stock of the Company is equal to or greater than \$1.00 for thirty (30) consecutive trading days and (ii) the closing market price of the shares of the common stock of the Company is equal to or greater than \$1.00.

The Series 2023 are mandatorily convertible by the Company at any time when the weighted average trading price of a share of the Company's common stock is in excess of \$0.59 for ten (10) consecutive trading days.

The Series A Notes and Series 2023 Notes contain significant negative covenants that limit or eliminate, without the consent of a majority by principal of the each series of Notes, among other things, mergers, sales of assets, dividends, borrowings, secured transactions, liens and transactions with affiliates.

PENETRATING MARKETS

For the Company to survive, we must penetrate our target markets and achieve sales levels and generate sufficient cash flow to break-even. To be a success, we must do better than that. As outlined below, and in light of the disclosures above, there is significant uncertainty that we will be able to do so.

Many of the applications for which we are selling for our halloysite-based material are applications for which halloysite has not been used previously. As a result, there are a number of special obstacles that we need to overcome to achieve sales in these markets. It may be necessary to convince manufacturers to change their manufacturing processes and substitute our halloysite-based material for the product they are currently using, and in some cases, to use our halloysite-based material where no product was used before.

The process beginning with introducing our halloysite-based material to manufacturers and ending with the manufacturers using our products in their production (i) can encounter inertia, skepticism, and different corporate priorities, (ii) requires educating potential customers (some of whom can be resistant) on whether our product actually works for the manufacturer's particular need, the benefits of our material, and how to test and use our material (how much to add, when to add, and so forth), and (iii) often requires working with potential customers to assure that the potential customers test the materials under proper conditions to assure that our products provide the desired results, do not adversely affect the customer's product and do not interfere with the other constituents of, or processes to make, the customer's product. In summary, while we believe that our halloysite-based material often adds significant value, we can say two things about the process that ends with manufacturers using our halloysite-based material: it can take a long time and there is no certainty that we will be able to convince enough manufacturers to use our halloysite-base material.

Similarly, we have attempted to sell our iron oxides, which are natural, into markets where synthetic iron oxides have been used in the past. In trying to make such sales, we encounter the same or similar types of problems described in the preceding paragraph

Other applications for our halloysite-based material and our iron oxides are applications for which halloysite or natural iron oxides have been used previously. To penetrate these markets, we face the difficulties encountered by any company trying to enter an established market competing against established players that may be in better financial condition than we are and are already familiar to, and in many cases have relationships with, the potential customers, which may make purchasing from such competitors more attractive than purchasing from us. While we believe that in many cases, our products are superior to those already in the market; there is uncertainty that we will be able to penetrate those markets to a sufficient degree. Because individual halloysite and iron oxide deposits can differ in significant respects, we may have to demonstrate that our halloysite or iron oxide will actually work for the manufacturer's particular need and thus we can encounter the problems discussed in the third paragraph of this section.

COMPETITION

Competition from Other Miners of Halloysite

Currently there is limited competition involving the sale of our halloysite-based DRAGONITE products in our advanced-applications target markets. If our DRAGONITE products penetrate our advanced-application target markets, we may face significant competition from competitors as well as from non-halloysite solutions often sold by larger, more established companies. The basis for competition is performance, price and reliability. The Company's pricing strategy is opportunistic and if significant competition develops, that strategy could be adversely affected.

Despite the widespread occurrences of halloysite, large deposits from which high purity halloysite can be economically extracted are comparatively rare. These include deposits with high-grade zones that are dominantly halloysite and lower grade deposits where halloysite can be readily separated to give a high purity product. Relatively pure halloysite typically occurs as narrow lenses or pockets in altered rock and often requires selective mining and sorting to produce a high-grade product. Halloysite is often associated with fine-grained kaolinite, silica or other fine-grained mineral contaminants and as such, for many applications, requiring beneficiation methods that rely primarily on wet processing.

To our knowledge, significant production of high-grade halloysite from large deposits for specialist industrial use at present is limited to the Dragon Mine and open pit mines owned by Imerys, a large French minerals company, in Northland, New Zealand, and in mines in Turkey and in China

The New Zealand mines produce about 15,000 tons of halloysite per year. The raw clay from New Zealand contains around 50% halloysite, 50% silica minerals (quartz, cristobalite, tridymite, amorphous silica), and minor feldspar. It must be processed to eliminate the crystalline silica materials. A 2014 Safety Data Sheet for Imerys' product states "This product contains between 1% and 10% of quartz (fine fraction), and quartz (fine fraction) is classified as STOT RE1, which means definitely toxic to humans or toxic effect was determined in animal experiments after repeated exposure."

Our Safety Data Sheet indicates that our processed halloysite "may contain naturally occurring Respirable Crystalline Silica (CAS #'s 14808-60-7 and 14464-46-1) at trace concentration levels below HazCom 2012 and GHS Revision 3 hazard classification limits. Per XRC analysis, which combines the analytical capabilities of X-Ray Diffraction, Computer Controlled Scanning Electron Microscopy/Energy Dispersive Spectroscopy and Raman Spectroscopy to conduct particle-by-particle inter-instrumental relocation and physicochemical/mineralogical analysis - naturally occurring trace level substances in these products, including Respirable Crystalline Silica, are inextricably bound, environmentally unavailable and at de minimis concentrations. Thus, in the current and anticipated future physical state of these products, they are believed to be incapable of causing harm under normal conditions of use or as a result

of extreme upset.” Our halloysite does not contain cristobalite.

Imerys' halloysite has low amounts of Fe₂O₃. Some of our raw halloysite may contain more Fe₂O₃ but it can be processed out through bleaching or can be reduced through blending with purer halloysite.

To our knowledge, Imerys has not made any significant efforts so that its halloysite can penetrate that advanced markets that the Company is attempting to penetrate.

Halloysite from Turkey is sold for use in catalysts for a very low price, but it may not have the same functionality as the Company's halloysite. For some uses such functionality may not be necessary.

Halloysite from China is being sold for use in molecular sieves.

A company owning a deposit in Idaho claims to have proven and probable reserves of halloysite of 382,000 tons and that it will produce halloysite products and market them for some of several uses. Some of those uses are the same as the uses for which the Company is marketing its Dragonite.

Smaller deposits occur in many countries including Japan, Korea, China, Thailand, Indonesia, Australia, South America, and Europe. It is reported that halloysite from China, Brazil, Poland, and Turkey is sold commercially, but halloysite from other locations may be sold commercially. Halloysite is typically used for ceramics and paper coating.

The degree or extent to which the halloysite from other deposits can or will compete with our halloysite-based products is subject to a variety of factors, including the following:

Deposits of halloysite are formed under a variety of geological conditions of hydrothermal alteration and weathering. As a result, the nature and extent of impurities, the length of the tube, thickness of the walls, and the size of the pore or lumen can all vary. In many deposits, the halloysite is mixed with significant amounts of other clays, limiting its usefulness for certain applications. Other deposits can contain significant amounts of crystalline silica and/or cristobalite, which may limit the usefulness for certain applications and/or require additional processing, although given the fine grain of silica and cristobalite, there are limits to the ability to eliminate them. Other deposits contain more iron oxide than is acceptable, requiring additional processing. Other deposits may be of high quality.

Some deposits are subject to difficulties relating to mining. Some deposits are located in geographically isolated areas.

The global resource base for economically mineable halloysite might be expanded to meet substantial growth in demand, especially if demand was for higher-value markets that would justify higher costs for mining and processing out containments. Such expansion might be anticipated both through the discovery of new deposits and through the adoption of more elaborate process methods to separate halloysite occurring within lower-grade sources. Competition from the other halloysite producers could arise and could adversely affect sales and margins and such competition would be based on performance and/or price. In particular, competition could affect the Company's sales strategy of opportunistic pricing.

Competition from Suppliers of Alternative Solutions to Halloysite

When we market halloysite for use in situations where halloysite has not been previously used, or is to be used as an additive in substitution for another additive to enhance certain functionality of an application, we will face competition from suppliers of other solutions and the competition will be based on performance, price and reliability.

Competition for Iron Oxide

We expect to compete with companies that, in some cases, may be larger and better capitalized than us. Because individual iron oxide deposits can differ in significant respects, our iron oxide may not be suitable for certain uses and we may have to demonstrate that our iron oxide will actually work for the manufacturer's particular need and we can encounter problems in getting manufacturers to test our product and even if such tests are successful, to use our iron oxide. We also compete with synthetic iron oxide.

THE COMPANY'S SUCCESS DEPENDS ON OUR SENIOR MANAGEMENT

Our senior management has played a critical role in leading the effort to commercialize our halloysite-based products and iron oxides. If the Company loses the services of members of senior management, there is no assurance that the Company would be able to attract and retain qualified replacements.

OTHER MORE GENERALIZED RISKS AND UNCERTAINTIES

The actual Dragon Mine profitability or economic feasibility may be adversely affected by any of the following factors, among others:

Changes in tonnage, grades and characteristics of mineralization to be mined and processed;

Higher input and labor costs;

The quality of the data on which engineering assumptions were made;

Adverse geotechnical conditions;

Availability and cost of adequate and skilled labor force and supply and cost of water and power;

Availability and terms of financing;

Environmental or other government laws and regulations related to the Dragon Mine;

Changes in tax laws, including percentage depletion and net operating loss carryforwards;

Weather or severe climate impacts;

Potential delays relating to social and community issues;

Industrial accidents, including in connection with the operation of mining and transportation equipment and accidents associated with the preparation and ignition of blasting operations, milling equipment and conveyor systems;

Underground fires or floods;

Unexpected geological formations or conditions (whether in mineral or gaseous form);

Ground and water conditions;

Accidents in underground operations;

Failure of mining pit slopes;

Seismic activity; and

Other natural phenomena, such as lightning, cyclonic or storms, floods or other inclement weather conditions.

THERE IS COMPREHENSIVE FEDERAL, STATE AND LOCAL REGULATION OF THE EXPLORATION AND MINING INDUSTRY THAT COULD HAVE A NEGATIVE IMPACT OUR MINING OPERATIONS.

