ATLAS MINING CO
Form 10-Q
July 27, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2008

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

For the transition period from to

Commission File Number 000-31380

ATLAS MINING COMPANY
(Exact name of registrant as specified in its charter)

Idaho	82-0096527
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
110 Greene Street – Ste 101, New York, NY	83849
(Address of principal executive offices)	(Zip Code)

(208) 556-1181
(Issuer's Telephone Number, Including Area Code)

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

Indicate by check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES NOX

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

Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer	X	Smaller Reporting Company

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

The number of shares of the registrant's common stock, no par value per share, outstanding as of June 30, 2008 was 57,117,089.

DOCUMENTS INCORPORATED BY REFERENCE: None.

ATLAS MINING COMPANY AND SUBSIDIARIES

SECOND QUARTER 2008 REPORT ON FORM 10-Q

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

PREFATORY NOTE

This Quarterly Report of Form 10-Q for the quarter ended June 30, 2008 was required to be filed on August 14, 2008. On January 11, 2008 a Special Committee of the Board of Directors was appointed to review and investigate the conduct of our prior management and any issues arising therefrom. The Special Committee has reported its findings to the staff of the Securities and Exchange Commission ("SEC") in July 2008 and issued a press release summarizing its findings in August 2008. The Special Committee concluded that it was necessary to restate the financial statements, and to file amended Quarterly Reports of Form 10-Q for the fiscal quarters ended, March 31, and June 30, 2007.

The restatement at June 30, 2007 relate to the following matters:

- The Company restated the previously issued unaudited financial statements at June 30, 2007 to properly reflect segregation of related party receivables from trade accounts receivable. The restated balance sheet includes an increase of $1,498 to related party receivables, and a decrease to trade accounts receivable for the same amount. The financial results presented in this report reflect the restatement of the Company's financial results.

- The Company restated the previously issued unaudited financial statements at June 30, 2007 to properly expire deposits and prepaids. It has been determined that deposits and prepaids were overstated by $10,137 at June 30, 2007. The financial results presented in this report reflect the restatement of the Company's financial results.

- The Company restated the previously issued unaudited financial statements at June 30, 2007 to properly record extinguishment of bad debt. It has been determined that long-term notes receivable was overstated by $20,000 at June 30, 2007. The financial results presented in this report reflect the restatement of the Company's financial results.

- The Company restated the previously issued quarterly unaudited financial statement for the period ended June 30, 2007 to properly reflect the accrual of payroll liabilities. It has been determined that the expense connected with workers' compensation expense was understated by $15,207. Thus, the restatement includes such amount as additional expense. The financial results presented in this report reflect the restatement of the Company's financial results.

- The Company restated the previously issued quarterly unaudited financial statements for the period ended June 30, 2007 to reclassify recognition of long-term debt. It has been determined that certain contracts were improperly recorded at notes payable instead of leases payable. The restatement includes correction of improper identification of the long-term debt. The financial results presented in this report reflect the restatement of the Company's financial results.

Because the disclosure in this report makes certain statements as to conditions and beliefs of, and information available to, the Company and management during the period covered by this report and because the management during 2007 has been replaced, it has been necessary for us to make certain assumptions as to what were the Company's or the Board of Directors conditions, beliefs, and information for the financial information at June 30, 2007.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

ATLAS MINING COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets

	June 30, 2008 (Unaudited)	December 31, 2007
Current Assets		
Cash and cash equivalents	$ 1,230,879	$ 1,210,621
Accounts receivable	465,928	911,710
Accounts receivable – related party	- 0 -	1,618
Investments – available for sale	5,426	4,886
Advances	266	1,054
Mining supplies	40,544	40,544
Deposits and prepaids	283,341	396,217
Total Current Assets	2,026,384	2,566,650
Property and Equipment		
Land and tunnels	1,062,499	1,062,499
Land improvements	91,835	91,835
Buildings	551,382	551,383
Mining equipment	1,563,043	1,485,936
Milling equipment	886,982	886,982
Laboratory equipment	75,968	75,968
Office furniture and equipment	38,171	37,962
Vehicles	196,870	236,530
Less: Accumulated depreciation	(910,090)	(724,102)
Total Property and Equipment	3,556,660	3,704,993
TOTAL ASSETS	$ 5,583,044	$ 6,271,643

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

ATLAS MINING COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets

	June 30, 2008 (Unaudited)	December 31, 2007
Current Liabilities		
Accounts payable and accrued liabilities	$716,499	$803,752
Stock awards payable	227,500	280,000
Current portion of notes payable	- 0 -	111,571
Current portion of leases payable	132,098	153,064
Total Current Liabilities	1,076,097	1,348,387
Long-Term Liabilities		
Long-term portion of notes payable	- 0 -	9,481
Long-term portion of leases payable	282,117	344,356
Total Long-Term Liabilities	282,117	353,837
TOTAL LIABILITIES	1,358,214	1,702,224
Commitments and Contingencies	- 0 -	- 0 -
Minority Interest	52,415	52,415
Stockholders' Equity		
Preferred stock, $1.00 par value, 10,000,000 shares authorized, noncumulative, nonvoting, nonconvertible, none issued or outstanding	- 0 -	- 0 -
Common stock, no par value, 60,000,000 shares authorized, 57,117,089 and 54,173,594 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively	21,061,084	19,108,111
Accumulated deficit	(16,887,203)	(14,589,101)
Accumulated other comprehensive loss	(1,466)	(2,006)
Total Stockholders' Equity	4,172,415	4,519,004
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$5,583,044	$6,271,643

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

5

ATLAS MINING COMPANY AND SUBSIDIARY
Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

