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ATLAS MINING CO  
Form 10KSB  
March 30, 2004

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-KSB

(MARK ONE)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2003

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-31380

ATLAS MINING COMPANY

-----  
(Name of small business issuer in its charter)

Idaho

82-0096527

-----  
(State or other jurisdiction of incorporation or organization)

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

630 East Mullan Avenue  
Osburn, Idaho 83849

-----  
(Address of principal executive offices) (Zip code)

Issuer's telephone number, including area code: (208) 556-1181

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which each is registered
-----	-----
None	None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, no par value  
-----  
(Title of class)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.  
Yes  No

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to

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this Form 10-KSB. [ ]

The issuer's revenues for the fiscal year ended December 31, 2003 were \$304,851.

The number of shares of the registrant's common stock, no par value per share, outstanding as of March 26, 2004 was 36,679,017. The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on March 26, 2004, based on the last sales price on the OTC Bulletin Board as of such date, was approximately \$9,169,754.

## DOCUMENTS INCORPORATED BY REFERENCE

None.

Transition Small Business Disclosure Format: Yes [ ] No [X]

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## SIGNATURES

NOTE REGARDING FORWARD LOOKING STATEMENTS

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This Annual Report on Form 10-KSB 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. Factors that might cause such a difference include, but are not limited to, those discussed in the section of this Annual Report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors Affecting Business, Operating Results and Financial Condition", as well as the following:

- o our uncertainty whether a commercially viable deposits or "reserves" exist on any of our properties;
- o our lack of capital and whether or not we will be able to raise capital when we need it;
- o risks of loss of timber revenues due to fire, disease or weather;
- o change of market prices for timber, halloysite clay or other marketable deposits we may find on any of our properties;
- o whether or not we will continue to receive the services of our executive officers and directors, particularly our President, William T. Jacobson;

and other factors, some of which will be outside our control. You are cautioned not to place undue reliance on these forward-looking statements, which relate only to events as of the date on which the statements are made. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. You should refer to and carefully review the information in future documents we file with the Securities and Exchange Commission.

### PART I

#### ITEM 1. BUSINESS HISTORY AND DEVELOPMENT OF THE COMPANY

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We are a natural resources company engaged in the acquisition and exploration of our resource properties in the states of Idaho and Utah. We also provide contract mining services and specialized civil construction services for mine operators, exploration companies and the construction and natural resources industries through our trade name "Atlas Fausett Contracting." We were originally incorporated on March 4, 1924 in Idaho and commenced our operations on that date.

From 1980 to 1997, we had no activities. In 1997, we acquired the equipment of Fausett International, Inc. for \$1,416,099 and began our

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contracting business. In 1998, we acquired the Sierra Silver Lead Mining Company, an Idaho corporation for \$276,157. This merger added an additional 329.18 acres of mineral rights to our current holdings. In 1999, we also acquired the majority outstanding shares of Olympic Silver Resources, Inc., a Nevada corporation for \$228,566. The acquisition of Olympic gave us control of an Olympic subsidiary mine in Zacatecas, Mexico. In 2001 our agreement on the mine in Zacatecas expired and we no longer have any interest there. In 1999 we acquired the Aulbach mining claims for \$ 50,000, approximately 100 acres of timber and mineral property in northern Idaho. In 1999 we acquired 53% interest in the Park Copper Mining Company for \$72,825, which holds 100 acres of timber and mineral property in northern Idaho. In 2001, we entered into a lease purchase agreement on the Dragon Mine in Juab County, Utah for \$100,000. We believe this property may contain a deposit of high quality clay, which we plan to explore further. In 2002, we cancelled our agreement with Fausett International, Inc., returned the equipment, and settled the remaining debt. We were not able to utilize this equipment enough to justify the cost related to owning it.

In the future, we intend to be able to acquire additional properties near our current mines and elsewhere.

We also intend to bring the Dragon Mine into a development and production stage.

In addition to the mineral resources, we also have harvestable timber resources on our properties. We contract out logging of our timber to create revenues and cash flows for our other operations. We have also harvested timber on approximately 320 acres of our previously owned and newly acquired properties.

We also intend to continue our contract mining services. These services were originally developed and marketed to provide us with operating revenues. We hope to increase the revenue derived from these services and to utilize our expertise in this area to explore our owned properties.

