Applied Minerals, Inc.
Form 10-Q/A
October 07, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q /A
(AMENDMENT NO. 1)

(Mark One)

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

For the quarterly period ended	March 31, 2011

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

For the transition period from	to

Commission File Number	000-31380

APPLIED MINERALS, INC.
(Exact name of registrant as specified in its charter)

Delaware	82-0096527
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

110 Greene Street – Suite 1101, New York, NY	10012
(Address of principal executive offices)	(Zip Code)

(800) 356-6463
(Issuer’s Telephone Number, Including Area Code)

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

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.

YESX NO

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	Smaller Reporting Company X

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, $0.001 par value per share, outstanding as of September 30, 2011 was 75,696,531 .

DOCUMENTS INCORPORATED BY REFERENCE: None.

APPLIED MINERALS, INC. AND SUBSIDIARY
(An Exploration Stage Company)

FIRST QUARTER 2011 REPORT ON FORM 10-Q /A

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PREFATORY NOTE

Applied Minerals, Inc. (the “Company”) is filing this form 10-Q/A (Amendment No. 1) to include in its Quarterly Report on Form 10-Q for the three months ended March 31, 2011 the reclassification of debt discount to deferred financing and the reclassification of other liabilities to long-term liabilities. The Company is also filing this form 10-Q/A (Amendment No. 1) to include in its Quarterly Report on Form 10-Q for the three months ended March 31, 2011 to include correct certifications required by Rule 13a-14(a).

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	March 31, 2011 (Unaudited) (Restated)	December 31, 2010
Current Assets		
Cash and cash equivalents	$2,798,460	$1,642,340
Accounts receivable	44,200	61,275
Mining supplies inventory	3,178	3,503
Deposits and prepaids	194,585	178,738
Total Current Assets	3,040,423	1,885,856
Property and Equipment		
Land and tunnels	523,729	523,729
Land improvements	164,758	164,758
Buildings	432,997	432,997
Mining equipment	661,523	588,523
Milling equipment	333,483	333,483
Laboratory equipment	67,728	67,728
Office furniture and equipment	29,398	27,419
Vehicles	75,013	75,013
Less: Accumulated Depreciation	(547,603)	(481,364)
Total Property and Equipment	1,741,026	1,732,286
Other Assets		
Assets held for sale	450,042	450,042
Deferred financing cost	142,347	146,939
Total Other Assets	592,389	596,981
TOTAL ASSETS	$5,373,838	$4,215,123

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

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

	March 31, 2011 (Unaudited) (Restated)	December 31, 2010
Current Liabilities		
Accounts payable and accrued liabilities	$513,599	$266,139
Liabilities from discontinued operations	2,502	1,152
Stock awards payable	81,000	80,000
Current portion of notes payable	179,911	206,209
Current portion of leases payable	132,200	167,956
Total Current Liabilities	909,212	721,456
Long-Term Liabilities		
Long-term portion of notes payable	324,996	361,295
Long-term portion of leases payable	- 0 -	10,094
Convertible debt (PIK Notes)	4,683,624	4,683,624
Total Long-Term Liabilities	5,008,620	5,055,013
TOTAL LIABILITIES	5,917,832	5,776,469
Commitments and Contingencies	- 0 -	- 0 -
Stockholders' Equity (Deficit)		
Preferred stock, $0.001 par value, 10,000,000 shares authorized, noncumulative, nonvoting, nonconvertible, none issued or outstanding	- 0 -	- 0 -
Common stock, $0.001 par value, 120,000,000 shares authorized, 72,560,373 and 69,704,393 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively	72,560	69,704
Additional paid-in capital	32,570,551	29,860, 041
Accumulated deficit prior to the exploration stage	(20,009,496)	(20,009,496)
Accumulated deficit during the exploration stage	(13,229,939)	(11,533,915)
Total Applied Minerals, Inc. stockholders' equity (deficit)	(596,324)	(1,613, 666)
Non-controlling interest	52,330	52, 320
Total Stockholders' Equity (Deficit)	(543,994)	(1,561,346)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$5,373,838	$4,215,123