	For the Three Months Ended June 30, 2008	For the Three Months Ended June 30, 2007	For the Six Months Ended June 30, 2008	For the Six Months Ended June 30, 2007
Revenues				
Contract mining	$1,437,468	$2,158,250	$2,993,467	$4,160,520
Total Revenues	1,437,468	2,158,250	2,993,467	4,160,520
Cost of Sales				
Contract mining	905,583	1,244,649	1,927,079	2,315,363
Total Cost of Sales	905,583	1,244,649	1,927,079	2,315,363
GROSS PROFIT	531,885	913,601	1,066,388	1,845,157
Operating Expenses				
Exploration & development costs	63,243	440,402	127,530	922,270
Mining production costs	229,785	322,356	630,966	581,605
General & administrative	514,657	22,390	1,388,346	513,452
Disposition of vehicle	(8,220)	- 0 -	(8,220)	- 0 -
Bad debt, accounts receivable	281,163	- 0 -	281,163	- 0 -
Total Operating Expenses	1,080,628	785,148	2,419,785	2,017,327
Net Operating Income (Loss)	(548,743)	128,453	(1,353,397)	(172,170)
Other Income (Expenses)				
Interest income	385	8,829	25,103	40,127
Interest expense	- 0 -	(21,503)	(85)	(28,354)
Realized gain (loss) on securities available for sale	- 0 -	(1,177)	- 0 -	443
Gain (loss) on revaluation of stock awards	(28,000)	- 0 -	52,500	- 0 -
Special investigation fees and expenses	(740,972)	- 0 -	(1,022,096)	- 0 -
Bad debt	- 0 -	- 0 -	- 0 -	(20,000)
Total Other Expense	(768,587)	(13,851)	(944,578)	(7,784)
INCOME (LOSS) BEFORE INCOME TAXES	(1,317,330)	114,602	(2,297,975)	(179,954)
Provision for Income Taxes	- 0 -	- 0 -	- 0 -	- 0 -
Minority Interest	- 0 -	(20)	- 0 -	(1)
NET INCOME (LOSS)	$(1,317,330)	$116,582	$(2,297,975)	$(179,955)
Net Loss Per Share, Basic and Diluted	$(0.02)	$ NIL	$(0.04)	$ NIL
Weighted Average Shares Outstanding	54,663,066	53,088,087	54,437,580	52,910,485

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

6

ATLAS MINING COMPANY AND SUBSIDIARY
Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

	For the Six Months Ended June 30,	
	2008	2007
Net Loss	$(2,297,975)	$(179,954)
Other Comprehensive Income:		
Change in Market Value of Investments	540	443
Net Comprehensive Loss	$(2,297,435)	$(179,511)

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

7

ATLAS MINING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended June 30, 2008	2007
Cash Flows From Operating Activities:		
Net Income (Loss)	$(2,297,975)	$(179,955)
Adjustments to Reconcile Net Loss to Net Cash Provided (Used) by Operations:		
Depreciation	220,359	166,012
Non-cash exercise of warrants for bonus	- 0 -	35,000
Stock issued for directors fees	70,000	- 0 -
Valuation of options	382,849	377,076
Gain on disposal of vehicle	(8,220)	- 0 -
Gain on revaluation of stock awards	(52,500)	- 0 -
Realized gain on securities available for sale	- 0 -	(443)
Change in Operating Assets and Liabilities:		
(Increase) decrease in accounts receivable	445,782	(237,816)
(Increase) decrease in accounts receivable - related party	1,618	9,641
(Increase) decrease in deposits and prepaids	113,664	(76,455)
(Increase) decrease in mining supplies	- 0 -	(33,399)
Increase (decrease) in accounts payable and accrued expenses	(87,253)	111,155
Net Cash Provided (Used) by Operating Activities	(1,211,676)	190,816
Cash Flows from Investing Activities:		
Purchases of equipment	(77,316)	(622,409)
Disposal of vehicle	13,507	- 0 -
Issuance of notes receivable	- 0 -	(152,000)
Net Cash Used by Investing Activities	(63,809)	(774,409)
Cash Flows from Financing Activities:		
Payments on notes payable	(121,052)	(98,622)
Payments on leases payable	(83,205)	(119,735)
Proceeds from issuance of common stock	1,500,000	2,115,858
Net Cash Provided by Financing Activities	1,295,743	1,897,501
Increase (Decrease) in Cash	20,258	1,293,908
Cash and Cash Equivalents, Beginning of Period	1,210,621	217,102
Cash and Cash Equivalents, End of Period	$1,230,879	$1,511,010

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

ATLAS MINING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(continued)

	For the Six Months Ended June 30,	
	2008	2007
Cash Paid For:		
Interest	$46,406	$28,354
Income Taxes	$- 0 -	$- 0 -
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Equipment financed through leasing	$- 0 -	$267,909
Shares issued for settlement of debt	$- 0 -	$8,633

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

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statements
June 30, 2008 and 2007

NOTE 1 – BASIS OF PRESENTATION

The foregoing unaudited interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles in the United States of America for complete financial statements. These unaudited interim financial statements should be read in conjunction with the audited financial statements and the notes thereto included on Form 10-K for the period ended December 31, 2007. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented.

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumption are inherent in the preparation of the Company's financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions that could have a material effect on the reported amounts of the Company's financial position and results of operations.

Operating results for the six months period ended June 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

On January 11, 2008, a Special Committee of the Board of Directors was appointed to review and investigate the conduct of our prior management and any issues arising therefrom. The Special Committee has reported its findings to the staff of the Securities and Exchange Commission (“SEC”) in July 2008 and issued a press release summarizing its findings in August 2008. The Special Committee concluded that it was necessary to restate the financial statements, and to file an amended Annual Report of Form 10-K for the year ended December 31, 2006. These financial statements should be read in conjunction with the Form 10-K for the year ended December 31, 2007 and 2006.

NOTE 2 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Atlas Mining Company, (“the Company”) was incorporated in the state of Idaho on March 4, 1924. The Company was formed for the purpose of exploring and developing the Atlas Mine, a consolidation of several patented mining claims located in the Coeur d’Alene Mining District near Mullan, Idaho. The Company eventually became inactive as a result of low silver prices. In September 1997, the Company became active again. During the years ended December 31, 2008 and 2007, the Company provided shaft sinking, underground mine development and mine labor primarily to companies in the mining and civil industries. Historically, the Company’s contract mining operation has been its sole source of revenue and income.