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### CONTRACT MINING

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Because of exploration costs and other budget constraints, mining on our properties has remained idle since the 1980s. However, on August 10, 1997 our board met and approved a plan to revitalize Atlas Mining Company for the purpose of increasing shareholder value and, in the long term, of making us an operating company with producing mines.

The first step in this process was to form a contract mining service under the trade name of Atlas Fausett Contracting, which we refer to as AFC. We acquired equipment and tools and hired key employees from Fausett International, Inc., or Fausett, a privately held mining contracting firm with over 30 years experience in the mining industry. These employees brought with them extensive knowledge and expertise in all aspects of underground mining.

AFC began contracting work on August 15, 1997. Among its many services, AFC performs site evaluation, feasibility studies, trouble-shooting and consultation prior to the undertaking of exploration and mine development. AFC's projects include all types of underground mine development, rehabilitation and specialized civil construction. Services are contracted for either individually or as joint ventures depending on the requirements of a particular project or

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the specific needs of an individual client. AFC also handles work under contract from government agencies.

AFC crews are experienced and have worked on projects in Idaho, Montana, Oregon, Washington, Nevada, Colorado, Arizona, New Mexico, and British Columbia. AFC has the required licenses to work in Idaho, Washington and Montana and has the ability to license in most states in the western United States. AFC operates under a permit from the Mine Safety and Health Administration and also possesses a permit to handle explosives from the Bureau of Alcohol, Tobacco and Firearms.

AFC was the main contractor at the Mayflower Mine, a Brimstone Gold Corp. project, outside of Whitehall, Montana, and for the Holden Mine closure, a U.S. Government and U.R.S. Corporation project on Lake Chelan, Washington.

AFC must also compete with other smaller companies that provide contract services related to underground mining. However, AFC has experience in a number of different mining techniques. Besides normal underground mining activities, AFC has expertise in ground stabilization (such as grouting, shotcrete, and rock bolting). AFC has provided tunnel construction expertise for hydroelectric work. AFC also works with government agencies and other mining companies with respect to mine closures to help with industry efforts to alleviate potential hazards from abandoned mines.

Since AFC mainly concentrates on underground mining activities, there is very little surface disturbance, which is the main environmental concern faced by mining companies whose activities are centered on surface mining.

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### TIMBER

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Our entry into the timber industry was commenced primarily as a means of generating cash flow from our exploration properties in northern Idaho. Our intention is to remain in this industry only to the extent that it supplements our revenue while we are conducting our exploration activities. With the amount of timber remaining on Atlas property, we can supplement our revenue for the next couple of years. As we harvest this timber, we will continue to seek out additional exploration properties with harvestable timber. It takes approximately fifteen to twenty years for a tree to mature in northern Idaho, and our current goal is to acquire enough harvestable land to enable us to rotate our logging activities on a yearly basis to allow previously harvested areas the time to grow and mature marketable trees.

When we sell or timber we contract our logging to a qualified logger, Randy Mattson, whose experience and reputation in the industry qualifies him to negotiate the sale of our timber to various lumber mills in the area. We do not have a written contract with Mr. Mattson, but rather hire him on an as needed basis. As with most commodities, timber is subject to price fluctuations and to government regulation.

The timber business is a cyclical business with lumber prices that fluctuate based on a number of factors including new housing starts, imports, and government regulations. North Idaho is predominately held by the U.S. government, either by the Forest Service or by the Bureau of Land Management. When these agencies decide to harvest timber the excess timber can affect the price the mills are willing to pay. In recent years there have been less government sales of timber due to the environmental and bureaucratic policies related to these sales. This has created more demand for privately held timber.

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We do not hold any contracts with any particular mills. We do, however, supply timber to Louisiana Pacific, a local mill, which constitutes 80% of our annual timber revenues generated, and maintain a good relationship with them. Another factor that makes this aspect of our business cyclical is the weather. North Idaho has a heavy snowfall each winter, making logging difficult during those months. Consequently we do the majority of our logging efforts in the summer and fall. Our property consists primarily of pine, fir and larch, which is used predominately in the building industry.