Exploration and mining operations are subject to federal, state and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground, the discharge of materials into the environment, restoration the property after mining operations are completed. Exploration and mining operations and some of the products we sell are also subject to federal, state and/or local laws and regulations that seek to maintain health and safety standards. No assurance can be given that standards imposed by federal, state or local authorities will not be changed or that any such changes would not have material adverse effects on our activities, including mine closure. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on our financial position. Additionally, we may be subject to liability for pollution or other environmental damages that we may elect not to insure against due to prohibitive premium costs and other reasons. Additionally, we may be subject to liability for pollution or other environmental damages that we may elect not to insure against due to prohibitive premium costs and other reasons.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

PRINCIPAL OFFICE

The corporate office is located at 55 Washington Street, Suite 301, Brooklyn, N.Y. 11201.

MINING PROPERTY

The following section describes our right, title, or claim to the Dragon Mine property.

The Dragon Mine property, located in Juab County, Utah, within the Tintic Mining District, has been principally exploited for halloysite clay and iron oxide. It is located approximately 2 miles southwest of Eureka, Utah and can be accessed via state highway and county road. There is no evidence of a water source on the property.

The property covers approximately 267 acres with a large mining permit covering 40 acres allowing for the extraction of minerals. The property consists of 38 patented and six unpatented mining claims located in the following sections: T10S, R2W, sections 29, 30, 31, and T10S, R3W, Section 36, all relative to the Salt Lake Base Meridian. The Company pays approximately \$800 in annual maintenance fees to the U.S. Department of Interior Bureau of Land Management to maintain rights to its unpatented claims. The BLM Claim Numbers are: UMC385543, UMC 385544, UMC394659, UMC394660, UMC408539, and UMC408540.

The Company has no underlying royalty agreements with any third-party with respect to the Dragon Mine. We leased the property in 2001 and in 2005 we purchased the property for \$500,000 in cash. As more fully explained in the “Business” section, the property has two mining areas, the Dragon Pit, which contains high purity halloysite, mixed clays and iron oxide and the Western Area, which contains mixed clays and iron oxides.

Processing Facilities at Dragon Mine; Plant and Equipment

The Company has two dry-process facilities at its Dragon Mine property. One facility, is currently being used to process iron oxide, can process clay minerals, has a capacity of up to 45,000 ton per year for certain types of processing and includes a Hosokawa Alpine mill. Before processing, the mineral is crushed. If only crushing is needed for a particular use, our production capacity will be significantly higher. The other facility is dedicated to dry processing of halloysite clay resource and has an annual capacity of up to 10,000 tons per year.

We have an agreement with BASF Corp. to process up to 15,000 tons of halloysite each year using a water-based process.

We believe the physical plant and equipment utilized at the Dragon Mine are in satisfactory condition to continue our current mining and processing activity except where the Company anticipates using a third party to beneficiate its halloysite. The Company continually reviews the adequacy of its physical plant and equipment inventory and expects to invest accordingly to ensure that the size and quality of its physical plant and equipment can meet its needs. Currently, our physical plant includes, but is not limited to, two processing mills, a dry house, a site office, a general storage facility, an equipment repair facility, and a structure housing three IR compressors, which are used to power the mill and certain drilling equipment used underground. Our mining equipment includes, but is not limited to, a road header, an underground drill, a deep drill, a skid steer, a front-end loader and a number of other pieces traditionally used to mine underground. There are some pieces of equipment we choose to rent on a daily basis rather than own or lease to own. The Company uses diesel fuel and propane and has water transported to the property from an external source. The property has sufficient access to roads to enable the transportation of materials and products. The property also has a well-equipped laboratory used for quality control and research.

SEC Industry Guide 7 and Resource Study

As of the filing of this report, the Company was classified as an exploration stage company for purposes of Industry Guide 7 of the U.S. Securities and Exchange Commission.

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 engaged in the search for mineral deposits (reserves). In order to be classified as a development or production stage company, a company must have already established reserves. Unless a company has established reserves, it cannot be classified as a development or production stage company, notwithstanding the nature and extent of development-type or production- type activities that have been undertaken or completed.

The Company has commissioned a study of the mine's "resources" that was conducted using the standards of the JORC Code of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. The mineralization described in the study does not qualify as reserves under Industry Guide 7.

In 2018, SEC adopted rules to modernize property disclosures for mining companies. Such rules go into effect in 2021. The mineralization indicated by the resource study would not qualify as a reserve under the new rules.

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

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

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 minesite 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 paid the Company \$350,000 upon the execution of the agreement and paid it \$150,000 on the first anniversary of the Exploration License in December 2018. CMC will pay the Company \$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.

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.

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.

ITEM 3. 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 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 10-K.

PART II

ITEM MARKET PRICE FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDERS 5. MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Prices for Our Common Stock

Our common stock is quoted on the OTCQB under the symbol "AMNL." The following quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commission, and may not represent actual transactions.

	Year 2018		Year 2017	
	High	Low	High	Low
First Quarter	\$0.22	\$0.05	\$0.13	\$0.08
Second Quarter	\$0.18	\$0.10	\$0.08	\$0.03
Third Quarter	\$0.17	\$0.10	\$0.05	\$0.02
Fourth Quarter	\$0.10	\$0.04	\$0.10	\$0.04

Record Holders

As of December 31, 2018, there were approximately 647 holders of record of our common stock. This number does not include an indeterminate number of shareholders whose shares are held by brokers in street name.

Dividends

Since we became a reporting company in 2002, we have never declared or paid any cash dividend on our common stock. We have no current plans to declare dividends. We are subject to restrictions or limitations relating to the declaration or payment of dividends Under the Series A Notes.

Equity Compensation Plans

Plans Approved by Stockholders

Shareholders approved the 2012 Long-Term Incentive Plan (“2012 LTIP”) and the 2016 Incentive Plan. (“2016 IP”).

The number of shares subject to the 2012 LTIP for issuance or reference was 8,900,000. The number of shares subject to the 2016 IP was 15,000,000.

Plans Not Approved by Stockholders

Prior to the adoption of the November 2012 LTIP, the Company granted options to purchase 12,378,411 shares of common stock under individual arrangements.

In May and August, 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. The Company granted options to purchase 1,993,655 shares of common stock under the 2016 LTIP.

In 2017, prior to the adoption of the 2017 Incentive Plan (“2017 IP”) in August, 2017, the Company granted options to purchase 870,000 shares of common stock under individual arrangements.

The number of shares of common stock for issuance or for reference purposes subject to the 2017 IP was 40 million. The Company has granted options to purchase 39,245,288 shares of common stock under the 2017 IP.

Equity Compensation Information**As of December 31, 2018**

	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	7,553,249	(1) \$ 1.05	16,346,751
Equity compensation plans not approved by security holders	47,313,596	(2) \$ 0.17	761,057
Total	54,866,845	\$ 0.29	17,107,808

(1) Includes options granted under the November 2012 LTIP and 2016 IP

(2) The following options were granted under the 2016 Long-Term Incentive Plan:

On May 11, 2016, the Company granted 250,000 nonqualified options to two directors with an exercise price of \$0.25 per share. The options vested immediately and expire five years after the date of grant.

On July 6, 2016, the Company granted 500,000 nonqualified options to an officer with an exercise price of \$0.16 per share. The options vest ratably over a 12-month period beginning August 15, 2016 and expire in three years.

On August 1, 2016, the Company granted 120,000 nonqualified options to two officers with an exercise price of \$0.25 per share. The options vested immediately and expire 10 years after the grant date.

On August 18, 2017, the Board granted 27.5 million options to five members of management. The options are ten-year options with an exercise price of \$0.06 per share. The closing market price on December 14, 2017 was \$0.04.

The vesting conditions of the options are as follows: (i) 25% of the options will vest upon the closing of the sale of an aggregate of \$600,000 of units at \$0.04 per unit (each unit consisting of one share of Common Stock and a warrant to purchase 0.25 of a share of Common Stock) (this has been accomplished); (ii) 25% of the options will vest upon the receipt of at least \$900,000 from one or more of the following sources: sale(s) of Common Stock over and above \$600,000, consideration for entering into licensing or similar agreement(s), and/or consideration for entering into agreement(s) relating to the sale or lease of mineral rights or entering into options or other agreements relating mineral rights; (iii) 25% of the options will vest when the Company has toll processing arrangements with two toll processors of halloysite that, in management's good faith belief, can process halloysite to the Company's specifications (one of the agreements may be a back-up or standby arrangement); (iv) 8.3% of the options if EBITDA is positive over a period of twelve months; (v) 8.3% of the options if EBITDA equals or exceeds \$2 million over a period of twelve months; and (vi) 8.4% of the options if EBITDA equals or exceeds \$4 million over a period of twelve months. The vesting under the first three conditions is not sequential and the vesting under fourth and fifth or under the fourth, fifth, and sixth, or the fifth and sixth can occur simultaneously. EBITDA is defined as operating income plus depreciation and amortization expense plus non-cash expense plus any unusual, one-time expense incurred during the period.

The following options were granted under the Company's 2017 Incentive Plan:

On August 18, 2017, options were granted to Named Executive Officers as follows: Andre Zeitoun: 11,910,772 options; Christopher Carney: 4,780,550 options; William Gleeson: 3,749,439 options.

On August 18, 2017, the Board of Directors granted options to directors other than to Mr. Zeitoun, who does not receive compensation for service on the Board. The exercise price of the options is \$0.06 and the number of options is determined by dividing the dollar amount of the fee by \$0.06. The closing market price of the Company's common stock on August , 2017 was \$0.04.

The options cover fees for Board service for the fourth quarter of 2017 and the first three quarters of 2018, except for service on the Operations Committee. The options vested in four tranches quarterly.

The fees for Board service are \$50,000 in options for membership on the Board, \$10,000 on options or chairmanship of the Board or a committee (except the Operations Committee). The options for such fees, except for the Operations Committee, vest as the beginning of each calendar quarter provided the person in in office at that time.

The Chairman of the Operations Committee receives as fee of \$150,000 per year and the non-management member receives a fee of \$62,500 per year. The options for such fees vest on May 1, 2018.

The total number of options granted to each of the directors is as follows: Mr. Betz — 1,791,667; Mr. Concha: 3,250,000; Mr. Levy — 1,000,000; and Mr. Zamani — 833,333.

On December 21, 2017, the Company granted options to purchase 545,289 shares to Alexandre Zyngier. Each option has an exercise price of \$0.075 and a term of ten (10) years. Of the options granted to Mr. Zyngier, 45,290 vested on December 21, 2017, 166,666 vest on January 1, 2018, 166,666 vest on April 1, 2018 and 166,667 vest on July 1, 2018.