In 1998 and 1999, the Company exchanged 71,238 shares of its common stock for 53% of the outstanding shares of Park Copper and Gold Mining, Ltd. (“Park Copper”), an Idaho corporation Park Copper holds mining claims in northern Idaho.

In July 2001, the Company began leasing the Dragon Mine from Conjecture Silver Mines, Inc. of Spokane, Washington. The Company issued 100,000 shares of stock for each year of the lease for the years 2002 – 2005 and exercised the right to purchase the mine on August 18, 2005 for $500,000 in cash. The property consists of 38 patented mining claims on approximately 230 acres.

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statement
June 30, 2008 and 2007

NOTE 2 – ORGANIZATION AND DESCRIPTION OF BUSINESS (CONTINUED)

NanoClay and Technologies, Inc. is a wholly owned subsidiary dedicated to the marketing of the Dragon Mine's clay resource for use in, but not limited to, specialty ceramic, controlled release and polymer applications. In December 2008, the Nano Clay & Technologies subsidiary was administratively dissolved.

The Company operated a contract mining business under the trade name Atlas Fausett Contracting ("AFC"). AFC was engaged in exploration and mine development as well as preparatory work such as site evaluation, feasibility studies, trouble-shooting and consultation. AFC's projects include all types of underground mine development, rehabilitation and diamond drilling. On December 31, 2008, the Company discontinued its contract mining efforts due to economic conditions and the desire to concentrate efforts on commercializing the halloysite clay deposit at the Dragon Mine. There are no plans to resume the contract mining business.

In October 2007, management announced its intention to cease development activities at the mine until both a resource survey and an appropriate system to processing system could be obtained. During the year ended December 31, 2008, the Company hired a geological consulting firm it believes is capable of conducting the necessary resource survey and identifying an appropriate processing system.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying condensed, consolidated financial statements represent the consolidation of Atlas Mining Company ("the Company") and all companies that the Company directly controls either through majority ownership or otherwise. See Note 2 to the consolidated financial statements in the Company's annual report on Form 10-K for the year ended December 31, 2007, which discusses our consolidation and financial statement presentation.

The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. In these financial statements assets and liabilities involve extensive reliance on management's estimates. Actual results could differ from those estimates.

Accounting Method
The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Accounts Receivable
Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Specific reserves are estimated by management based on certain assumptions and variables, including the customer's financial condition, age of the customer's receivables, and changes in payment histories. As of June 30, 2008 and December 31, 2007, no allowance for doubtful accounts was considered necessary. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Available for Sale Investments
In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the shares are evaluated quarterly using the specific identification method. Any unrealized holding gains or losses are reported as Other Comprehensive Income and as a separate component of stockholder's equity. Realized gains and losses are included in earnings.

Cash and Cash Equivalents
The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statement
June 30, 2008 and 2007

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Risk
The Company maintains cash balances in two checking accounts at two separate financial institutions. At June 30, 2008 and December 31, 2007, total cash balances were $507,996 and $1,210,621, respectively. Such funds exceed Federal Deposit Insurance Corporation limits, and amounts exceeding $100,000 were not insured.

For the three months ended June 30, 2008 and 2007, the Company received 83% and 94%, respectively, of contract service revenue from two of its major customers noted as follows:

2008 Customers	% of Revenues	% of Receivables
Customer A	53%	45%
Customer B	30%	39%
2007 Customers	% of Revenues	% of Receivables
Customer A	65%	45%
Customer B	29%	44%

Environmental Expenditures
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 report an asset separately from the associated liability.

Based upon management's current assessment of its environmental responsibilities, the Company cannot reasonably estimate any reclamation or remediation liability that may occur in the future, if any.

Impairment of Assets
In August 2001, Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144") established a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations. SFAS No. 144 requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. At June 30, 2008 and 2007 no impairments were recognized.

12

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statements
June 30, 2008 and 2007

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mining Exploration and Development Costs
Land and mining property acquisitions 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 are capitalized as capitalized development costs. Capitalized development costs will include acquisition costs and property development costs. When these properties are developed and operations commence, capitalized costs 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.

At June 30, 2008 and 2007, all costs associated with the Company's mines have been expensed.

Mining Supplies
Mining supplies, consisting primarily of bits, steel, and other mining related equipment, are recorded as mining supplies and charged to cost of goods sold when used. In addition, equipment repair parts and maintenance items are also included at cost. The amount held in mining supplies at June 30, 2008 is $40,544.

Minority Interest
Minority interest represents the 47% minority share interest in Park Copper and Gold, held by several shareholders.

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of the Company, one wholly owned subsidiary, and a majority owned subsidiary. All significant intercompany accounts and transactions have been eliminated.

Property and Equipment
Property and equipment are carried at cost. Depreciation and amortization is computed on the straight-line method over the estimated useful lives of the assets as follows:

	Estimated Useful Life
Building	30 years
Mining equipment	2 – 7 years
Office and shop furniture and equipment	5 – 7 years
Vehicles	5 years

During the six months ended June 30, 2008, the Company acquired mining equipment and office equipment totaling $77,107 and $209, respectively. Depreciation expense for the periods ended June 30, 2008 and 2007 totaled $220,359 and $166,012, respectively.

Provision for Income Taxes

Income taxes are calculated based upon the liability method of accounting in accordance with the Statement of Financial Accounting Standards No. 109, “Accounting for Income Taxes” (“SFAS No. 109”). In accordance with SFAS No. 109, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the “more likely than not” standard imposed by SFAS No. 109 to allow for recognition of such an asset.

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statements
June 30, 2008 and 2007

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition
The Company recognizes revenue in the period that the related services are performed and collectability is reasonably assured. For the three months ended June 30, 2008 and 2007, the Company derived substantially all of its revenues from leasing equipment and employees for mine development, site evaluation, and preparatory work. Services contracts generally took the form of fixed-price contracts. Under fixed-price contracts, revenue is recognized as services are performed; with performance generally assessed using output measures, such as feet excavated. Changes in the scope of work generally result in a renegotiation of contract pricing terms or a contract amendment. Renegotiated amounts are not included in net revenues until earned and realization is assured. Historically, costs are expensed as incurred. All out-of-pocket costs are included in expenses.