Our logging activities are regulated by the Idaho State Department of Lands. They inspect our logging practices and inform us of any activities that may cause either a safety or an environmental problem. Our logger carries workers compensation and liability insurance, and falls under the guidelines of Occupational Safety and Health Act.

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### EXPLORATION

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We intend to conduct our exploration activities for halloysite clay and other minerals, and intend to acquire commercially feasible properties that can be put into production with minimal environmental problems and with limited financial resources. We do not intend to seek out and acquire other properties until we have finished conducting our feasibility surveys and other exploration work on our current properties. Although we have not yet generated income from these properties, we are continuing our exploratory work on these properties.

In August 2001, we acquired the Dragon Mine in Juab, Utah and began our clay exploration. Our exploration expenses for the period ending December 31, 2002, and 2003 were \$48,280 and \$51,140, respectively on clay exploration.

The halloysite clay is considered a non-toxic material and, if commercially viable amounts are discovered on the property, we feel we can produce a sellable product with minimal environmental consequences using proper containment and processing techniques. The intended processing will be the crushing, drying, and packaging of the product for shipment. In 2003 we completed a small diamond drilling program to verify location of clay beds at the Dragon Mine. With that information we have been able to formulate development and mining plans. It is our intent to bring the Dragon Mine into a development and production stage in the near future.

We have also contacted potential customers, distributors and suppliers in the clay businesses. Each buyer may have a different use for the product and the price and quantity will vary as a result. The sale of product can not be formalized until we have developed the mine and become production ready.

We are not aggressively looking for silver properties at this time, as we have been concentrating on our efforts to bring the clay property from the exploration stage to the development stage. However once the clay property is further developed it is our intent to look for other properties that can be acquired, developed and mined with minimal costs, and environmental problems.

In anticipation of our clay exploration activities reaching the development and/or production stages, we have submitted a mining and reclamation plan to the proper state authorities, and have received acceptance of our plan. In the future, we may pursue additional acquisitions and exploration of other properties for metals and industrial minerals, development of which will require

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submission of new mining and reclamation plans to the proper state and federal authorities.

### BUSINESS STRATEGY

As was noted above, the creation of AFC was done for the purpose of creating operating revenues for us. We also intend to expand our exploration, and our timber production.

To date our activities have been financed primarily through debt and the sale of equity securities and the issuance of equity for the acquisition of mining property. See "Management's Discussion and Analysis - Results of Operations."

We will need to obtain additional funding to pursue our business strategy. At the present time, we anticipate seeking additional funding through additional private placements, joint venture agreements, production financing, and/or pre-sale loans, although we have not entered into negotiations for any of these sources at this time. Our inability to raise additional capital to fund operations through the remainder of this year and through the next fiscal year would have a detrimental effect on our viability and ability to pursue our business plan.

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### COMPETITION

#### CONTRACT MINING

A review of Dun and Bradstreet shows that the main competitors of AFC in the contract mining business are: American Mine Services, Inc.; Dynatec Mining Corporation; Tyson; J.S. Redpath and Small Mines Development. Each of these companies are larger than AFC or part of larger companies which gives them the depth to take on larger projects that require large capital investments.

Similarly, AFC must compete with other companies that provide contract services related to underground mining. AFC has had the opportunity to compete outside of this area on occasion in that it has used its underground mining expertise in different ways. Such related use of this expertise has been in such things as rock bolting, shotcrete, and grouting for ground support. AFC has provided tunnel construction expertise for hydroelectric work. AFC has also acquired and completed mine closure projects under the jurisdiction of the Forest Service and State and Federal Environmental Agencies.

The amount of underground contracts for which AFC could bid fluctuates greatly depending on the economic climate of the industry. However on average the total contracts offered are generally between \$100 and \$120 million per year. Over the past year AFC has not pursued any of the larger projects which accounts for 80% to 90% of all projects available, and has only looked at smaller projects in the three state area of Idaho, Montana and Washington. In the future the company intends to use some of its existing AFC personnel to pursue any activities on its other properties.

However, we believe we are in a unique position due to our manpower and mining knowledge and experience. AFC has the ability to compete on larger projects because of its expertise. However, the issue of whether to compete on larger projects depends on our willingness to devote the necessary capital,

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bonding, and other resources to larger projects when these resources might be better used in the exploration of our own properties. The goal of our management at this time is to show continued growth and profitability in AFC in order to support the total corporate structure, and to utilize the talents and resources of the AFC for our own exploration projects when those resources are available.