In 2018 at the direction of Mr. Barry, with respect to his fees for service through September 30, 2019, the Company granted options to purchase 347,222 shares to two funds managed by his employer, Samlyn Capital, LLC. In 2018, at the direction of Mr. Pohly with respect to his fees for service through September 30, 2019, the Company granted options to purchase 277,777 shares to a fund managed by his employer, Kingdon Capital Management LLC.

The 2017 Incentive Plan was adopted on December 14, 2017 by the Board of Directors. Forty million (40,000,000) shares of Common Stock are subject to the 2017 Incentive Plan. The options granted under the 2017 Incentive Plan will cease to be effective if the Certificate of Incorporation is not amended to increase the number of authorized shares of Common Stock.

	12-31-13	12-31-14	12-31-15	12-31-16	12-31-17	12-31-18
Applied Minerals, Inc.	\$ 100	\$ 66	\$ 25	\$ 11	\$ 5	\$ 5
iShares Russell Microcap ® Index ETF	\$ 100	\$ 102	\$ 96	\$ 114	\$ 127	\$ 110
S&P Metals & Mining Index	\$ 100	\$ 73	\$ 36	\$ 72	\$ 86	\$ 62

* Cumulative return assumes a \$100 investment of each respective security at December 31, 2013.

ITEM 6. SELECTED FINANCIAL DATA

Year Ended December 31 (in 000's except per share data)	2018	2017	2016	2015	2014
Revenue	\$4,873.2	\$2,444.7	\$4,013.1	\$507.5	\$234.2
Net loss	\$(3,326.0)	\$(14,910.7)	\$(7,639.8)	\$(9,805.1)	\$(10,316.3)
Net loss - basic	\$(0.02)	\$(0.13)	\$(0.07)	\$(0.10)	\$(0.11)
Net loss - diluted	\$(0.02)	\$(0.13)	\$(0.07)	\$(0.10)	\$(0.11)
Cash and equivalents	\$2,892.3	\$47.7	\$1,049.9	\$1,803.1	\$10,701.7
Total assets	\$4,137.0	\$3,324.2	\$6,079.5	\$8,339.4	\$18,457.7
Long-term liabilities	\$36,825.3	\$35,291.9	\$25,229.7	\$22,245.4	\$23,119.0
Shareholders' (deficit)	\$(34,118.7)	\$(33,200.8)	\$(20,968.1)	\$(15,739.7)	\$(7,517.0)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**OVERVIEW**

Applied Minerals, Inc. is a global producer of DRAGONITE halloysite clay and AMIRON advanced natural iron oxides. We are a vertically integrated operation focused on developing grades of DRAGONITE and AMIRON that can be utilized for both traditional and advanced end-market applications. We have mineral production capacity of up to approximately 55,000 tons per year. See "ITEM 1. BUSINESS" for further details regarding both our business strategy.

CRITICAL ACCOUNTING POLICIES

The following accounting policies have been identified by management as policies critical to the Company's financial reporting:

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company bases its estimates on historical experience and market-specific or other relevant assumptions that it believes are reasonable under the circumstances. The amounts of assets and liabilities reported in the Company's balance sheets and the amount of expenses and income reported for each of the periods presented are affected by estimates and assumptions,

which are used for, but are not limited to, determining the fair value of assets and liabilities, warrant and PIK note derivative liabilities, stock compensation, impairment of long-lived assets and valuation allowance on income taxes. Actual results could differ from such estimates or assumptions.

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 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.

RECENT ISSUED ACCOUNTING PRONOUNCEMENTS

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU eliminates, modifies and adds disclosure requirements for fair value measurements. The amendments in this ASU are effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the effects of this ASU on its financial statements and related disclosures.

In August 2018, the SEC adopted amendments to certain disclosure requirements in Securities Act Release No. 33-10532, Disclosure Update and Simplification. The Company does not anticipate that the adoption of these SEC amendments will have a material effect on the Company's financial position, results of operations, cash flows or shareholders' equity.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. The amendments in this ASU expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. This new guidance is effective for the Company in fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the effects of this ASU on its financial statements and related disclosures.

In July 2017, the FASB issued ASU 2017-11, "Earnings per share", which allows companies to exclude a down round feature when determining whether a financial instrument is considered indexed to the entity's own stock. As a result, financial instruments with down round features may no longer be required to be accounted classified as liabilities. A company will recognize the value of a down round feature only when it is triggered and the strike price has been adjusted downward. For equity-classified freestanding financial instruments, such as warrants, an entity will treat the value of the effect of the down round, when triggered, as a dividend and a reduction of income available to common shareholders in computing basic earnings per share. The guidance in ASU 2017-11 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, and the guidance is to be applied using a full or modified retrospective approach. The Company elected to adopt the standard on January 1, 2019, which is the date of initial application. The Company is finalizing its new accounting policies, processes and internal controls. The Company is in the process of quantifying the full impact of the application of the new guidance; however, it expects that the adoption of the new guidance will have a significant impact on its balance sheet.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. This ASU clarifies the definition of a business when evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance is effective for the Company for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company does not expect the adoption of this ASU to have a significant impact on its financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This guidance addresses specific cash flow issues with the objective of reducing the diversity in practice for the treatment of these issues. The areas identified include: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies; distributions received from equity method investees; beneficial interests in

securitization transactions; and application of the predominance principle with respect to separately identifiable cash flows. The guidance will generally be applied retrospectively and is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company does not expect the adoption of this ASU to have a significant impact on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which supersedes the guidance in former ASC 840, *Leases*. The new standard, as amended by subsequent ASUs on the Topic, requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. For the Company, this standard is effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. The FASB issued ASU No. 2018-10 “Codification Improvements to Topic 842, Leases” and ASU No. 2018-11 “Leases (Topic 842) Targeted Improvements” in July 2018. ASU 2018-10 provides certain amendments that affect narrow aspects of the guidance issued in ASU 2016-02. ASU 2018-11 provides an optional transition method allowing entities to apply the new lease standard at the adoption date with a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption (modified retrospective approach) as opposed to restating prior period consolidated financial statements. The Company elected to adopt the standard on January 1, 2019. The Company is finalizing its new accounting policies, processes and internal controls. The Company is in the process of quantifying the full impact of the application of the new guidance; however, it expects that adoption of the new standard will not have a material effect on its consolidated statements of operations, will result in a gross-up on our consolidated balance sheets and will have no effect on our consolidated statements of cash flows.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation-Stock Compensation (Topic 718)- Scope of Modification Accounting (ASU 2017- 09)*. The amendments included in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The amendments in this update will be applied prospectively to an award modified on or after the adoption date. The amendments in ASU 2017-09 became effective for the Company on January 1, 2018 and the adoption of this standard did not have a material impact on the Company’s financial statements.

Results of Operations - 2018 Compared to 2017

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

	Twelve Months Ended December 31				Variance	
	2018	% of Rev.	2017	% of Rev.	Amount	%
REVENUES	\$4,873,161	100 %	\$2,444,677	100 %	\$2,428,484	99 %
OPERATING EXPENSES:						
Production costs	1,229,283	25 %	2,173,732	89 %	(944,449)	(43 %)
Exploration costs	195,685	4 %	508,861	21 %	(313,176)	(62 %)
General and administrative *	3,123,448	64 %	3,683,330	151 %	(559,882)	(15 %)
Depreciation expense	1,277,953	26 %	1,316,537	54 %	(38,584)	(3 %)
Assets impairment	1,047,501	21 %	0	0 %	1,047,501	1047 %
Total Operating Expenses	6,873,870	140 %	7,682,460	314 %	(808,590)	(11 %)
Operating Loss	(2,000,709)	(40 %)	(5,237,783)	(214%)	3,237,071	(62 %)
OTHER INCOME (EXPENSE):						
Interest expense, net, including amortization of deferred financing cost and debt discount	(2,298,743)	(47 %)	(9,923,430)	(406%)	7,624,687	(77 %)
Gain on revaluation of PIK Notes	478,591	10 %	228,277	9 %	250,314	110 %
Other income	494,868	10 %	22,277	1 %	472,591	2,121 %
Total Other (Expense)	(1,325,284)	(27 %)	(9,672,876)	(396%)	8,347,592	(86 %)
Net Loss	\$(3,325,993)	(67 %)	\$(14,910,659)	(610%)	\$11,584,666	(78 %)

* Includes \$533,089 and \$961,222 of non-cash stock compensation expense for 2018 and 2017, respectively, related to employee, director and consultant stock options.

Revenue generated during 2018 was \$4,873,161 compared to \$2,444,677 of revenue generated during the same period in 2017, a increase of \$2,428,484 or 99%. The increase was driven primarily by the sale of the Company's five surface piles to a leading building products and construction materials group for total proceeds of \$4,546,145. The surface piles consisted of approximately 4.5 million tons of extracted material comprised primarily of clay and iron oxide. Per the terms of the agreement, the purchaser of the five surface piles will pay the Company an additional \$1.00 for every ton of surface pile material it eventually removes from the Dragon Mine property.

Excluding the sale of the Company's five surface piles, revenue during 2018 was \$327,016 compared to \$2,444,677 of revenue generated during 2017, a decrease of \$2,117,661 or 87%. Sales of DRAGONITE during 2018 totaled

\$322,426, a decline of \$748,192 or 70%, when compared to 2017. Sales of AMIRON during 2018 totaled \$971, a decline of \$1,373,089, or approximately 100%, when compared to 2017. During 2018 the Company generated \$3,620 from the renting of some used equipment to a company performing exploration work near the Dragon Mine property. No such rental revenue was generated during 2017.

The \$748,192 decline in sales of DRAGONITE during 2018 was due primarily to the absence of \$383,240 of sales of DRAGONITE to the manufacturer of advanced molecular sieves, the absence of \$273,976 of sales to one of the Company's distributors, the absence of \$138,000 of sales to a compounder of resins for use as a nucleating agent, and the absence of \$72,000 of sales to a manufacturer of engineered wood products for use in a flame retardant coating, partially offset by an \$85,718, or 1,045%, increase in sales to a global producer of insulation products for use as reinforcement additive and \$36,000 in sales to a manufacturer of lawn and garden equipment for use as a nucleating agent.

The \$1,373,089 decline in sales of AMIRON was driven primarily by the absence of \$1,369,272 of sales due to the completion of an 18-month, \$5.0 million take-or-pay contract in June of 2017.