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

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

	For the three months ended March 31, 2011 (Restated)	For the three months ended March 31, 2010	For the Period January 1, 2009 (Beginning of Exploration Stage) through March 31, 2011 (Restated)
REVENUES	$44,468	$- 0 -	$44,468
COST OF SALES	(21,075)	- 0 -	(21,075)
Gross Profit	23,393	- 0 -	23,393
OPERATING (INCOME) EXPENSES:			
Exploration costs	670,854	529,213	4,277,809
General and administrative	907,651	650,181	8,081,912
(Gain) loss from disposition of land and equipment	(1,000)	- 0 -	(4,523)
Loss on impairment of equipment	- 0 -	- 0 -	55,122
Total Operating Expenses	1,577,505	1,179,394	12,410,320
Net Operating Loss	(1,554,112)	(1,179,394)	(12,386,927)
OTHER INCOME (EXPENSE):			
Interest income	222	231	1,627
Interest expense	(132,146)	(59,538)	(690,747)
Sale of clay samples	- 0 -	- 0 -	10,943
Refund of insurance premium	2,531	- 0 -	22,687
Gain on stock award forfeiture	- 0 -	145,000	145,000
Gain (loss) on revaluation of stock awards	(1,000)	(17,000)	(173,500)
Net proceeds (expenses) from legal settlement	- 0 -	28,548	(173,325)
Amortization of deferred financing costs	(4,592)	- 0 -	(7,653)
Amortization of convertible debt discount	- 0 -	(2,194)	(365,341)
Gain on settlement of debt	- 0 -	- 0 -	333,502
Other income (expense)	(6,041)	- 0 -	(4,427)
Total Other Income (Expense)	(141,026)	95,047	(901,234)
Loss from exploration stage, before income taxes	(1,695,138)	(1,084,347)	(13,288,161)
Provision (benefit) for income taxes	- 0 -	- 0 -	- 0 -
Net Loss from Exploration Stage			

Before Discontinued Operations	(1,695,138)	(1,084,347)	(13,288,161)
Net income (loss) from discontinued operations	(910)	238,382	58,244
Net loss from exploration stage after discontinued operations	(1,696,048)	(845,965)	(13,229,917)
Net income (loss) attributable to the non-controlling interest	24	40	(22)
Net Loss Attributable to Applied Minerals, Inc.	$(1,696,024)	$(845,925)	$(13,229,939)

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

APPLIED MINERALS, INC. AND SUBSIDIARY
(An Exploration Stage Mining Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Continued)

	For the three months ended March 31, 2011 (Restated)	2010
Earnings Per Share Information (Basic and Diluted):		
Net loss per share before discontinued operations attributable to Applied Minerals, Inc. common shareholders	$(0.0 2)	$(0.01)
Discontinued operations attributable to Applied Minerals, Inc. common shareholders	- 0 -	- 0 -
Net Loss Per Share Attributable to Applied Minerals, Inc. common shareholders	$(0.0 2)	$(0.01)
Weighted Average Shares Outstanding (basic and diluted)	69,820,574	68,826,593

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

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

	For the three months ended March 31, 2011 (Restated)	For the three months ended March 31, 2010 (Restated)	For the Period January 1, 2009 (Beginning of Exploration Stage) through March 31, 2011 (Restated)
Cash flows from operating activities:			
Net loss	$(1,696,048)	$(845, 965)	$(13,229,917)
Adjustments to reconcile net loss to net cash used in operations:			
Depreciation	66,239	33,594	352,831
Amortization of deferred financing costs	4,592	- 0 -	7,653
Amortization of discount – PIK Notes	- 0 -	2,194	367,534
Issuance of PIK Notes in payment of interest	- 0 -	3,114	520,986
Stock issued for director and consulting services	34,338	10,000	116,667
Fair value of warrants and options issued to consultants and directors	429,029	57,550	1,164,932
Loss on revaluation of stock awards	1,000	17,000	173,500
Gain on stock award forfeiture	- 0 -	(145,000)	(145,000)
Gain on disposition of assets	(1,000)	- 0 -	(4,523)
Loss on impairment of assets	- 0 -	- 0 -	62,019
Change in operating assets and liabilities:			
(Increase) Decrease in:			
Accounts receivable	17,075	- 0 -	(44,156)
Mining supplies inventory	325		(3,178)
Deposits and prepaids	(15,847)	27,257	87,721
Increase (Decrease) in:			
Accounts payable and accrued expenses	247,460	246,639	418,640
Net cash used by discontinued operations	1,350	1,906	606, 041
Net cash used by operating activities	(911, 487)	(591, 711)	(9,548, 250)
Cash flows from investing activities:			
Purchases of land improvements	- 0 -	- 0 -	(72,923)
Purchases of equipment and vehicles	(74,979)	(52,514)	(257,663)
Proceeds from sale of assets	1,000	100,000	151,000