Up until this past year we have noticed less activity in the mining industry in the United States. The price of metals and increased costs due to regulations imposed on the industry have driven mining costs upward making mining less profitable. Consequently, the ability to generate a sustainable revenues source from AFC has been hampered, and management has decided to find mineable resources on its own properties to utilize the manpower and equipment available to the company. As the trend in metals prices improves, the possibility of more contracting activity should also improve.

### TIMBER

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We face large numbers of competitors in this industry, and our competitors include individuals who may own property in northern Idaho and wish to sell their lumber at market prices to local mills. We are affected by market prices, and as prices fall and competing suppliers increase, our revenues from this business may fall significantly. Logging activities in northern Idaho are seasonal due to the large amount of snow that accumulates during the winter. We do most of our logging activity in the summer and fall.

### EXPLORATION

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We face a large number of competitors with respect to our exploration activities. Although we may have some advantage with respect to companies smaller than ours, we also face the common disadvantage against larger companies with more available capital. Consequently we have limited our exploration activities to the clay property (Dragon Mine).

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### GOVERNMENTAL REGULATION

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### CONTRACT MINING

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We are subject to a variety of state and federal regulations with respect to this aspect of our business. Most states require a contractors' license before conducting business in their state. Each state has a different procedure for licensing. We estimate the annual cost to maintain our state contractors licenses to be approximately \$500 per year. We obtain and pay workers compensation insurance, unemployment, and state withholding in all states in which we work. We handle these functions as a part of our normal clerical process.

Several states that we operate in require a permit to handle explosives, and we maintain such a license under the U.S. Bureau of Alcohol Tobacco and Firearms (ATF, USC18, Chapter 40). This license must be renewed every three years. If we hire new employees that will handle our explosives, we are required to submit information to the ATF. Over the past year, the ATF has asked that we keep in contact with them regarding any projects that require the use of explosives.



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Property owners must also obtain permits prior to mining. We have always required that the mine owner permit his project with the proper regulatory authority prior to beginning work, which relieves us of any cost or liability.

We are licensed under the Mine Safety and Health Act of 1997 (MSHA) (License number: VL-2). We are required to submit quarterly reports of our activities MSHA and to conduct annual refresher courses for our employees. The annual cost of these functions varies based on the amount of activity.

We estimate that compliance with the described state and federal regulations costs us approximately \$7000 per year.

### TIMBER

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Our timber business is regulated by the Idaho state Department of Lands under the Idaho Forestry Act Title 38, Chapter 1. Under this regulation, a logger must apply for and obtain a Notification of Forest Practices prior to starting a logging project. This permit requires the logger to maintain proper logging practices, including erosion abatement, and fire prevention. The State of Idaho retains \$4 per thousand board feet from all logs hauled to the mill, and once the project is completed, along with a State inspection verifying that the project was completed according to Idaho Forest Practices Act, the logger applies for a release of these funds. Although we contract out our logging, we may be liable, as the landowner, for problems created by the logger. However, we take measures to ensure that our contracted loggers are reputable and incidents do not occur. We do not currently have any direct costs related to this regulation.

### EXPLORATION

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Should we decide to conduct exploration activities in Idaho, we must notify the Idaho State Bureau of Mines as required under Title 47, Chapter 1, the Department of Lands, and the federal Mine Safety and Health Administration of our intent. If we produce any ground disturbance, we will then need to notify the State Department of Environmental Quality to ensure that we are working within their guidelines. However, we do not intend to conduct any exploration in Idaho at this time.

We do intend to conduct some exploration at the Dragon Mine in Juab County, Utah. The Utah Department of Natural Resources sets the guidelines for exploration based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated 1953, as amended, and the General Rules and Rules of Practice and Procedures, R647-1 through R647-5. We have applied for and received the proper permit from them. Before we start any long-term work at the Dragon Mine, we will also apply for authority from the Utah Department of Commerce to conduct business as a foreign corporation in the state as required by Utah Code, Title 16-10A-1501. Compliance with these regulations is expected to cost us approximately \$200 per year. We do not plan to hire any additional people for this process at this time, but will utilize existing employees already covered by Idaho State employment regulations.