Operating expenses incurred during 2018 totaled \$6,873,870, a decrease of \$808,590, or 11%, when compared to 2017. The 11% decline in operating expenses was driven primarily by a 62% decline in exploration, a 43% decline in production costs and a 15% decline in general and administrative expense, offset by an asset impairment of \$1,046,501.

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 expenses are the two largest components of the Company's production costs.

Production costs during 2018 were \$1,229,283, a decline of \$944,449, or 43%, when compared to 2017. During June, 2017 the Company completed the fulfillment of a take-or-pay supply agreement for its AMIRON iron oxide product. As a result of the completion of the supply agreement, certain direct costs associated with the mining and milling of the iron oxide product, costs associated with labor, utilities, fuel, and equipment rental and repair declined by \$1,114,306 when compared to 2018. Production costs during 2018 also declined due to a \$56,053 reduction in clay tolling expense due to lower volumes of clay master batch produced in 2017, partially offset by an increase in volumes of clay tolled at BASF during 2018, a \$37,289 decline in freight costs due to lower volumes of clay sent to BASF for toll processing, and an \$18,183 decline in general liability insurance expense for the Dragon Mine property. The decreases in production costs were partially offset primarily by the incurrence of \$234,097 in sales commission related to the sale of the Company's surface piles in August, 2018 and a \$35,779 increase in property tax expense.

Exploration costs include operating expenses incurred at the Dragon Mine that are not directly related to production activities. Exploration costs, excluding depreciation expense, incurred during 2018 totaled \$195,685 compared to \$508,861 incurred during 2017, a decrease of \$313,176 or 62%. The decline in exploration costs during the period was driven primarily by a \$121,400 reduction in non-production employee wages and benefits, a \$70,336 reduction in consulting expense, a \$52,208 decrease in postage and shipping charges, and a \$38,571 decrease in general electrical work at the Dragon Mine property.

General and administrative expenses for 2018 totaled \$3,123,448 compared to \$3,683,330 of expense incurred during the same period in 2017, a decrease of \$559,879 or 15%. The Company's general and administrative expenses are associated with expenses incurred at its New York operations. The largest component of the Company's general and administrative expense includes employee compensation and expense related to the issuance of stock options to employees and consultants. The decrease was primarily driven by reduction of stock-based compensation expenses to employees and consultants.

Operating loss incurred during the year was \$2,000,709, a decrease of \$3,237,074, or 62%, when compared to 2017. The decrease was driven primarily by a \$2,428,484 increase in revenue and a decrease in total operating expenses of \$808,590.

Total other expense for 2018 was \$1,325,284 compared to \$9,671,876 during the same period in 2017, a decrease of \$8,347,592 or 11%. The decrease in total other expense was driven primarily by a \$3,513,917, or 73%, decrease in interest expense due primarily to a reduction in the annual interest rate of the Series A and Series 2023 PIK Notes from 10% to 3%, effective December 14, 2017, and a \$5,092,942, or 85%, decrease in the amortization expense associated with the PIK Note discount. The decrease in total other expense was also driven by a \$250,314, or 110%, increase in the gain on the revaluation of the PIK Note derivative liability, and \$500,000 of lease income associated with an exploration agreement entered into with Continental Mineral Claims, Inc. in late 2017.

Net loss for 2018 was \$3,325,993, a decrease of \$11,584,666, or 78%, when compared to a net loss of \$14,910,659 for 2017. The decrease in net loss was driven primarily by the \$8,347,592, or 86%, decrease in total other expense and a \$3,237,074, or 62%, decrease in operating loss when compared to 2017.

LIQUIDITY AND CAPITAL RESOURCES

The Company has a history of recurring losses from operations and the use of cash in operating activities. For the twelve months ended December 31, 2018, the Company's net loss was \$3,325,993 and cash provided by operating activities was \$1,325,266. As of December 31, 2018, the Company had current assets of \$3,289,485 and current

liabilities of \$1,430,323 of which \$343,810 was accrued PIK Note interest to be paid in additional PIK Notes. The Company's current liabilities also include approximately (i) \$157,000 of payables to a compounder for which it has agreed to satisfy in halloysite product and (ii) \$149,359 of disputed or erroneously accrued expenses for which the Company believes it has a statute of limitations defense.

Cash provided by operating activities in 2018 was \$1,325,266 compared to \$2,108,388 of cash used during the same period in 2017. Cash provided by operating activities during 2018, after adjusting for non-cash items but before adjusting for changes in operating assets and liabilities, was \$1,403,549, \$3,428,516 more than the comparable period in 2017. The primary reason for this increase was the \$2,428,484 increase in revenue in 2018 compared to 2017.

Cash used in investing activities during 2018 was \$23,063 compared to \$43,752 of cash used during the same period in 2017. The decrease was primarily due to acquired less equipment in 2018.

Cash provided by financing activities during 2018 was \$1,542,485 compared to \$1,149,912 in 2017. The \$392,573 increase was due primarily to an increase of \$675,000 in proceeds generated from the sale of common stock in 2018 compared to 2017, partially offset by a \$199,061 decrease in proceeds generated from notes payable issuance and \$45,000 decrease in proceeds from exercise of warrants to purchase shares of the Company's common stock.

Our total assets as of December 31, 2018 were \$4,136,978 compared to \$3,324,164 as of December 31, 2017, or an increase of \$812,814. The increase in total assets was due primarily to a \$2,844,688 increase in cash due to increase in sales, a \$158,569 increase in current deposits and prepaid expenses and a \$106,559 increase in long-term deposits, partially offset by a \$1,254,890 decrease in the net value of the Company's property and equipment due to the depreciation of the assets during 2018 and \$1,047,501 impairment of the Company's property and equipment at year-ended December 31, 2018.

Management believes that in order for the Company to meet its obligations arising from normal business operations through April 16, 2020 that the Company may be required (i) to raise additional capital either in the form of a private placement of common stock or debt and/or (ii) generate 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 may be limited.

Based on the Company's current cash usage expectations, management believes it may not have sufficient liquidity to fund its operations through April 16, 2020. 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.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements between the Company and any other entity that have, or are reasonably 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.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations as of December 31, 2018 that require us to make future cash payments. For contractual obligations, we included payments that we have an unconditional obligation to make:

Payment due by period

	Total	< 1 year	1 – 3 years	3 – 5 years	> 5 years
Contractual Obligations:					
Rent obligations	\$369,231	\$109,953	229,902	29,376	-0-

Rent expense for the years ended December 31, 2018 and 2017 was \$127,000 and \$119,241, respectively.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has no virtually exposure to fluctuations in interest rates or foreign currencies.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of

Applied Minerals, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Applied Minerals, Inc (the “Company”) as of December 31, 2018 and the related consolidated statements of operations, stockholders’ equity, and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provide a reasonable basis for our opinion.

/s/ MaloneBailey, LLP
www.malonebailey.com
We have served as the
Company's auditor since
2018.
Houston, Texas
April 16, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Applied Minerals, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Applied Minerals, Inc. (the "Company") as of December 31, 2017, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the year then ended and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note [2] to the financial statements, the Company has a history of recurring losses from operations and uses of cash in operating activities. In addition, the Company has no committed debt or equity financing and may be unable to meet its obligations arising from normal business operations through April 17, 2019. Collectively, these conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note [2]. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of

the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ EisnerAmper LLP

We have served as the
Company's auditor
from 2012 through
2018.

EISNERAMPER LLP
New York, New York
April 17, 2018

APPLIED MINERALS, INC.**(An Exploration Stage Mining Company)****CONSOLIDATED BALANCE SHEETS**

	December 31, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$2,892,340	\$47,652
Accounts receivable	32,654	27,265
Deposits and prepaid expenses	364,491	205,922
Total Current Assets	3,289,485	280,839
Property and Equipment, net	500,000	2,802,391
Other Assets		
Deposits	347,493	240,934
Total Other Assets	347,493	240,934
TOTAL ASSETS	\$4,136,978	\$3,324,164
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
Current Liabilities		
Accounts payable and accrued liabilities	\$840,017	\$958,767
PIK Note interest accrual	343,810	57,334
Current portion of notes payable	246,496	212,134
Total Current Liabilities	1,430,323	1,228,235
Long-Term Liabilities		
PIK Notes payable, net of \$8,556,591 and \$9,755,832 debt discount, respectively	35,036,320	33,244,605
PIK Note derivative	1,780,072	2,047,264
Deferred Rent	8,949	4,842
Total Long-Term Liabilities	36,825,341	35,296,711
TOTAL LIABILITIES	38,255,664	36,524,946
Commitments and Contingencies (Note 13)		
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, 175,513,549 and 140,763,549 shares issued and outstanding at December 31, 2018 and 2017, respectively	175,514	140,764
Additional paid-in capital	73,525,650	71,152,311
Accumulated deficit prior to the exploration stage	(20,009,496)	(20,009,496)
Accumulated deficit during the exploration stage	(87,810,354)	(84,484,361)
Total Stockholders' (Deficit)	(34,118,686)	(33,200,782)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	\$4,136,978	\$3,324,164

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

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

	For the years ended	
	December 31,	
	2018	2017
REVENUES	\$4,873,161	\$2,444,677
OPERATING EXPENSES:		
Production costs	1,229,283	2,173,732
Exploration costs	195,685	508,861
General and administrative	3,123,448	3,683,330
Depreciation expense	1,277,953	1,316,537
Asset impairment	1,047,501	0
Total Operating Expenses	6,873,870	7,682,460
Operating Loss	(2,000,709)	(5,237,783)
OTHER INCOME (EXPENSE):		
Interest expense, net, including amortization of deferred financing cost and debt discount	(2,298,743)	(9,923,430)
Gain on revaluation of PIK Note derivative	478,591	228,277
Other income	494,868	22,277
Total Other Income (Expense)	(1,325,284)	(9,672,876)
Net loss	\$(3,325,993)	\$(14,910,659)
Net Loss Per Share -Basic and Diluted	\$(0.02)	\$(0.13)
Weighted Average Shares Outstanding – Basic and Diluted	164,652,933	118,977,573

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

APPLIED MINERALS, INC.**(An Exploration Stage Mining Company)**

Consolidated Statements of Stockholders' (Deficit)