Stock-Based Compensation
On January 1, 2006, the Company adopted SFAS 123 (revised 2004), Share-Based Payment ("SFAS 123(R)"), which requires the measurement and recognition of compensation expense for all share-based awards made to employees and directors, including employee stock options and shares issued through its employee stock purchase plan, based on estimated fair values. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletins No. 107 and 110 ("SAB 107" and "SAB 110") relating to SFAS 123(R). The Company has applied the provisions of SAB 107 and SAB 110 in its adoption of SFAS 123(R). The Company adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of the beginning in 2006. The Company's financial statements as of and for the year ended December 31, 2007 and 2006 reflect the impact of SFAS 123(R). In accordance with the modified prospective transition method, The Company's financial statements for prior periods include the impact of SFAS 123(R).

The estimated fair value of grants of stock options and warrants to nonemployees of the Company is charged to expense, if applicable, in the financial statements.
Accordingly, compensation expense of $382,849 and $377,076 has been recognized for vesting of options to employees and directors in the accompanying statements of operations for the periods ended June 30, 2008 and 2007, respectively.

NOTE 4 – STOCK AWARD PAYABLE

Under the requirements of SFAS 123(R), the Company reviews the value of stock award payable and adjusts the carrying value to market based on the closing price of the Company's common stock on the last day of the quarter. Any adjustment made to the carrying value of the stock award is recorded as a gain or loss on revaluation of stock awards. For the period ended June 30, 2008, the Company realized a gain on the revaluation of stock awards totaling $52,500. At June 30, 2008, the value of Mr. Dumont's stock award payable was $162,500, and value of Mr. Gaensbauer's stock award payable was $65,000 for a total of $227,500.

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statements
June 30, 2008 and 2007

NOTE 5 - NOTES AND LEASES PAYABLE

CAPITAL LEASES
The Company is a lessee of certain equipment under capital leases that expire on various dates through March 2012. Terms of the leases call for monthly payments ranging from $688 to $15,573 at implicit interest rate of 9.34% per annum (the incremental borrowing rate). The assets and liabilities under capital leases are recorded at lease inception at the lower of the present value of the minimum lease payments or the fair market value of the related assets. The assets are depreciated over their estimated useful lives.

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2008:

	June 30, 2008
2008	$ 96,236
2009	174,406
2010	133,248
2011	77,376
2012	11,932
Total Minimum Lease Payments	493,198
Less: Amount Representing Interest	(78,983)
Present Value of Net Minimum Lease Payments	414,215
Current Net Minimum Lease Payments	(134,927)
Long-Term Net Minimum Lease Payments	$ 282,117

OPERATING LEASES
At the end of December 2007, the Company entered into a rental lease agreement for its office space with an unrelated third party. The lease was a one-year, non-terminable lease through the end of 2008 with an option to purchase the property. The monthly rent during the first year was $2,250 per month. For the six months ended June 30, 2008, the Company recognized rent expense of $13,500 with regards to this lease agreement.

NOTE 6 – STOCKHOLDERS' EQUITY

Preferred Stock
The Company is authorized to issue 10,000,000 shares of noncumulative, non-voting, nonconvertible preferred stock, $1.00 par value per share. At June 30, 2008 and December 31, 2007, no shares of preferred stock were outstanding.

Common Stock
The Company is authorized to issue 60,000,000 shares of common stock, no par value per share. At the periods ended June 30, 2008 and December 31, 2007, 57,117,089 and 54,173,594 shares were issued and outstanding, respectively.

At December 31, 2008, the Company did not have sufficient authorized unissued common stock available for conversion of all common stock equivalents.

During the six months ended June 30, 2008, the Company issued 60,185 of restricted stock at a price ranging between $0.59 and $0.71 per share for director and special investigation committee fees of $40,000. The Company sold 833,333 shares of common stock at $0.60 per share to three purchasers in transactions that were exempt from registration under Section 4(2) of the Securities Act of 1933. A total of 583,333 shares were sold to two funds managed by Mr. David Taft, a current director of the Company. In addition, the Company sold 2,000,000 shares of common stock for $0.50 per share to two funds managed by Mr. David Taft, a current director of the Company. The transactions were exempt from registration under Section 4(2) of the Securities Act of 1933.

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statements
June 30, 2008 and 2007

NOTE 7 – OPTIONS TO PURCHASE COMMON STOCK

During the periods presented in the accompanying financial statements, the Company has adopted the provisions of SFAS No. 123(R), "Share-Based Payment," using the modified-prospective transition method and the disclosures that follow are based on applying SFAS No. 123(R). Accordingly, compensation expense of $382,849 and $377,076 has been recognized for vesting of options to employees and directors in the accompanying statements of operations for the periods ended June 30, 2008 and 2007, respectively.

The Company is authorized to issue stock options under one existing stock option plan approved by stockholders. The fair value of each of the Company's stock option awards is estimated on the date of grant using a 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 Company uses historical data to estimate forfeitures within its valuation model.

The significant weighted average assumptions relating to the valuation of the Company's options for the six months ended June 30, 2008 is as follows:

	2008
Dividend Yield	0%
Expected Life	3 - 5 years
Expected Volatility	39.65% - 86.91%
Risk-Free Interest Rate	3.44%

A summary of the status of the options granted under the Company's 1998 stock option plan and other agreements and changes for the six months ended June 30, 2008 and the year ended December 31, 2007 are as follows:

	June 30, 2008		December 31, 2007	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	2,688,577	$ 0.66	3,773,333	$ 0.49
Granted	50,000	0.65	4,000,000	2.61
Exercised	- 0 -	- 0 -	(1,084,759)	0.18
Forfeited	(1,688,577)	0.18	(4,000,000)	2.61
Expired	- 0 -	- 0 -	- 0 -	- 0 -
Outstanding at end of period	1,050,000	$ 1.43	2,688,574	$ 0.66
Exercisable at end of period	1,008,333	$ 1.46	1,441,074	$ 1.01

16

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statements
June 30, 2008 and 2007

NOTE 7 – OPTIONS TO PURCHASE COMMON STOCK (CONTINUED)

A summary of the status of the options outstanding at June 30, 2008 is presented below:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.65	50,000	5.00 years	$ 0.65	8,333	$ 0.65
$ 0.54 - $ 2.32	1,000,000	1.00 years	1.47	1,000,000	1.47
	1,050,000			1,008,333	

At June 30, 2008, the Company had 41,667 non-vested options with a weighted average grant date fair value of $0.65 per share. The unexercised options expire between July 15, 2009 and July 1, 2013.