### EMPLOYEES

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As of December 31, 2003, Atlas Mining and its subsidiaries have ten employees. We have also outsourced some of our logging work to a logging contractor who employs approximately six people. In addition, we periodically utilize the services of various individuals on a consulting basis. In 2002 and 2003, we hired a geologist, Richard Tschauder, and an industrial minerals consultant, Phlogiston Company, for their consulting services. We do not have employment agreements with any of our employees. None of our employees are covered by a collective bargaining agreement, we have never experienced a work stoppage, and we consider our labor relations to be excellent.

### ITEM 2. DESCRIPTION OF PROPERTY

#### PRINCIPAL OFFICE

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We rent office space from the McGillvray Environmental in Osburn, Shoshone County, Idaho. The address of the property is 630 East Mullan Avenue, Osburn, Idaho 83849. The property is a two-room office, containing approximately 800 square feet, in a business complex in the downtown area of Osburn, Idaho. The rent is \$300 per month and there is no rental agreement.

#### MINING PROPERTIES

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We have assets of real property, mineral leases and options. The following section describes our right, title, or claim to our properties and each property's location. This section also discusses our present plans for exploration of the properties, and an estimate of mineralized material located on each property. Please refer to our Glossary at the end of this section for definitions of technical terms used in our discussion.

#### SHOSHONE COUNTY, IDAHO

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##### Exploration

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We own approximately 800 acres of fee simple property and patented mining claims, and 260 acres of mineral rights and unpatented claims, located in the Coeur d'Alene mining district in Shoshone County, Idaho, commonly referred to as the Silver Valley of North Idaho. Atlas was originally incorporated to pursue mining activities on the Atlas mine property near Mullan, Idaho. This property had some past production of silver, lead, zinc and copper in the early 1900's. However, the existence of minerals on this property cannot be determined without extensive exploration. Any revenues we may eventually generate may be used to further explore mines within the Shoshone County area or to acquire and explore new properties wholly unrelated to our Shoshone County properties. We have no plans for exploration of the Shoshone County mines at this time.

Our properties in Shoshone County are divided into five separate tracts. These sections are named for the mines located in that specific section. The section location and estimated acreage are as follows:

#### Section Of The Coeur D'Alene Mining District Estimated Acres

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Atlas Mine	540 acres fee simple and patented, 180 unpatented
Sierra Trapper Creek	80 acres patented
Aulbach, Section 6 & 7	100 acres patented
Sierra Silver, Woodland Pk & 9 Mi	60 acres patented, 80 acres mineral

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Sierra Hardscrabble

rights  
20 acres patented

The largest section is the Atlas Mine. The underground Atlas Mine, idle since the early 1980's due to exploration budget restraints, is located on the east end of the Coeur d'Alene Mining District in Shoshone County. The property is accessible by interstate freeway and a county maintained road. Geologically, the property lies just south of the Osburn Fault in the Wallace and St. Regis formations. The Mine has over 7,000 feet of tunnels with a rail system and a 2,000-foot internal shaft which can be accessed for future exploration.

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The other properties in Shoshone County have no accessible workings. All the properties are accessible either by state highway, county road or forest service roads.

The Atlas property currently carries a first mortgage to CLS Mortgage, and a second mortgage to American Mortgage. We owe CLS Mortgage \$119,236, on which we pay \$1,614 per month. We owe American Mortgage \$552,308. However, American Mortgage has been closed down by state regulators and has filed bankruptcy. We are in the process of negotiating a settlement of this debt.

Timber  
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We estimate that our properties in Shoshone County contain approximately 2 million board feet of harvestable timber. We contract with independent loggers to harvest the timber and deliver it to mills. We contract our logging activities to Randy Mattson, who has over 20 years of experience in the industry. The current return to Atlas is approximately \$150 per thousand board feet. A board foot of lumber is one foot by one foot by one inch. We implement reforestation techniques to replenish its timber supply.