	Common Stock			Accumulated	Accumulated	Total
	Shares	Amount	Additional Paid-In Capital	Deficit Prior to Exploration Stage	Deficit During Exploration Stage	Stock- holders' Equity (Deficit)
Balance, December 31, 2016	108,613,549	\$108,614	\$68,506,530	\$(20,009,496)	\$(69,573,702)	\$(20,968,054)
Shares issued for directors fees and other services	250,000	250	8,750	-0-	-0-	9,000
Shares issued for warrant exercise	3,125,000	3,125	121,875	-0-	-0-	125,000
Shares issued for private placement	26,500,000	26,500	1,033,500	-0-	-0-	1,060,000
Shares issued in lieu of payment for private placement fee	2,275,000	2,275	(2,275)	-0-	-0-	-0-
Warrants issued to holders of Series A and Series 2023 Notes	-0-	-0-	522,710	-0-	-0-	522,710
Stock-based compensation expense	-0-	-0-	961,221	-0-	-0-	961,221
Net Loss	-0-	-0-	-0-	-0-	(14,910,659)	(14,910,659)
Balance, December 31, 2017	140,763,549	140,764	71,152,311	(20,009,496)	(84,484,361)	(33,200,782)
Shares issued for directors fees and other services	1,500,000	1,500	58,500			60,000
Shares issued for warrant exercise	2,000,000	2,000	78,000			80,000
Shares issued for private placement	31,250,000	31,250	1,703,750			1,735,000

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Stock-based compensation expense	-0-		533,089			533,089
Net Loss	-0-		-0-		(3,325,993)	(3,325,993)
Balance, December 31, 2018	175,513,549	\$ 175,514	\$ 73,525,650	\$(20,009,496)	\$(87,810,354)	\$(34,118,686)

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

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

	For the Year Ended December 31,	
	2018	2017
Cash Flows From Operating Activities:		
Net loss	\$(3,325,993)	\$(14,910,659)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation	1,277,953	1,316,537
Asset Impairment	1,047,501	1,000
Amortization of discount – PIK Notes	894,946	5,987,888
Amortization of deferred financing costs	91,004	20,766
Accrued interest on PIK Notes	1,303,640	4,817,557
Stock issued for director and consulting services	60,000	9,000
Stock-based compensation expense	533,089	961,221
(Gain) on revaluation of PIK Notes derivative	(478,591)	(228,277)
Change in operating assets and liabilities:		
Accounts receivable	(5,389)	337,687
Other receivables	-0-	16,801
Deposits and prepaid expenses	41,749	124,874
Accounts payable and accrued expenses	(114,643)	(562,783)
Net cash provided by (used in) operating activities	1,325,266	(2,108,388)
Cash Flows From Investing Activities:		
Purchases of property and equipment	(23,063)	(43,752)
Net cash (used in) investing activities	(23,063)	(43,752)
Cash Flows From Financing Activities:		
Payments on notes payable	(272,515)	(234,149)
Proceeds from notes payable	-0-	199,061
Proceeds from sale of common stock	1,735,000	1,060,000
Proceeds from exercise of warrants	80,000	125,000
Net cash provided by financing activities	1,542,485	1,149,912
Net increase (decrease) in cash and cash equivalents	2,844,688	(1,002,228)
Cash and cash equivalents at beginning of year	47,652	1,049,880
Cash and cash equivalents at end of year	\$2,892,340	\$47,652

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

APPLIED MINERALS, INC.

(An Exploration Stage Mining Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,	
	2018	2017
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$9,156	\$6,365
Cash paid for income taxes	\$-0-	\$-0-
Supplemental disclosure of non-cash financing activity:		
Accrued PIK interest paid through issuance of PIK Notes	\$ 1,017,164	4,816,245

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

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”) is the owner of the Dragon Mine located in the Tintic Mining District of the State of Utah from where it produces halloysite clay and iron oxide. The Company is currently selling its DRAGONITE halloysite clay product regularly to four (4) customers. Several prospective customers are conducting either commercial-scale trials or field trials for an array of products that are expected to use DRAGONITE as a functional additive.

In November, 2015, the Company entered into an agreement to supply a customer its AMIRON iron oxide product, on an exclusive basis, for a period of five years. The exclusivity provision is limited to the specialized catalyst application of the Customer and enables Applied Minerals to sell its iron oxide products for use in other technical applications that are not competitive with the Customer's intended field of use. An initial purchase order of \$5.0 million of AMIRON products was obtained in November, 2015. By June, 2017, the Company had fulfilled the order. Upon expiration of the initial 5-year term, the customer has an option to extend the exclusive supply agreement for an additional 5 years by issuing an \$8.0 million purchase order to be delivered over the course of the subsequent twenty-four (24) months. There is the possibility this customer may order additional AMIRON before the initial term of the agreement expires.

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

NOTE 2 – GOING CONCERN AND BASIS OF PRESENTATION

The Company has a history of recurring losses from operations and the use of cash in operating activities. For the twelve months ended December 31, 2018, the Company’s net loss was \$3,325,993 and cash provided by operating activities was \$1,325,266. As of December 31, 2018, the Company had current assets of \$3,289,485 and current liabilities of \$1,430,323 of which \$343,810 was accrued PIK Note interest to be paid in additional PIK Notes. The Company’s current liabilities also include approximately (i) \$157,000 of payables to a compounder for which it has agreed to satisfy in halloysite product and (ii) \$149,360 of disputed or erroneously accrued expenses for which the

Company believes it will eventually reverse.

Based on the Company's current cash usage expectations, management believes it may not have sufficient liquidity to fund its operations through April 16, 2020. Furthermore, management cannot provide any assurance that that the Company would be successful in funding operations through (i) the issuance of debt and/or equity financing, (ii) the sale of non-core assets and/or (iii) the generation of increased 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 for the Company to meet its obligations arising from normal business operations through April 16, 2020 it may need to (i) raise additional capital through the sale of common stock and/or debt, (ii) generate proceeds through the sale of non-core assets and/or (iii) the generation of increased product sale. Without additional capital or additional sales of its products, the Company's ability to continue to operate may be limited.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Exploration-Stage Company

Effective January 1, 2009, the Company was, and still 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

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.

Basis of Presentation

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company bases its estimates on historical experience and market-specific or other relevant assumptions that it believes are reasonable under the circumstances. The amounts of assets and liabilities reported in the Company's balance sheets and the amount of expenses and income reported for each of the periods presented are affected by estimates and assumptions, which are used for, but are not limited to, determining the fair value of assets and liabilities, warrant and PIK note derivative liabilities, stock compensation, impairment of long-lived assets and valuation allowance on income taxes. Actual results could differ from such estimates or assumptions.

Cash and Cash Equivalents

Cash and cash equivalents represent unrestricted cash on hand and all highly liquid investments with original contractual maturities of three months or less.

Concentration of Credit Risk

Cash balances, accounts receivable and derivative financial instruments are financial instruments potentially subject to credit risk. Cash and cash equivalents are maintained in bank deposit accounts, which, at times, may exceed the federally insured limits. Management periodically reviews and assesses the financial condition of the banks to mitigate the risk of loss.

For the years ended December 31, 2018 and 2017, revenues from the Company's largest customer accounted for 94% and 56% of total revenues, respectively. Excluding the sale of the surface piles in August 2018, revenue from the Company's largest customer in 2018 accounted for 29%. As of December 31, 2018 and 2017, amounts owed from this customer comprised 0% and 0% of accounts receivable, respectively.

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 December 31, 2018 and 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

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 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 recorded a \$1,047,501 impairment of its long-lived assets as of December 31, 2018.

Revenue Recognition

Revenue includes sales of halloysite clay and iron oxide, 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 contractual arrangements with the Company’s customers.

Effective January 1, 2018, the Company adopted ASC Topic 606. 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. As a result, comparative prior periods have not been adjusted and continue to be reported under FASB ASC Topic 605, Revenue Recognition (“ASC 605”).

The Company’s revenue recognition policies are established in accordance with the Revenue Recognition topics of ASC 606, and accordingly, revenue is recognized when control of the promised goods or services is transferred to our clients, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

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.

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, 2018 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.

The Company has posted a cash bond in the amount of \$295,000 required by the Utah Department of Oil, Gas and Minerals to cover estimated reclamation costs related the Company large mining permit for its Dragon Mine property.

Reclassification

Certain amounts reported in prior year in the financial statements have been reclassified to conform to the current year's presentation.

Recent Issued Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU eliminates, modifies and adds disclosure requirements for fair value measurements. The amendments in this ASU are effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the effects of this ASU on its financial statements and related disclosures.

In August 2018, the SEC adopted amendments to certain disclosure requirements in Securities Act Release No. 33-10532, Disclosure Update and Simplification. The Company does not anticipate that the adoption of these SEC amendments will have a material effect on the Company's financial position, results of operations, cash flows or shareholders' equity.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. The amendments in this ASU expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. This new guidance is effective for the Company in fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the effects of this ASU on its financial statements and related disclosures.

In July 2017, the FASB issued ASU 2017-11, "Earnings per share", which allows companies to exclude a down round feature when determining whether a financial instrument is considered indexed to the entity's own stock. As a result, financial instruments with down round features may no longer be required to be accounted classified as liabilities. A company will recognize the value of a down round feature only when it is triggered and the strike price has been adjusted downward. For equity-classified freestanding financial instruments, such as warrants, an entity will treat the value of the effect of the down round, when triggered, as a dividend and a reduction of income available to common shareholders in computing basic earnings per share. The guidance in ASU 2017-11 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, and the guidance is to be applied using a full or modified retrospective approach.

The Company elected to adopt the standard on January 1, 2019, which is the date of initial application. The Company is finalizing its new accounting policies, processes and internal controls. The Company is in the process of quantifying the full impact of the application of the new guidance; however, it expects that the adoption of the new guidance will have a significant impact on its balance sheet.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. This ASU clarifies the definition of a business when evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance is effective for the Company for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company does not expect the adoption of this ASU to have a significant impact on its financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230: Classification of Certain Cash Receipts and Cash Payments). This guidance addresses specific cash flow issues with the objective of reducing the diversity in practice for the treatment of these issues. The areas identified include: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions; and application of the predominance principle with respect to separately identifiable cash flows. The guidance will generally be applied retrospectively and is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company does not expect the adoption of this ASU to have a significant impact on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which supersedes the guidance in former ASC 840, Leases. The new standard, as amended by subsequent ASUs on the Topic, requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. For the Company, this standard is effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. The FASB issued ASU No. 2018-10 “Codification Improvements to Topic 842, Leases” and ASU No. 2018-11 “Leases (Topic 842) Targeted Improvements” in July 2018. ASU 2018-10 provides certain amendments that affect narrow aspects of the guidance issued in ASU 2016-02. ASU 2018-11 provides an optional transition method allowing entities to apply the new lease standard at the adoption date with a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption (modified retrospective approach) as opposed to restating prior period consolidated financial statements. The Company elected to adopt the standard on January 1, 2019. The Company is finalizing its new accounting policies, processes and internal controls. The Company is in the process of quantifying the full impact of the application of the new guidance; however, it expects that adoption of the new standard will not have a material effect on its consolidated statements of operations, will result in a gross-up on our consolidated balance sheets and will have no effect on our consolidated statements of cash flows.