Net cash provided by discontinued operations	- 0 -	- 0 -	434,670
Net cash provided by investing activities	(73,979)	47,486	255,084
Cash flows from financing activities:			
Payments on notes payable	(62,597)	(32,305)	(375,218)
Payments on leases payable	(45, 817)	(3, 597)	(298, 855)
Proceeds from insurance settlement	- 0 -	- 0 -	115,000
Proceeds from notes payable	- 0 -	- 0 -	124,129
Proceeds from PIK notes payable	- 0 -	- 0 -	9,600,000
Proceeds from sale of common stock	2,250,000	- 0 -	2,250,000
Payments for legal settlement	- 0 -	(170,000)	(170,000)
Net cash used by discontinued operations	- 0 -	(2,310)	(56,431)
Net cash provided (used) by financing activities	2,141, 586	(208, 212)	11,188, 625
Net increase (decrease) in cash	1,156,120	(752,437)	1,895,459
Cash and cash equivalents at beginning of period	1,642,340	1,584,866	903,001
Cash and cash equivalents at end of period	$2,798,460	$832,429	$2,798,460

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

APPLIED MINERALS, INC. AND SUBSIDIARY
(An Exploration Stage Mining Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Continued)

	For the three months ended March 31, 2011	2010	For the Period January 1, 2009 (Beginning of Exploration Stage) through March 31, 2011 (Restated)
Cash Paid For:			
Interest	$15,054	$8,844	$43,534
Income Taxes	$160	$- 0 -	$710
Supplemental Disclosure of Non-Cash			
Investing and Financing Activities:			
Conversion of debt and			
accrued interest to common stock	$- 0 -	$210,614	$6,439,843
Equipment financed on lease	$- 0 -	$- 0 -	$197,000

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

APPLIED MINERALS, INC. AND SUBSIDIARY
(An Exploration Stage Mining Company)
Condensed Notes to the Consolidated Financial Statements
March 31, 2011 and 2010

NOTE 1 – BASIS OF PRESENTATION AND GOING CONCERN

The interim financial statements as of March 31, 2011, and for the periods ended March 31, 2011 and 2010, and cumulative from inception of the exploration stage through March 31, 2011, are unaudited. However, in the opinion of management, the interim financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to present the Company's financial position as of March 31, 2011 and the results of its operations and its cash flows for the periods ended March 31, 2011 and 2010, and cumulative from inception of the exploration stage through March 31, 2011. These results are not necessarily indicative of the results expected for the year ending December 31, 2011. The accompanying financial statements and condensed notes thereto do not reflect all disclosures required under accounting principles generally accepted in the United States of America. Refer to the Company's a mended financial statements as of December 31, 2010, filed with the Securities and Exchange Commission ("SEC") for additional information, including significant accounting policies.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Applied Minerals, Inc. ("The Company") has incurred material recurring losses from operations. At March 31, 2011, the Company had aggregate accumulated deficits prior to and during the exploration stage of $33,239,435, in addition to limited cash and unprofitable operations. For the period ended March 31, 2011 and 2010, the Company sustained net losses before discontinued operations of $1,343,240 and $1,084,299, respectively. These factors indicate that the Company may be unable to continue as a going concern for a reasonable period of time. The financial statements do not include any adjustments relating to the recoverability and reclassification of recorded asset amounts or the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is contingent upon its ability to obtain generate revenue and cash flow to meet its obligations on a timely basis and/or management's ability to raise financing through the sale of equity and/or the disposition of certain non-core assets. If successful, this will mitigate the factors that raise substantial doubt about the Company's ability to continue as a going concern.

Operating results for the three months period ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. The consolidated financial information as of December 31, 2010 included herein has been derived from the Company's audited consolidated financial statements as of, and for the fiscal year ended December 31, 2010.

NOTE 2 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Applied Minerals, Inc. ("the Company") owns the Atlas Mine, a consolidation of several patented mining claims located in the Coeur d'Alene Mining District near Mullan, Idaho, and the Dragon Mine, a halloysite clay property located in Juab County, Utah. The Company discontinued its contract mining operation on December 31, 2008, and, thus, changed its planned principal operation to development and exploration of its mining property located in Utah on January 1, 2009, thus taking the Company to the exploration stage at that date. The Company is currently focused on the commercialization of the Dragon Mine property while actively seeking to dispose of the idle Atlas Mine property.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying condensed, consolidated financial statements represent the consolidation of the Company and all companies that the Company directly controls either through majority ownership or otherwise.