At June 30, 2008, the total compensation cost of $16,400 for unvested shares is expected to be recognized over the next 0.5 years on a weighted average basis. The fair value of the options issued and vested for the period ended June 30, 2008, was $4,098.

NOTE 8 – EARNINGS (LOSS) PER SHARE INFORMATION

The Company has adopted SFAS No. 128, “Earnings Per Share,” which provides for calculation of “basic” and “diluted” earnings per share. The computation of earnings (loss) per share of common stock is based on the weighted average number of shares outstanding at the date of the financial statements. 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. Common stock equivalents at June 30, 2008 and 2007 consisted of 2,688,577 and 3,773,333, respectively, in options. Common stock equivalents at June 30, 2008 and 2007 were considered but were not included in the computation of loss per share at June 30, 2008 and 2007 because they would have been anti-dilutive.

	Net Loss (Numerator)	Shares (Denominator)	Per-Share Amount
For the three months ended June 30, 2008:			
Basic EPS			
Net loss to common shareholders	$ (1,317,330)	54,663,066	$ (0.02)
For the six months ended June 30, 2008:			
Basic EPS			
Net loss to common shareholders	$ (2,297,975)	54,437,580	$ (0.04)

For the three months ended June 30, 2007:			
Basic EPS			
Net loss to common shareholders	$ 116,582	53,088,087	$ NIL
For the six months ended June 30, 2007:			
Basic EPS			
Net loss to common shareholders	$ (179,955)	53,910,485	$ NIL

17

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statements
June 30, 2008 and 2007

NOTE 9 – COMMITMENTS AND CONTINGENCIES

LITIGATION
Various lawsuits, claims, proceedings and investigations are pending involving us as described below in this section. In accordance with SFAS No. 5, "Accounting for Contingencies," when applicable, the Company records accruals for contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. In addition to the matters described herein, the Company is involved in or subject to, or may become involved in or subject to, routine litigation, claims, disputes, proceedings and investigations in the ordinary course of business, which in management's opinion will not have a material adverse effect on the financial condition, cash flows or results of operations.

NOTE 10 – SUBSEQUENT EVENTS

Sale of Securities
On September 23, 2008, the Company sold 1,700,000 shares of common stock at $0.50 per share to two funds managed by Mr. David Taft, a current director of the Company, in transactions that were exempt from registration under Section 4(2) of the Securities Act of 1933.

Convertible Notes December 2008
On December 30, 2008, the Company sold to accredited investors $1,000,000 principal amount of Series 10% PIK-Election Convertible Notes due 2018 (the "Notes") at a conversion price of $0.35 per share (the "Conversion Price") and entered into a Registration Rights Agreement in connection with the shares of common stock to be issued upon conversion of the Notes. The principal under the Notes is due December 15, 2018 subject to earlier acceleration or conversion of the Notes as described below. The Notes bear interest at the rate of 10% per annum payable (including by issuance of additional in kind notes) semi-annually in arrears on June 15th and December 15th of each year, commencing June 15, 2009.

The Notes per above may be converted at the option of the Noteholder at any time there is sufficient authorized unissued common stock of the Company available for conversion. The Notes will be mandatorily converted when (i) sufficient common stock is available for conversion all notes in the Series, (ii) the average closing bid price or market price of the Company's common stock for the preceding five (5) trading days is above the Conversion Price and (iii) a registration statement is effective and available for resale of all of the converted shares or the Noteholders may sell such shares under Rule 144 under the Securities Act.

Convertible Notes April 2009
Between April 7, and April 9, 2009, the Company sold to accredited investors $1,500,000 principal amount of Series 10% PIK-Election Convertible Notes due 2018 (the "Notes") at a conversion price of $0.35 per share (the "Conversion Price") and entered into a Registration Rights Agreement in connection with the shares of common stock to be issued upon conversion of the Notes. The principal under the Notes is due December 15, 2018 subject to earlier acceleration or conversion of the Notes as described below. The Notes bear interest at the rate of 10% per annum payable (including by issuance of additional in kind notes) semi-annually in arrears on June 15th and December 15th of each year commencing June 15, 2009.

Convertible Notes May 2009

On May 1, 2009, the Company entered into agreements to sell to accredited investors $1,350,000 principal amount of Series 10% PIK-Election Convertible Notes due 2018 (the "Notes") at a conversion price of $0.50 per share (the "Conversion Price") and entered into a Registration Rights Agreement in connection with the shares of common stock to be issued upon conversion of the Notes. The principal under the Notes is due December 15, 2018 subject to earlier acceleration or conversion of the Notes as described below. The Notes bear interest at the rate of 10% per annum payable (including by issuance of additional in kind notes) semi-annually in arrears on June 15th and December 15th of each year commencing June 15, 2009.

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statements
June 30, 2008 and 2007

NOTE 10 – SUBSEQUENT EVENTS (CONTINUED)

The Notes (April and May 2009) may be converted at the option of the Noteholder at any time there is sufficient authorized unissued common stock of the Company available for conversion. The Notes will be mandatorily converted when (i) sufficient common stock is available for conversion all notes in the Series, (ii) the average closing bid price or market price of the Company's common stock for the preceding five (5) trading days is above the Conversion Price and (iii) a registration statement is effective and available for resale of all of the converted shares or the Noteholders may sell such shares under Rule 144 under the Securities Act.