We acquired our Sierra properties through the acquisition of Sierra Silver Lead Mining Company. Through this purchase the Company acquired approximately 329 acres of mineral rights that include approximately 250 acres of surface land and timber. Although there was a small amount of zinc mined on the Sierra Silver property, there has been no mining activity for over forty years. Subsequent to the purchase we sold approximately 100 acres. The majority of the Sierra property lies south of the Osburn Fault in the Wallace formation, and has no reserves. The property does have approximately 500,000 board feet of timber, which we value at approximately \$75,000.

We acquired our Aulbach claims in March 1999 from Trail Gulch Gold Mining Company. Through this purchase, we acquired approximately 100 acres of surface land and mineral rights, including timber rights. To date, we have logged approximately 650,000 board feet of timber on the property with an approximate net value of \$105,000.

ZACATECAS, MEXICO  
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San Acacio Mine  
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We previously controlled the mining assets of the San Acacio Mine in the Zacatecas District of Mexico until our agreement on the property expired in July 2001. We no longer have any interest in the San Acacio Mine.

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JUAB COUNTY, UTAH  
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Dragon Mine  
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The Dragon Mine property, located in Juab County, Utah near the City of Eureka (Tintic Mining District) has been principally exploited for halloysite clay, a rare and high unit value clay mineral. The property consists of 38 patented mining claims, approximately 230 acres, located in the following sections: T10S, R2W, sections 29, 30, 31, and T10S, R3W, Section 36, all relative to the Salt Lake Meridian. Since July 10, 2001, Atlas Mining Company has leased the property from Conjecture Silver Mines, Inc., whose address is P.O.B. 14006, Spokane, Washington 99214. We initially paid 400,000 shares of our common stock, valued at \$100,000, for a one-year lease. Under the terms of the lease agreement, we have the right to renew the lease annually in exchange for 100,000 additional shares of our common stock, or we may buy the property for \$500,000 if we have \$1,000,000 in sales from the mine in a 12-month period. On June 20, 2003, we notified Conjecture Silver Mines of our intent to renew our lease for an additional year. On July 14, 2003, we issued an additional 100,000 shares of common stock to Conjecture Silver Mines, Inc. for rights to the property for another year. Should we mine the property, if warranted, before we have completed purchase of the property, we are liable to pay a 3% cash royalty on the gross sales of product from the property.

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Conjecture Mines acquired the claims through a Quit Claim deed and share exchange with Grand Central Silver Mines, Inc. From 1950 to 1977, the Dragon Mine was owned by Anaconda and operated by Filtrol Corporation. The property has been idle since 1977. Examination of the mine maps, the open pit and surviving correspondence, coupled with informal interviews of former employees, all lead us to the conclusion that the mining techniques were likely inefficient which combined with developments of synthetic catalysts (the halloysite was mined for petroleum cracking) led the mine to price itself out of business.

Previous owners' records indicate that over 1.1 million tons were mined at the property from 1950 until it closed. Those records also indicate approximately 300,000 tons of mineralized material remain on the property. The previous owners also conducted some exploration core drilling and some reverse circulation drilling, but the records of the results are incomplete. The figures in this paragraph depend on the assumption that the old records and maps are accurate. Our analysis of the surviving maps and record lead us to believe that their estimates of 300,000 tons of mineralized material are still valid. The previous owners' geologists determined the area of influence was no more than 80 feet along strike and 100 feet along dip. There were no chemically quantifiable cutoffs to the mineralized material. It appeared that the most distinguishable factors were visual indicators. The specific gravity they used was a density of 17 cubic feet per ton. In 2003 we conducted a small exploration drilling program, have been able to confirm this information.

The property is located in the arid mountains approximately 2 miles west of Eureka, Utah and can be accessed via state highway and county road. The property has been mined in the past, however the only evidence of mining is an open pit area and an abandoned head frame. The Union Pacific Railroad has a spur approximately 2 miles from the property. Power is approximately 1.5 miles from the site, and there is no available water on the property at this time.

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We believe the halloysite material formed through the alteration of a shale bed lying between a limestone bed and igneous rocks. The base of the limestone was selectively replaced by iron oxide material with abundant manganese. The shale was altered to halloysite. This unit is evident in the open pit. Following the alteration event, halloysite was squeezed into northeast-striking faults upward through the limestone to the top of the bedrock in places. Our geologists see added potential to the northeast along these faults and in the replaced beds to the east and northeast. This potential has not yet been quantified.