Accounting Method and Use of Estimates

The Company's financial statements are prepared using the accrual basis of accounting in accordance with 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 in 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.

APPLIED MINERALS, INC. AND SUBSIDIARY
(An Exploration Stage Mining Company)
Condensed Notes to the Consolidated Financial Statements
March 31, 2011 and 2010

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value
The fair value of the Company's financial instruments reflects the amounts that the Company estimates to receive in connection with the sale of an asset or paid in connection with the transfer of a liability in an orderly transaction between market participants at the measurement date (exit price). For financial assets and liabilities that are periodically re-measured to fair value, the Company discloses a fair value hierarchy that prioritizes the use of inputs used in valuation techniques into the following three levels:

Level 1 – quoted prices in active markets for identical assets and liabilities.

Level 2 – observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 – unobservable inputs.

The recorded value of certain financial assets and liabilities, which consist primarily of cash and cash equivalents, accounts receivable, other current assets, accounts payable and accrued expenses, approximate the fair value of the respective assets and liabilities at March 31, 2011 and December 31, 2010 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, the carrying value of short and long-term notes payable approximate fair value.

Legal Costs
In the normal course of business, the Company will incur costs to engage and retain external legal counsel to advise management on regulatory, litigation and other matters. Such legal costs are expensed as the related services are received.

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. 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 March 31, 2011 and 2010, all costs associated with the Company's mine have been expensed.

Non-Controlling Interest
The Company owns 53% of the outstanding stock of Park Copper and Gold Mining Company Limited ("Park Copper"), an Idaho corporation that holds several patented and unpatented mining claims near or adjacent to the Company's property in North Idaho. The financial information related to Park Copper is consolidated into the Company's financial statements, which includes an accounting for non-controlling interest.

Subsequent Events

The Company evaluates events that occur subsequent to the balance sheet date of periodic reports, but before financial statements are issued for periods ending on such balance sheet dates, for possible adjustment to such financial statements or other disclosure.

Recent Accounting Pronouncements

In January 2010, the FASB issued further guidance under ASC No. 820, Fair Value Measurements and Disclosures ("ASC 820"). ASC 820 requires disclosures about the transfers of investments between levels in the fair value hierarchy and disclosures relating to the reconciliation of fair value measurements using significant unobservable inputs (level 3 investments). ASC 820 is effective for the fiscal years and interim periods beginning after December 15, 2010. The Company adopted the update on January 1, 2011. The pronouncement did not have a material impact on the Company's consolidated financial statements.

Reclassification and Restatements

The Company has restated its previously issued 2010 consolidated financial statements for amounts related to the following items: reclassification of debt discount to deferred financing, reclassification of other liability to long-term liabilities. The accompanying financial statements for March 31, 2011, have been restated to reflect the corrections. There was no affect to accumulated deficit at January 1, 2009 or the accumulated deficit at December 31, 2010 related to the restatements.

APPLIED MINERALS, INC. AND SUBSIDIARY
(An Exploration Stage Mining Company)
Condensed Notes to the Consolidated Financial Statements
March 31, 2011 and 2010

NOTE 4 – DISCONTINUED OPERATIONS

The Company permanently discontinued its contract mining operations. There are no plans to resume the contract mining business.

The Company has identified assets attributed to the discontinued operation that are being held for sale or have been identified as part of the discontinued operation and have been identified as such. Assets at March 31, 2010 and December 31, 2010 attributed to the discontinued operation are as follows:

	March 31, 2011	December 31, 2010
Property and equipment	$450,042	$450,042
Total assets from discontinued operations	$450,042	$450,042

Liabilities at March 31, 2011 and December 31, 2010 attributed to the discontinued operations are as follows:

	March 31, 2011	December 31, 2010
Accounts payable and accrued liabilities	$2,502	$1,152
Total liabilities from discontinued operations	$2,502	$1,152

During the three months ended March 31, 2011, the Company received payment in settlement of one previously recorded bad debt from discontinued operations. Income (loss) after discontinued operations for the three months ended March 31, 2011 and 2010, and cumulative from inception of the exploration stage through March 31, 2011 was calculated as follows:

	For the three months ended March 31, 2011	2010
Revenues from discontinued operations	$- 0 -	$- 0 -
Cost of goods sold	- 0 -	- 0 -
General and administrative expenses	(910)	(7,125)
Collection of previously recorded bad debt	- 0 -	245,507
Loss on disposal of assets	- 0 -	- 0 -
Loss on impairment of assets	- 0 -	- 0 -
Income (loss) from discontinued operations	(910)	238,382
Income tax liability	- 0 -	- 0 -
Net income (loss) from discontinued operations	$(910)	$238,382

The Company does not believe there is an effect of income taxes on discontinued operations. Due to ongoing operating losses, the uncertainty of future profitability and limitations on the utilization of net operating loss carryforwards under IRC Section 382, a valuation allowance has been recorded to fully offset the Company's deferred tax asset.

NOTE 5 – STOCK AWARD PAYABLE

In 2007, the Company agreed to grant 150,000 shares of vested common stock to a Executive Vice President , John Gaensbauer, as part of his employment agreement. At the time of the grant in 2007, there were not enough authorized, unissued and available shares necessary to issue the above referenced shares to Mr. Gaensbauer. By the time the Company had enough authorized available shares to issue the stock to Mr. Gaensbauer who had, by then, resigned his position, the Company and certain members of its former management team were defendants in a class action filed by the Company's shareholders. Given the class action, the Company was uncertain whether it would have to ultimately issue shares to Mr. Gaensbauer, settle such stock grant in cash, or rescind the stock grant. As such the Company recorded the stock grant as a liability and revalues it accordingly at the end of each period. The Company continues to explore it options to resolve this outstanding issue.

For the three months ended March 31, 2011, the Company realized a loss on the revaluation of the remaining stock award totaling $1,000. The value of the outstanding stock awards at March 31, 2011 and December 31, 2010 were $81,000 and $80,000, respectively. The Company does not intend to ever issue these shares and will expects to treat the liability appropriately.

APPLIED MINERALS, INC. AND SUBSIDIARY
(An Exploration Stage Mining Company)
Condensed Notes to the Consolidated Financial Statements
March 31, 2011 and 2010

NOTE 6 – CONVERTIBLE DEBT (PIK NOTES)

Between December 31, 2008 and October 25, 2010, the Company sold $10,600,000 of 10% Convertible Notes due December 15, 2018. The notes convert into common stock at a fixed conversion rate of between $0.35 and $1.00 per share, with the conversion rates at the time of the issuance of the notes being equal to the market price of the Company's common stock. In the cases in which the effective conversion price of a note issued as an interest payment is lower than the market price of the Company's common stock, a beneficial conversion feature is recognized and the intrinsic value of the beneficial conversion feature is recorded as a discount on the note and amortized to interest expense over the life of the note. The notes bear nominal interest at the rate of 10% per annum (or an effective interest rate of 10.25%) payable (including by issuance of additional in-kind notes) semi-annually in arrears on June 15th and December 15th of each year. The notes include terms whereby interest payable may be paid in either cash or by converting the interest owed the note holder into additional PIK Notes. If the interest payment is converted into PIK Notes, the terms of the notes emulate the originally issued PIK Notes. The Convertible Notes are notes whereby the holder may only realize the value of the conversion option by exercising the option and receiving the entire proceeds in either a fixed number of shares or the equivalent amount of cash (at the discretion of the issuer).

Conversion Feature
All notes described above may be converted at the option of the note holder at any time there is sufficient authorized unissued common stock of the Company available for conversion. The PIK Notes, except those issued in May and October 2010, may be converted, at the option of the Company, when the average closing bid price or market price of the Company's common stock for the preceding five (5) days is above the conversion price. The Notes issued in May and October 2010 cannot be converted by the Company for one year from the date of issuance

During the three months ended March 31, 2010, a PIK Note representing principal and accrued interest of $210,614 was converted by the Company into 324,193 shares of the Company's common stock.

Deferred Financing Costs
In connection with the convertible debt issued during 2010, the Company recorded the financing costs paid to a third party in the amount of $150,000 as deferred financing costs. These costs are being amortized over the term of the debt. The Company amortizes the deferred financing costs, straight-line over the life of the debt. In the event of conversion before note maturity, any remaining costs are immediately expensed. During the three months ended March 31, 2011, total expense related to deferred financing costs was $4,592. As of March 31, 2011 and December 31, 2010, there was $142,347 and $146,939, respectively of deferred financing costs remaining on Convertible PIK Notes.