Sale of Non-Core Assets
Between April 1 and April 10, 2009, the Company sold certain equipment from its discontinued contract mining business. On April 15, 2009, the Company entered into an agreement for appointment of agent for the sale of assets with AAMCOR LLC ("the Agreement"). Under the Agreement, the Company agreed to (i) sell certain of the equipment of its discontinued contract mining business to AAMCOR for $300,000 in cash plus a potential share in proceeds of resale of such items, and (ii) appointed AAMCOR exclusive agent to sell certain other non-core equipment deemed unnecessary for development of the Company's Dragon Mine property.

Settlement Agreement
On July 2, 2009, the Company entered into a Settlement Agreement ("Class Action Settlement Agreement") with the lead plaintiffs in the class action In Re Atlas Mining Company Securities Litigation pending in the United States District Court for the District of Idaho, Civil Action No. 07-428-N-EJL(D. Idaho).

Under the terms of the settlement agreement, the Company will pay plaintiffs $1,250,000 (which includes fees to plaintiff's counsel), to be funded by the proceeds of an insurance policy, in exchange for release of all claims against the Company, NanoClay & Technologies Inc., and the individual defendants William T. Jacobson, Robert Dumont, Ronald Price and Barbara Suveg. The Company will also fund up to $75,000 to fund expenses in connection with notification to class members. The settlement agreement is the agreement contemplated by the memorandum of understanding entered into by the Company and the lead plaintiffs dated May 1, 2009 described in the 8-K filed by the Company on May 4, 2009 ("the MOU") and the terms of it are consistent with such MOU.

Related to the Class Action Settlement, effective July 8, 2009, Atlas entered into a Settlement Agreement and Release with Navigators, RSUI Indemnity Company and RSUI Group, Alexander, Morford & Woo, Inc., and the individual defendants listed above in settlement of the insurance litigation Atlas Mining Co. v. Navigators Insurance Co. et al., No. 1:08-cv-00359-EJL (D. Idaho) and Navigators Insurance Co. v. Atlas Mining Co., et. al., Case No. 2:08-cv-00216-EJL (D.Idaho). Pursuant to this agreement (i) Navigators will deliver $1,250,000 into a court registry, which will then be used upon final court approval of the Class Action Settlement to fund the $1,250,000 payment to class action plaintiffs, (ii) Navigators will deliver $750,000 to the Company for defense and investigative costs in connection with the Class Action and related matters, which Atlas will use in part to pay the individual defendants their costs in the class action and (iii) all claims under the insurance litigation will be released upon final court approval of the Class Action Settlement.

Also, related to the class action settlement, the Company has entered into a settlement agreement with Robert Dumont, a former President, CEO and director of the Company, mutually releasing all claims related to Dumont's employment by the Company in consideration of the Company's payment to Dumont of up to $258,000 for Dumont's attorneys' fees and expenses related to the class action (to be funded from the insurance proceeds described above), insurance litigation, and other matters which the Company will fund with monies it receives from Navigators in connection with the insurance litigation settlement.

NOTE REGARDING FORWARD LOOKING STATEMENTS

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

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

OVERVIEW

We are a natural resources company principally engaged in the development of our resource property, the Dragon Mine, in the state of Utah.

Historically our primary source of revenue was generated by Contract Mining operations. However, at December 31, 2008, we discontinued our Contract Mining efforts due to economic conditions and the desire to concentrate efforts on commercializing the halloysite clay deposit at the Dragon Mine.

Property Exploration

We intend to continue our exploration activities the Dragon Mine. We do not intend to seek out and acquire other properties.

In August 2001, we acquired the Dragon Mine in Juab, Utah and began our clay exploration. Our exploration and development expenses for the six months ending June 30, 2008 and 2007 were $127,530 and $922,270, respectively, on the halloysite clay project.

The activities at our Dragon Mine property, located in Juab County, Utah, were suspended in October 2007 when previous management determined that both a resource survey and an appropriate processing facility were needed before the property could be successfully commercialized. In 2008, a geological consulting firm was hired by us to both carry out a detailed geological review of the property and develop an appropriate method by which to process the mineral resource. This work is ongoing as of the date of this report. Beginning in 2009, we began processing material from the mine and distributing samples to potential customers as part of a preliminary marketing program. The geological consulting firm referred to above has sub-contracted with a firm with expertise in the development of mineral processing to identify an appropriate processing system for the Company. Any subsequent reference to a geological consulting firm may be assumed to include the firm currently being contracted to identify the processing system.

Management believes that the clay resource found at the Dragon Mine property possesses, among other things, certain structural and mineralogical characteristics that may possibly add functionality to applications such as, but not limited to, the controlled release of biological and chemical agents, polymer-related strengtheners and fire retardants, oil field drilling minerals, catalyst carriers, filtration technologies, hydrogen storage for fuel cells and cosmetics. For certain of the aforementioned applications, management believes the Dragon Mine resource has the potential to serve as a more effective alternative to the materials upon which these current technologies are established. Other above-mentioned applications are being developed to specifically utilize the structural characteristics of the clay resource.

The Dragon Mine property contains halloysite, kaolinite, alunite and other minerals located underground and in waste piles that are the result of previous mining operations. The geological resource survey being conducted on the Dragon Mine has involved the assessment of approximately 10,000 feet of borehole drill cores and the analysis of samples taken from the five waste piles located at the mine site. The survey has included X-ray diffraction analysis to determine the levels of halloysite, kaolinite and other minerals found in the resource. Initial studies have indicated that conventional processing may be used to separate the halloysite and kaolinite fractions from alunite and other minerals found in the Dragon Mine resource. The geology of the deposit shows alterations of feldspar identified along side the presence of monzanite, halloysite and kaolinite. Purer halloysite found at the mine has been identified along side the presence of iron ore. The morphology of the halloysite identified at the Dragon Mine, as determined by Scanning Electron Microscopy ("SEM") analysis, demonstrates the existence of both lath-like and tubular formations. The kaolinite present at the Dragon Mine has been determined to possess a highly crystalline structure.