In May 2017, the FASB issued ASU No. 2017-09, Compensation-Stock Compensation (Topic 718)- Scope of Modification Accounting (ASU 2017- 09). The amendments included in this update provide guidance about which

changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The amendments in this update will be applied prospectively to an award modified on or after the adoption date. The amendments in ASU 2017-09 became effective for the Company on January 1, 2018 and the adoption of this standard did not have a material impact on the Company's financial statements.

NOTE 4 – PROPERTY AND EQUIPMENT

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

	December 31,	
	2018	2017
Land	\$ 500,000	\$ 500,000
Land improvements	-0-	171,122
Buildings	-0-	3,129,519
Mining equipment	-0-	1,784,115
Milling equipment	-0-	2,841,726
Laboratory equipment	-0-	607,716
Office equipment	-0-	70,529
Vehicles	-0-	150,810
	500,000	9,255,537
Less: Accumulated depreciation	-0-	(6,453,146)
Total	\$ 500,000	\$ 2,802,391

Depreciation expense for the years ended December 31, 2018 and 2017 totaled \$1,277,953, and \$1,316,537, respectively.

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:

	Fair value measurement using inputs			Carrying amount	
	Level 1	Level 2	Level 3	December 31, 2018	December 31, 2017
Financial instruments:					
Series 2023 Note Derivative	\$ -0-	\$ -0-	\$ 253,215	\$253,215	\$ 163,634
Series A Note Derivative	\$ -0-	\$ -0-	\$ 1,526,857	\$1,526,857	\$ 1,883,630

The following table summarizes the activity for financial instruments at fair value using Level 3 inputs for 2018 and 2017:

	2018	2017
Balance at beginning of year	\$2,047,264	\$2,176,552
Issuance of additional Series 2023 Notes	27,858	13,155
Issuance of additional Series A Notes	183,541	85,834
Net unrealized gain included in operations	(478,591)	(228,277)
Balance at end of year	\$1,780,071	\$2,047,264

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 December 31, 2018 and 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 approximately \$13,863,433 and \$11,395,208 at December 31, 2018 and 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:

Series 2023 Note derivative liability	Fair Value Measurements Using Inputs	
	December 31, 2018	December 31, 2017

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2018

Market price and estimated fair value of stock	\$ 0.05		\$ 0.05	
Exercise price (1)	\$ 0.59		\$ 0.59	
Term (years)	4.58		5.58	
Dividend yield	-0-		-0-	
Expected volatility	142.7	%	115.3	%
Risk-free interest rate	2.50	%	2.24	%

(1) Exercise price is reflective of amended Series 2023 Notes issued in December 2017 as discussed in Note 7.

Series A Note derivative liability	Fair Value Measurements			
	Using Inputs			
	December		December 31,	
	31,		2017	
	2018			
Market price and estimated fair value of stock	\$ 0.05		\$ 0.05	
Exercise price (1)	\$ 0.40		\$ 0.40	
Term (years)	4.58		5.58	
Dividend yield	-0-		-0-	
Expected volatility	142.7	%	115.3	%
Risk-free interest rate	2.50	%	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 December 31, 2018 and 2017 consist of the following:

	December 31,	
	2018	2017
Note payable for equipment, payable \$1,339 monthly, including interest (a)	\$- 0 -	\$ 13,073
Note payable for insurance companies, payable \$5,443 - \$25,936 monthly (b)	246,496	-0-
Note payable to insurance companies, payable \$5,045 - \$17,959 monthly, (c) and (d)	- 0 -	199,061
	246,496	212,134
Less: Current Portion	(246,496)	(212,134)
Notes Payable, Long-Term Portion	\$- 0 -	\$-0-

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) On October 2018, the Company signed two note payable with interest rate of 4.89% with an insurance company for liability insurance, payable in 10 monthly installments which started on November 17, 2018

(c) 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%

(d) 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 2018 and 2017, the Company's interest payments totaled \$9,156 and \$6,365, respectively.

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:

Key Terms	Series 2023 Notes	Series A Notes
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 existence of down-round protection; revalued every quarter using Monte Carlo model	\$9,212,285 established at inception due to existence of down-round protection; revalued every quarter using a Monte Carlo model

As of December 31, 2018, the liability components of the PIK Notes on the Company's balance sheet are listed in the following table:

	Series 2023 Notes	Series A Notes	Total
PIK Note Payable, Gross	\$ 16,394,688	27,622,913	44,017,601
Less: Discount	(1,297,416)	(7,259,175)	(8,556,591)
Less: Deferred Financing Cost	(158,179)	(266,511)	(424,690)
PIK Note Payable, Net	\$ 14,939,093	20,097,227	35,036,320
PIK Note Derivative Liability	\$ 253,215	1,526,857	1,780,072

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

	Series 2023 Notes	Series A Notes	Total
PIK Note Payable, Gross	\$ 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. The original terms of both the Series A notes and Series 2023 Notes can be as exhibits to Forms 8-K filed on November 5, 2014.

Below are key amended terms of the Series A Notes:

Maturity: May 1, 2023 but extends to August 1, 2023 if the Series 2023 Notes are outstanding.

Exercise Price: \$0.40 per share and will be adjusted from time to time pursuant anti-dilution provisions.

Stated Interest: 10% payable semiannually in arrears through December 14, 2017, 3% payable semiannually in arrears thereafter.

Liquidated Damages: The Company is required to pay the noteholders 1% of the principal amount of the Series A Notes if a Registration statement is not filed and effective within 90 days of the inception date (and further damages for every 30 days thereafter).

The number of shares issuable under the Notes may be affected by the anti-dilution provisions of the Notes. The antidilution provisions adjust the Exercise Price of the Notes in the event of stock dividends and splits, issuance below the market price of the common stock, issuances below the conversion price of the Notes, pro rata distribution of assets, rights plans, tender offers, and exchange offers.

The entire principal amount of the Series A Notes and accrued interest thereon shall be mandatorily converted into shares of the Company's common stock if (i) the Volume Weighted Average Price ("VWAP") of the thirty (30) preceding trading days is at or greater than \$1.00 or the VWAP of the ten (10) preceding trading days is at or greater than \$1.40; (ii) the closing market price of the shares of the Company's common stock is at or greater than \$1.00; (iii) all outstanding amounts under each Series 2023 Note or replacement financing, if any, shall have been converted into shares of the Company's common stock pursuant to the terms of such Series 2023 Note or the replacement financing, if any, on or prior to the date on which a notice of mandatory conversion is received; and (iv) either (x) a registration statement is effective and available for the resale of all of the shares into which the Series A Notes convert on the date on which the Series A notes are mandatorily converted and each of the five (5) trading days prior to the date of mandatory conversion and on the date of mandatory conversion the holders of the Series A Notes are not restricted from selling or distributing any shares into which the Series A Notes convert pursuant to the provisions of the Registration Rights Agreement or (y) the holders Series A Notes may sell all such shares into which the Series A Notes convert immediately under Rule 144 under the Securities Act.

These Series A Notes were not issued with the intent of effectively hedging any future cash flow, fair value of any asset, liability or any net investment in a foreign operation. In addition to the customary anti-dilution provisions the notes contain a down-round provision whereby the conversion price would be adjusted downward in the event that additional shares of the Company's common stock or securities exercisable, convertible or exchangeable for the Company's common stock were issued for cash consideration (e.g. a capital raise) at a price less than the conversion price. Therefore, the estimated fair value of the conversion feature of \$9,212,285 (based on observable inputs using a Monte Carlo model) was bifurcated from the Series A Notes and accounted for as a separate derivative liability, which resulted in a corresponding amount of debt discount on the Series A Notes. In addition, an additional debt discount of \$7,348,486 was recorded as a result of the difference between the \$12,500,000 of cash received and the \$19,848,486 of principal on the Series A Notes. This combined debt discount of \$16,560,771 is being amortized using the effective interest method over the 9-year term of the Notes as Interest Expense, while the PIK Note Derivative is carried at fair value (using a Monte Carlo model) until the Notes are converted or otherwise extinguished. Any changes in fair value are recognized in earnings.

At December 31, 2018, the fair value of the Series A Note Derivative was estimated to be \$1,526,857, which includes the value of the derivative related to the additional PIK Notes issued in May and November 2018 for the semi-annual interest payments due. During the year ended December 31, 2018, the Company issued additional Series A PIK Notes in lieu of interest payments of \$713,197, increasing the Series A Notes Payable gross carrying value to \$27,622,913 as of December 31, 2018. Additionally during the year ended December 31, 2018, the Company amortized \$709,173 of debt discount and deferred financing cost relating to the Series A Notes Payable, increasing the Series A Notes Payable net carrying value to 20,097,227 as of December 31, 2018.

In May 2017 and November 2017, the Company issued \$1,206,289 and \$1,266,613, respectively, in additional Series A Notes to the holders to pay the semi-annual interest. Additionally, on December 14, 2017, the Company issued \$324,925 of additional Series A Notes, which represented the accrued interest of the Series A Notes on the day on which the terms of the Series A Notes were effectively amended. As part of the amendment agreement, the holders of the Series A Notes received warrants to purchase 6,280,000 million shares of common stock at \$0.10 per share. The Black Scholes value of these warrants totaled \$298,420.

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 issued additional Series A PIK Notes in lieu of interest payments of \$2,797,827, increasing the Series A Notes Payable gross carrying value to \$26,909,716 as of December 31, 2017. Additionally, the Company amortized \$5,808,294 of debt discount and deferred financing cost relating to the Series A Notes Payable, increasing the Series A Notes Payable net carrying value to \$18,913,463 as of December 31, 2017.