Mandatory Conversion

In February 2010, the Company mandatorily converted the July 2009 convertible debt and unpaid interest. Upon conversion, $2,194 of amortizable discount was amortized, and 324,193 shares of the Company's common stock were issued for the conversion of the notes. In July 2010, the Company mandatorily converted the October 2009 convertible debt and unpaid interest. Upon conversion, 2,133,307 shares of the Company's common stock were issued for the conversion of the notes. During the three months ended March 31, 2011 and 2010, the Company recorded $117,093 and $50,500, respectively, in interest expense associated with the convertible notes.

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APPLIED MINERALS, INC. AND SUBSIDIARY
(An Exploration Stage Mining Company)
Condensed Notes to the Consolidated Financial Statements
March 31, 2011 and 2010

NOTE 7 – 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 March 31, 2011 and December 31, 2010, no shares of preferred stock were outstanding.

Common Stock
The Company is authorized to issue 120,000,000 shares of common stock, $0.001 par value per share. At March 31, 2011 and December 31, 2010, 72,560,373 and 69,704,393 shares were issued and outstanding, respectively.

During the three months ended March 31, 2011, the Company issued a total of 37,910 shares of restricted, common stock to directors and consultants as payment of fees. The value of such was recorded at $32,388. During the three months ended March 31, 2011, a warrant holder exercised 10,000 warrants on a cashless basis and received 5,570 shares of the Company's common stock. The warrants were issued to the holder as payment for consulting services. Also during the three months ended March 31, 2011, the Company sold a total of 2,812,500 shares of common stock at $1.25, collecting a total of $2,250,000. A portion of these shares were purchased by a related party (See Note 10).

Non-controlling Interest
Pursuant to the disclosure requirements set forth under GAAP, the following schedule presents a reconciliation of the beginning and ending balances of the equity attributable to the Company and the non-controlling owners, and the effect of the changes in the equity attributable to the Company.

The Company applied non-controlling interest accounting for the period ended March 31, 2011, which requires it to clearly identify the non-controlling interest in the balance sheets and statements of operations. The Company discloses three measures of net income (loss): net income (loss) from discontinued operations, net income (loss) from exploration stage, and net income (loss) attributable to non-controlling interest. The operating cash flows in the consolidated statements of cash flows reflect net loss.

Non-Controlling Interest

Beginning balance, December 31, 2010	$52,321
Net (loss) income attributable to non-controlling interest	24
Ending balance, March 31, 2011	$52,345

NOTE 8 – OPTIONS AND WARRANTS TO PURCHASE COMMON STOCK

Outstanding Stock Warrants
The warrants issued during the three months ended March 31, 2011 may be exercised by the warrant holder either by payment of cash per warrant, or through a cashless exercise whereby the warrant holder may exercise the warrant without exchange of cash, at a predefined rate of conversion where the warrant holder would typically receive less than the total number of underlying common shares within the warrant if cashless exercise occurs. The formula for the cashless exercise is [(A – B)*(X)] divided by A where A is the volume-weighted average price on the trading day

immediately preceding the date of the exercise; B is the exercise price of the warrant; and X is the number of shares of common stock issuable upon the exercise of the warrant.

The fair value of each of the Company's stock warrant 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 assumptions relating to the valuation of the Company's warrants for the three months ended March 31, 2011 were as follows:

	2011
Dividend Yield	0%
Expected Life	5 – 10 years
Expected Volatility	100%
Risk Free Interest Rate	2.96%

A summary of the status and changes of the warrants are as follows:

	March 31, 2011	
	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2010	580,187	$0.84
Issued	337,883	$0.79
Exercised	(10,000)	$(0.35)
Forfeited	- 0 -	- 0 -
Expired	- 0 -	- 0 -
Outstanding at March 31, 2011	908,070	$0.83
Exercisable at March 31, 2011	908,770	

APPLIED MINERALS, INC. AND SUBSIDIARY
(An Exploration Stage Mining Company)
Condensed Notes to the Consolidated Financial Statements
March 31, 2011 and 2010

NOTE 8 – OPTIONS AND WARRANTS TO PURCHASE COMMON STOCK (CONTINUED)

Outstanding Stock Warrants (Continued)