NaturalNano, Inc. (OTC: NNAN), in conjunction with Cascade Engineering and it's subsidiary, Noble Polymers, has developed Pleximer ™, a halloysite nanotube concentrate used to create stronger, lighter, environmentally friendlier and lower-cost polymer-based nanocomposites. According to NaturalNano's 2008 annual report, Pleximer ™ is being marketed to the global nanocomposites market that, in the estimation of BCC Research, is expected to grow from $273 million in 2005 to $4.0 billion by 2015. According to BCC Research, clay-based nanocomposites are expected to represent 47% of the nanocomposites market by 2010. The U.S. Department of the Navy, represented by the Naval Research Lab (NRL"), has patented a technology that provides for the controlled release of active agents using inorganic tubules such as halloysite clay. The U.S. Navy's technology has been licensed by at least two companies that are developing controlled-release applications for the fields of electromagnetic shielding/strength enhancement, cosmetics, fragrances, agriculture, ink and paper, electronics, fabrics and textiles, local drug delivery and mold-resistant building products. The U.S. Navy has also patented a technology that permits a controlled release of an active agent as an anti-scaling treatment for environments such as oil wells.

As of the date of this report, a study is being conducted to identify the applications for which the Dragon Mine resource may provide functionality. Processed clay samples have been distributed to potential customers who have requested halloysite and/or halloysite-kaolinite mixtures. A number of advanced applications to which the Company plans to market its resource are currently using plate-like structured clays that must undergo expensive exfoliation process to achieve proper functionality. The tubular morphology of the Dragon Mine resource does not require such an exfoliation process to achieve similar or, in many instances, greater functionality. Management, therefore, believes that it may be able to deliver its processed mineral to market at price points lower than those of competing clays, without sacrificing performance.

In addition to certain advanced applications previously mentioned, we believe the Dragon Mine resource may also be marketed to certain established, low-tech applications such as, but not limited to, fine porcelain, bone china, high-performance advanced technical ceramics, paint fillers, suspension agents, animal feed, cement hardeners, and food and pharmaceutical additives. Markets, such as fine porcelain and bone china, would likely require the Dragon Mine clay resource be processed for increased brightness and reduced presence of titanium whereas applications, such as a cement hardener, would require a relatively unprocessed version of the Dragon Mine resource. Management, as part of its overall business strategy, will continually assess the economic feasibility of pursuing potential markets.

Management believes that both existing and potential applications that utilize the Dragon Mine resource will require varying grades of clay to satisfy the unique technical requirements of each application. Some applications may require pure halloysite, composed of tubular and/or lath-shaped particles while other applications may require a grade of clay consisting of a specific halloysite-kaolinite ratio. The determination of the appropriate grade of clay will likely require significant technical cooperation between the Company and the developer of the related application. As previously mentioned, the Company has hired a consulting firm to identify a processing system capable of producing the grades of clay required by potential applications. The identification of such a system is ongoing.

In 2009, the Company entered into a development agreement with Yuri M. Lvov, Ph.D., a professor of chemistry at Louisiana Tech University and the T.C. Pipes Eminent Endowed Chair on Micro and Nanosystems at the Institute for Micromanufacturing (LaTech). The scope of the agreement includes, among other things, the development of halloysite in an anti-corrosion paint application in addition to the development of other emerging applications.

RESULTS OF OPERATIONS

Revenues for the three-month period ended June 30, 2008 were $1,437,468 and $2,158,250 for the same period ending June 30, 2007, a decrease of 33%. Revenues for the six-month period ended June 30, 2008 were $2,993,467 and $4,160,520 for the same period ended June 30, 2007, a decrease of 28%. The main difference was caused by the decrease in contract mining revenues for both periods in 2008 as compared to the previous year. The decrease in contract mining revenue during the three and six months ended June 30, 2007 was driven by a decline in the number of contracts worked.

Gross profit (loss) for the three-month period ended June 30, 2008 was $531,885 compared to $913,601 for the same period ended June 30, 2007, a decline of 42%. Gross profit (loss) for the six-month period ended June 30, 2008 was $1,066,388 compared to $1,845,157 for the same period ended June 30, 2007, a decrease of 42%. This was due to the decreased revenues for the periods ended June 30, 2008 over the same periods ended June 30, 2007. The decrease in contract mining revenue and gross profit during the three and six months ended June 30, 2007 was driven by a decline in the number of contracts worked.

Total operating expenses for the three month period ended June 30, 2008 were $1,107,923 compared to $785,148 for the same period ending June 30, 2007, or an increase of 41%. Total operating expenses for the six month period ended June 30, 2008 were $2,463,520 compared to $2,017,327 for the same period ended June 30, 2007, an increase of 22%. The increase during both periods is primarily attributed to the increase in general legal expenses incurred.

Our net profit (loss) for the three month period ended June 30, 2008 was $(1,344,625) compared to $116,328 for the same period ended June 30, 2007, a decrease of $1,460,953 (or 1256%). For the six month period ended June 30, 2008, net profit (loss) was $(2,297,975) compared to $(181,829) for the same period ending June 30, 2007, a decrease of $2,116,146 (or 1164%). The decrease realized the period ended June 30, 2008 is due to a significant increase in general legal and special investigation expenses.

LIQUIDITY AND CAPITAL RESOURCES

To date our activities have been financed primarily through the sale of equity securities, borrowings, and revenues from Contract Mining. For the six-month periods ended June 30, 2008 and 2007 Contract Mining accounted for 100% of the revenue. Our current asset and debt structure is explained below.

Our total assets as of June 30, 2008 were $5,583,044 compared to $6,271,643 as of December 31, 2007, or a decrease of $688,599. For the six-month period ended June 30, 2008 the Company has decreased its current assets by $540,266 and increased its fixed assets by $37,655.

Total liabilities were $1,358,214 as of June 30, 2008, compared to $1,702,224 as of December 31, 2007. The following debts are still outstanding;

- A lease payable for equipment due in annual installments of $15,573, including interest of 8.59%, with a balance of $50,911.
- A lease payable for equipment due in monthly installments of $3,518, including interest of 18.05% with a balance of $104,511.
- A lease payable for equipment due in monthly installments of $1,075, including interest of 0%, with a balance of $22,583.
- A lease payable for equipment due in monthly installments of $1,632, including interest of 3%, with a balance of $70,838.
- A capital lease payable for equipment due in monthly installments of $6,323, including interest of 8.5% with a balance of $149,673.