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 Series 2023 Notes convert into the Company's common stock at a conversion price of \$0.59 per share, which is subject to customary anti-dilution adjustments; the holders may convert the Series 2023 Notes at any time. The Series 2023 Notes are mandatorily convertible after one year when the weighted average trading price of a share of the common stock for the preceding ten trading days is in excess of the conversion price. The Series 2023 Notes contain customary representations and warranties and several covenants. The proceeds are being used for general corporate

purposes. No broker was used and no commission was paid in connection with the sale of the Series 2023 Notes. As of December 31, 2018, the Company was in compliance with the covenants.

These Series 2023 Notes were not issued with the intent of effectively hedging any future cash flow, fair value of any asset, liability or any net investment in a foreign operation. In addition to the customary anti-dilution provisions the notes contain a down-round provision whereby the conversion price would be adjusted downward in the event that additional shares of the Company's common stock or securities exercisable, convertible or exchangeable for the Company's common stock were issued for cash consideration (e.g. a capital raise) at a price less than the conversion price. Therefore, the estimated fair value of the conversion feature of \$2,055,000 (based on observable inputs using a Monte Carlo model) was bifurcated from the Series 2023 Notes and accounted for as a separate derivative liability, which resulted in a corresponding amount of debt discount on the Series 2023 Notes. The debt discount is being amortized using the effective interest method over the 10-year term of the Series 2023 Notes as Interest Expense, while the PIK Note Derivative is carried at fair value (using a Monte Carlo model) until the Series 2023 Notes are converted or otherwise extinguished. Any changes in fair value are recognized in earnings.

At December 31, 2018, the fair value of the Series 2023 Note Derivative was estimated to be \$253,215, which includes the value of the derivative related to additional PIK Notes issued in February and August 2018 for the semi-annual interest payments due. During the year ended December 31, 2018, the Company issued additional Series 2023 PIK Notes in lieu of interest payments of \$303,967, increasing the Series 2023 Notes Payable gross carrying value to \$16,394,688 as of December 31, 2018. Additionally during the year ended December 31, 2018, the Company amortized \$399,064 of debt discount and deferred financing cost relating to the Series 2023 Notes Payable, increasing the Series 2023 Notes Payable net carrying value to \$14,939,093.

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 issued additional Series 2023 PIK Notes of \$2,019,717 in lieu of cash interest payments, increasing the Series 2023 Notes Payable gross carrying value to \$16,090,721 as of December 31, 2017. Additionally 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, increasing the Series 2023 Notes Payable net carrying value to \$14,331,142 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.

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 December 31, 2018 and 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 December 31, 2018 and 2017, 175,513,549 and 140,763,549 shares were issued and outstanding, respectively.

2018

During 2018, the Company issued (i) 1,500,000 shares of common stock at a price of \$0.06 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) 9,875,000 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

During 2017, the Company issued: (i) 250,000 shares of common stock, valued at \$9,000, 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) for total proceeds of \$1,060,000; (iii) 2,275,000 units, valued at \$91,000, as payment for fees associated with a private placement of stock and (iv) 3,125,000 shares of common stock for proceeds of \$125,000 upon the exercise of warrants to purchase common stock.

NOTE 9 – OPTIONS AND WARRANTS TO PURCHASE COMMON STOCKOutstanding Stock Warrants

A summary of the status and changes of the warrants issued for 2018 and 2017 is as follows:

	December 31, 2018		December 31, 2017	
	Shares issuable upon exercise of Outstanding Warrants	Weighted Average Exercise Price	Shares issuable upon exercise of Outstanding Warrants	Weighted Average Exercise Price
Outstanding at beginning of year	18,813,373	0.14	3,744,623	\$ 0.36
Issued	9,875,000	0.15	18,193,750	0.07
Exercised	(2,000,000)	0.04	(3,125,000)	0.04
Forfeited	—	—	—	—
Outstanding at end of year	26,688,373	0.15	18,813,373	0.14

At December 31, 2018 and 2017, the intrinsic values of the outstanding warrants were \$20,688 and \$81,375, respectively.

A summary of the status of the warrants outstanding and exercisable at December 31, 2018 is presented below:

Exercise Price	Warrants Outstanding and Exercisable Shares issuable upon exercise of Outstanding Warrants	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
\$ 1.15	461,340	2.33	\$ 1.15
\$ 0.25	3,283,283	2.49	\$ 0.25
\$ 0.04	2,068,750	3.68	\$ 0.04
\$ 0.10	11,000,000	3.95	\$ 0.10
\$ 0.15	9,875,000	2.48	\$ 0.15

26,688,373	3.18	\$ 0.15
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During June of 2016, the Company issued 10,933,333 units in exchange for \$1,640,000 in cash proceeds (“June 2016 Offering”). Each unit consisted of one share of the Company’s common stock and one warrant to purchase 0.3 shares of the Company’s common stock for an equivalent price of \$0.25 per share.

During August and October of 2017, the Company issued 26,500,000 units in exchange for \$1,060,000 in cash proceeds (“August 2017 Offering”). The Company also issued 2,275,000 units to a broker as a fee related to the August 2017 Offering. Each unit included one share of the Company’s common stock and one warrant to purchase 0.25 shares of the Company’s common stock for an equivalent price of \$0.04 per share. The purchase of one share of common stock requires the exercise of four warrants.

During 2017 investors exercised 12,500,000 warrants for 3,125,000 shares of the Company’s common stock. The exercise of the warrants generated \$125,000 of proceeds for the Company.

During June and July of 2018, the Company issued 9,875,000 units in exchange for \$790,000 in cash proceeds. Each unit consists of one share of common stock and a 3-year warrant to purchase one share of common stock for \$0.15.

On December 14, 2017, upon the effectiveness of an amendment agreement the Company entered into by with the holders of the Series A Notes and Series 2023 Notes, the Company issued to the holders of the Series A Notes and Series 2023 Notes 5-year warrants to purchase 11,000,000 shares of the Company’s common stock. Each warrant enables a holder to purchase one share of the Company’s common stock for \$0.10. The warrants expire on December 13, 2022. The Black Scholes value of the warrants totaled \$522,710 and was accounted for as a deferred cost of financing and presented as a discount to the Series A Notes and Series 2023 Notes.

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.

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.

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.

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 issued for 2018 and 2017 were as follows on a weighted average basis:

	2018	2017
Dividend Yield	0%	0%
Expected Life (in years)	2.52-7.50	2.50-6.27
Expected Volatility	69.13%-167.28%	114.98%-167.28%
Risk Free Interest Rate	1.42%-3.09%	1.38%-2.26%

A summary of the status and changes of the options granted under stock option plans and other agreements for 2017 and 2016 is as follows:

	December 31, 2018		December 31, 2017	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	57,057,768	0.36	21,277,479	\$ 0.87
Granted	5,224,999	0.10	35,810,289	\$ 0.06
Exercised	—	—	—	—
Expired	(7,415,922)	0.73	(30,000)	
Outstanding at end of year	54,866,845	0.29	57,057,768	\$ 0.36

During the year ended December 31, 2018, the Company granted 5,224,999 options to purchase the Company's common stock with a weighted average exercise price of \$0.10. Of the 5,224,999 options granted, the options vest as follows:

Shares	Vesting Information		
	Frequency	Begin Date	End Date
347,222	Quarterly(1)	04/30/2018	07/01/2018
277,777	Monthly(2)	06/01/2018	07/01/2018

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600,000	Monthly	07/08/2018	06/08/2019
1,000,000	Monthly	03/01/2018	02/01/2019
2,000,000	Monthly	03/10/2018	02/10/2019
1,000,000	Annually	12/28/2018	12/28/2021

(1) 138,889 options vested on 04/30/2018 and 208,333 options vested on 07/01/2018.

(2) 69,444 options vested on 06/01/2018 and 208,333 options vested on 07/01/2018.

A summary of the status of the options outstanding at December 31, 2018 is presented below:

Options Outstanding			Options Exercisable	
Number	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
1,000,000	10.0	\$ 0.05	0	\$ 0.05
35,322,222	8.9	\$ 0.06	28,197,220	\$ 0.06
545,289	9.0	\$ 0.075	545,289	\$ 0.075
377,777	5.7	\$ 0.11	327,775	\$ 0.11
3,000,000	4.1	\$ 0.12	2,499,993	\$ 0.12
500,000	2.6	\$ 0.16	500,000	\$ 0.16
81,395	5.1	\$ 0.21	81,395	\$ 0.21
100,000	1.7	\$ 0.22	100,000	\$ 0.22
1,066,155	2.4	\$ 0.24	1,066,155	\$ 0.24
2,087,500	3.7	\$ 0.25	2,087,500	\$ 0.25
35,595	4.3	\$ 0.27	35,595	\$ 0.27
474,815	5.4	\$ 0.28	474,815	\$ 0.28
234,506	4.1	\$ 0.285	234,506	\$ 0.285
81,522	2.1	\$ 0.30	81,522	\$ 0.30
200,000	6.1	\$ 0.66	200,000	\$ 0.66
150,000	6.1	\$ 0.68	150,000	\$ 0.68
100,000	0.5	\$ 0.70	100,000	\$ 0.70
488,356	6.4	\$ 0.73	488,356	\$ 0.73
3,104,653	3.1	\$ 0.83	3,104,653	\$ 0.83
975,000	5.4	\$ 0.84	975,000	\$ 0.84
300,000	4.6	\$ 1.10	300,000	\$ 1.10
300,000	4.5	\$ 1.15	300,000	\$ 1.15
65,000	4.4	\$ 1.35	65,000	\$ 1.35
300,000	3.4	\$ 1.55	300,000	\$ 1.55
3,077,060	3.9	\$ 1.66	3,077,060	\$ 1.66
900,000	2.6	\$ 1.90	900,000	\$ 1.90
54,866,845	7.3	\$ 0.29	46,191,834	\$ 0.33

Compensation expense of \$533,089, and \$961,221, has been recognized for the vested options for the years ended December 31, 2018 and 2017, respectively. The aggregate intrinsic value of the outstanding options at December 31, 2018 was \$0. At December 31, 2018, (i) \$67,210 of unamortized compensation expense for time-based unvested options will be recognized over the next 1.79 years on a weighted average basis; and (ii) \$223,105 of unamortized compensation expense for performance-based unvested options will be recognized as the performance targets are achieved.