- A lease payable for equipment due in monthly installments of $405, including interest of 0%, with a balance of $15,700.
- Current liabilities including accounts payable and accrued expenses due as of June 30, 2008 were $716,499 and are the result of daily operations and accrued taxes. We also carry a liability of $50,415 to the minority interest in a subsidiary, and stock awards payable of $227,500.

Our principal sources of cash flow during the first six months of 2008 was from Contract Mining activities which provided an average of $498,911 per month for the six month period ended June 30, 2008, and averaged $693,420 per month for the same period in 2007. We rely on our credit facilities and public or private sales of equity for additional cash flow.

Cash flow from financing activities for the six-month period ended June 30, 2008 was $1,295,743 compared to $1,932,502 for the same period in 2007, a difference of $636,759. Different amounts of proceeds from private placements were the major factor for the difference.

The Company used $63,021 from investing activities for the six-month period ended June 30, 2008, compared to using $802,951 in the same period in 2007, a difference of $739,930. This was primarily attributed to purchases of more equipment in the period ended June 30, 2008 compared to the same period in 2007.

Cash flows provided by (used by) operating activities for the six-month period ended June 30, 2008 was $(1,212,464) compared to $164,357 for the same period in 2007, a difference of $1,376,821. In the six month period in 2008, we had sustained significant legal and investigation expenses, as compared to net income reported in 2007.

OFF-BALANCE SHEET ARRANGEMENTS

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

RESTATEMENT OF PRIOR FINANCIAL INFORMATION

On October 9, 2007 we filed a report on Form 8-K with the Securities and Exchange Commission for the purpose of making certain disclosures and attaching a press release. The 8-K and the press release indicated that the chief executive officer and chief financial officer determined that it would be necessary to restate our audited consolidated financial statements and other financial information.

We have adjusted prior period balances for corrections of errors to properly reflect accounting for the valuation for stock options, related party transactions, impairment of securities available for sales, and valuation of common stock issued by us for services.

We restated the previously issued quarterly unaudited financial statements for the periods ended June 30, 2007 to properly reflect accounting for valuation of vested stock options, pursuant to SFAS 123R. It has been determined that the expense connected with the vesting of stock options was understated by $189,258. Thus, the restatement includes such amount as additional expense. The financial results presented in this report reflect the restatement of our financial results.

We also restated the previously issued quarterly unaudited financial statement for the period ended June 30, 2007 to properly reflect the accrual of payroll liabilities. It has been determined that liabilities for services received and accruals of workers' compensation expense totaling $97,650 were not properly recorded. Thus, the restatement includes such amount as additional expense. The financial results presented in this report reflect the restatement our financial results.

We restated the previously issued quarterly unaudited financial statements for the period ended June 30, 2007 to account for certain items of long-term debt as leases instead of notes payable. Thus, the restatement includes increases to leases payable and decreases to notes payable. The financial results presented in this report reflect the restatement of our financial results.

23

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We have performed an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of June 30, 2008 to provide reasonable assurance that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and was accumulated and communicated to our management, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure

(b) Changes in Internal Controls.

We believe that the condensed consolidated financial statements in this quarterly report on Form 10-Q fairly present, in all material respects, our financial condition as of June 30, 2008 and December 31, 2007, and results of its operations and cash flows for the quarters ended June 30, 2008 and 2007, in conformity with United States generally accepted accounting principles (GAAP).

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Various lawsuits, claims, proceedings and investigations are pending involving us as described below in this section. In accordance with SFAS No. 5, Accounting for Contingencies, when applicable, we record accruals for contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. In addition to the matters described herein, we are involved in or subject to, or may become involved in or subject to, routine litigation, claims, disputes, proceedings and investigations in the ordinary course of business, which in our opinion will not have a material adverse effect on our financial condition, cash flows or results of operations.

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

During the first six months of 2008 and 2007, we sold stock in several transactions not registered under the Securities Act as listed below. Management at the time deemed such sales to be exempt under Section 4(2) of the Securities Act and indicated that all sales were made to accredited investors. With the exception of the sales of 1,481,482 made on January 9, 2007, and during the year 2008, current management has not verified that the purchasers were accredited investors or whether the conditions of the 4(2) exemption were satisfied.

On January 3, 2007, we issued 40,000 shares of common stock for $20,000 for the redemption of outstanding warrants.

On January 9, 2007, we issued 1,481,482 shares of common stock to an accredited investor for $2,000,001 for exercise of a subscription agreement.

Also on January 9, 2007, we issued 230,000 shares of common stock for $115,000 for the redemption of outstanding warrants.

On January 12, 2007, we issued 3,430 shares of common stock for $858 for the redemption of an outstanding warrant.

On January 29, 2007, we issued 30,570 shares of common stock for $15,000 for the redemption of an outstanding warrant. An additional 19,430 shares were issued for cash at $.50.

On May 23, 2008, we issued 583,333 shares of common stock to an accredited investor for $350,000 for exercise of a subscription agreement.

On May 30, 2008, we issued 250,000 shares of common stock to an accredited investor for $150,000 for exercise of a subscription agreement.

On June 27, 2008, we issued 2,000,000 shares of common stock to an accredited investor for $1,000,000 for exercise of a subscription agreement.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits.

The following exhibits are included in this report:

Exhibit Number	Description of Exhibits
31.1	Certification pursuant to Rule 13a-14 of the Securities Exchange Act, as adopted pursuant to the Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer
31.2	Certification pursuant to Rule 13a-14 of the Securities Exchange Act, as adopted pursuant to the Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer

SIGNATURES

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

ATLAS MINING COMPANY

Dated: July 27, 2009	/s/ ANDRE ZEITOUN By: Andre Zeitoun Chief Executive Officer
Dated: July 27, 2009	/s/ CHRISTOPHER T. CARNEY By: Christopher T. Carney Interim Chief Financial Officer