On August 18, 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 August 18, 2027. On November 1, 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 January 18, 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 December 31, 2018, management, based on its financial expectations for 2019, did not consider the vesting of the remaining 25% of the option grant to be probable.

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 December 31, 2018, the weighted average shares outstanding excluded options to purchase 54,866,845 shares of common stock of the Company, warrants to purchase 26,688,373 shares of common stock of the Company and 97,539,420 shares of common stock of the Company issuable upon the conversion of notes payable because their effect would be anti-dilutive. At December 31, 2017, the weighted average shares outstanding excluded options to purchase 57,057,768 shares of common stock of the Company, warrants to purchase 18,813,373 shares of common stock of the Company and 94,546,696, shares of common stock of the Company issuable upon the conversion of notes because their effect would be anti-dilutive.

NOTE 11 – INCOME TAXES

The Company calculates its deferred tax assets and liabilities using the federal tax rate of 21% and the effective state rate, net of federal benefits of 2.4%.

The tax effect of items that give rise to the deferred tax assets and liabilities are as follows:

	December 31, 2018	December 31, 2017
Deferred tax assets:		
Net operating loss carry forward	\$24,069,485	\$23,615,640
Stock-based compensation	1,668,815	3,102,138
Fixed assets	810,309	320,571
Accrued bonus	-0-	54,155
Total deferred tax assets	26,548,609	27,092,504
Deferred tax liabilities:		
Less: valuation allowance	(26,548,609)	(27,092,504)
	\$-0-	\$-0-

In assessing the realization of deferred tax assets, management determines whether it is more likely than not some, or all, of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the carryforward period as well as the period in which those temporary differences become deductible. Management considers the reversal of taxable temporary differences, projected taxable income and tax planning strategies in making this assessment. Based upon historical losses and the possibility of continued losses over the periods that the deferred tax assets are deductible, management believes it is more likely than not that the Company will not realize the benefits of these deferred tax assets and thus recorded a valuation allowance against the entire deferred tax asset balance. The valuation allowance decreased by \$543,895 and \$9,366,549, in the years ended December 31, 2018 and 2017.

At December 31, 2018, the Company had net operating loss carry-forwards of \$100,800,283 for federal income tax purposes and \$69,615,821 for state and local income tax purposes. The federal net operating loss carry-forwards are available to be utilized against future taxable income through fiscal year 2038 and state loss carry-forwards expire from 2025 through 2038, subject to substantial restrictions on the utilization of net operating losses in the event of an “ownership change” as defined by the Internal Revenue Code. Utilization of the Company’s federal and state net operating loss carry-forwards are subject to limitations as a result of these restrictions. No amounts were provided for unrecognized tax benefits attributable to uncertain tax positions as of December 31, 2018 and 2017.

The Internal Revenue Code of 1986, as amended (the Code) provides for a limitation of the annual use of net operating losses following certain ownership changes (as defined by the Code) that could limit the Company's ability to utilize these carryforwards. At this time, the Company has not completed a study to assess whether an ownership change under Section 382 of the Code has occurred, or whether there have been multiple ownership changes since the Company's formation, due to the costs and complexities associated with such a study. The Company may have experienced various ownership changes, as defined by the Code, as a result of past financing transactions. Accordingly, the Company's ability to utilize the aforementioned carryforwards may be limited. Additionally, U.S. tax laws limit the time during which these carryforwards may be applied against future taxes. Therefore, the Company may not be able to take full advantage of these carryforwards for Federal or state income tax purposes.

The Tax Cuts and Jobs Act ("Tax Act") was enacted on December 22, 2017. The Tax Act reduces the US corporate rate from 35% to 21% beginning in 2018. The Company remeasured its deferred tax assets based upon the new 21% tax rate. As a result, the Company decreased its deferred tax assets by \$15,181,980 with a corresponding adjustment to its valuation allowance for the year ended December 31, 2017.

A reconciliation of the differences between the effective and statutory income tax rates is as follows:

	December 31, 2018		December 31, 2017	
Federal statutory rate	\$(698,458)	21.0 %	\$(5,218,730)	35.0 %
State income taxes	(81,381)	2.5 %	(414,237)	2.8 %
Change in valuation allowance	(543,895)	16.4 %	(9,366,549)	62.8 %
Net nontaxable income related to derivatives	(100,504)	3.0 %	(70,786)	0.5 %
Deferred remeasurement	1,418,140	(42.6)%	15,181,980	(101.8)%
Miscellaneous	6,098	(0.2)%	(111,678)	0.7 %
	\$—	0.0 %	\$—	0.0 %

NOTE 12 – RELATED PARTIES

In March 2018, Geoffrey Scott, a director of the Company, purchased 1,000,000 shares of common stock from the Company through a private placement. The total cost of the purchase was \$50,000. In April 2018, Mr. Scott purchased 2,500,000 shares of common stock from the Company through a private placement. The total cost of the purchase was \$100,000. In June 2018, Mr. Scott purchased 625,000 units from the Company through a private placement. The total cost of the purchase was \$50,000. Each unit consists of one share of common stock and one option to purchase one share of common stock for \$0.15.

In June 2018, Mario Concha, a director of the Company, purchased 1,000,000 units from the Company through a private placement. The total cost of the purchase was \$80,000. Each unit consists of one share of common stock and one option to purchase one share of common stock for \$0.15.

In June 2018, John Levy, a director of the Company, purchased 125,000 units from the Company through a private placement. The total cost of the purchase was \$10,000. Each unit consists of one share of common stock and one option to purchase one share of common stock for \$0.15.

In June 2018, Ali Zamani, a director of the Company, purchased 625,000 units from the Company through a private placement. The total cost of the purchase was \$50,000. Each unit consists of one share of common stock and one option to purchase one share of common stock for \$0.15. Of the 625,000 units purchase by Mr. Zamani, 312,500 units were purchased through Overlook Investments, LLC, of which Mr. Zamani is Managing Partner.

David A. Taft is the president of IBS Capital LLC (“IBS”), a Massachusetts limited liability company, whose principal business is investing in securities. IBS is the general partner of the IBS Turnaround Fund (QP), which is a Massachusetts limited partnership, IBS Turnaround Fund (LP), which is a Massachusetts limited partnership and the IBS Opportunity Fund, Ltd.

Mr. Taft participated in the Series A Note financing described in Note 7, with the following investments, which were utilized by the Company to fund its operations:

Investor	Investment	OID/Discount	Principal	Shares Issuable at 0.40
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				(excluding interest)
IBS Turnaround Fund (A Limited Partnership)	\$531,960	0.66	\$806,000	2,015,000
IBS Turnaround Fund QP (A Limited Partnership)	\$1,118,040	0.66	\$1,694,000	4,235,000
IBS Opportunity Fund, Ltd.	350,000	0.66	530,303	1,325,758
	\$2,000,000		\$3,030,303	7,575,758

At December 31, 2018, the principal balance of Series A Notes held by funds managed by IBS Capital, LLC was \$4,217,234. The increase in principal of the Series A Notes held by funds managed by IBS Capital, LLC is due solely to the issuance of additional Series A Notes to funds managed by IBS Capital, LLC in lieu of cash interest payments.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

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 March 16, 2017, the Company entered into a 5-year lease agreement for permanent office space, base rent payment is approximately \$9,000 per month, subject to annual adjustments.

Rent expense is calculated using the straight-line method based on total minimum lease payments over the initial term of the lease. Landlord tenant improvement allowances and rent expense exceeding actual rent payments are accounted for as deferred rent liability in the balance sheet and amortized on a straight-line basis over the initial term of the respective leases.

Future minimum payments, by year and in the aggregate, under non-cancelable operating leases with initial or remaining terms of one year or more, consist of the following at December 31, 2018:

Year	Amount
2019	\$109,953
2020	113,253
2021	116,649
2022	29,376
	\$369,231

NOTE 14 - FINANCIAL INFORMATION BY QUARTER (UNAUDITED)

2018 For Quarter Ended	December 31	September 30	June 30	March 31
Revenue	\$ 53,073	\$ 4,682,003	\$92,438	\$45,647
Operating income (loss)	\$ (2,084,399)	\$ 3,133,076	\$ (1,345,296)	\$ (1,704,090)
Net income (loss)	\$ 3,532,470	\$ 5,536,558	\$ (319,039)	\$ (12,075,982)
Income (Loss) Per Share (Basic and Diluted)	\$ 0.02	\$ 0.03	\$ (0.00)	\$ (0.08)

2017 For Quarter Ended	December 31	September 30	June 30	March 31
Revenue	\$ 143,679	\$ 148,303	\$ 1,357,413	\$ 795,282
Operating loss	\$ (1,982,366)	\$ (1,305,156)	\$ (397,739)	\$ (1,552,522)
Net income (loss)	\$ (5,899,706)	\$ (4,407,067)	\$ (1,875,446)	\$ (2,728,440)
Income (Loss) Per Share (Basic and Diluted)	\$ (0.04)	\$ (0.04)	\$ (0.02)	\$ (0.03)

NOTE 15 – SIGNIFICANT CONTRACTS

On August 21, 2018 (“Effective Date”), Applied Minerals, Inc. (the “Company”) and the purchaser of the Company’s Surface Piles (“Purchaser”) entered into a Sale Agreement (the “Agreement”) for the sale of five Surface Piles for Initial Consideration of \$4,546,145 and Additional Consideration of \$1.00 per ton of Surface Pile material removed by Purchaser or its Agents from the Dragon Mine property. The Surface Piles include 4,546,145 tons of Surface Pile material, a mixture of halloysite, kaolinite and illite clays and a range of non-clay minerals.

It is solely the responsibility of Purchaser to remove the Surface Pile material from the Company’s Dragon Mine Property. Purchaser will have 60 years to remove Surface Pile material. Thereafter, ownership of any Surface Pile material remaining on the Dragon Mine property will automatically revert to the Company. Purchaser may from time to time transfer to the Company any Surface Pile material that it decides will not be removed.

Purchaser may bring on to Dragon Mine Property equipment and personnel reasonably acceptable to the Company for measuring, weighing, testing, crushing and otherwise processing, air-drying, commingling, storing, loading, removing, documenting, or selling in connection with the Surface Piles

The Company may relocate a Surface Pile if the Purchaser agrees and such agreement will not be unreasonably withheld. Purchaser will not, and will cause its Agents not to, interfere in any material respect with the operations of the Company.

Note 16 – ALLOWANCES