Samples taken from surface exposures of the halloysite material have been made available to parties interested in conducting suitability tests. Samples have been taken from seven areas within the open pit. On the surface, the halloysite material is chalky white, often stained by iron leaking downward from the iron cap, but a few inches beneath the surface, the halloysite material turns to soft, wet-looking and soapy feeling, often with a bluish tinge. However, this material loses its water content and turns chalky within a few days of exposure to air.

### DESCRIPTION OF PROPERTY GLOSSARY

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Alteration:	Changes in chemical or mineralogical composition of a rock generally produced by weathering or hydrothermal solutions.
Clay:	A size term regarding particles, regardless of mineral composition, with a diameter of less than four microns, or a group of hydrous alumino-silicate minerals related to the micas.
Development:	The preparation of an established commercially mineable deposit (reserves) for its extraction which are not in the production stage.
Exploration:	The search for mineral deposits (reserves) which are not in either the development or production stage.
Fault:	A fracture or fracture zone along which there has been displacement of the sides relative to one another parallel to the fracture.
Formation:	The primary unit of formal mapping or description.
Grout:	A form of ground stabilization where in cement is pumped into the rock formation.
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Halloysite:	A clay mineral related to kaolin with essentially the same chemical composition, but has crystals which are slender hollow tubes.
Mineral:	A naturally formed chemical element or compound having a definite range in chemical composition and usually a characteristic crystal form.
Mining Claim:	That portion of mineral lands that a miner takes and holds in accordance with mining laws.
Open Pit:	A hole in the ground left by the extraction of material.

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Reserve: That part of an identified resource from which a useable commodity can be economically and legally extracted at the time of determination.

Resource: A concentration of naturally occurring materials in such form that economic extraction is currently or potentially feasible.

Shaft: An excavation of limited area compared to its depth.

Shotcrete: A form of ground stabilization where concrete is sprayed on the rock to give it strength.

### ITEM 3. LEGAL PROCEEDINGS

None.

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

None.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is quoted on the National Association of Securities Dealers, Inc. Electronic Bulletin Board (the "OTC Bulletin Board"), and is traded under the symbol "ALMI". Our common stock began trading on the OTC Bulletin Board on July 19, 2002; prior to that date our stock traded on the Over-The-Counter Pink Sheets under the symbol "ALMI". These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

	2003		2002	
	High	Low	High	Low
	----	---	----	---
First Quarter	\$0.15	\$0.08	\$0.15	\$0.08
Second Quarter	\$0.12	\$0.055	\$0.13	\$0.09
Third Quarter	\$0.16	\$0.05	\$0.16	\$0.17
Fourth Quarter	\$0.19	\$0.08	\$0.18	\$0.06

As of March 25, 2004, there were approximately 1,678 holders of record of our common stock. This number does not include an indeterminate number of shareholders whose shares are held by brokers in street name. Since we have become a reporting company, we have never declared or paid any cash dividend on our common stock. We expect to continue to retain all earnings generated by our operations for the development and growth of our business, and do not anticipate paying any cash dividends to our shareholders in the foreseeable future. The payment of future dividends on our common stock and the rate of such dividends, if any, will be determined by our board of directors in light of our earnings, financial condition, capital requirements and other factors.

Our Board of Directors has adopted two equity compensation plans, the Stock Option Plan of Atlas Mining Company, and the Incentive Stock Option Plan of Atlas Mining Company. Both plans were adopted in 1998. Options under the Stock Option Plan of Atlas Mining Company will expire 5 years from the date of grant, and the price per share for each option granted will be set by the Administrative Committee. As of December 31, 2003, no options have been granted under the Stock Option Plan of Atlas Mining Company. Options issued under the Incentive Stock Option Plan of Atlas Mining Company will have a price per share at least equal to the fair market value of the Company's common stock on the date of the grant. As of December 31, 2003, no options have been granted under

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the Incentive Stock Option Plan of Atlas Mining Company.

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### RECENT SALES OF UNREGISTERED SECURITIES

On January 27, 2003, the Company issued 1,000,000 shares of its common stock to an officer and director of the Company in payment of \$100,000 debt to that party. This issuance was exempt from registration pursuant to Section 4(2) and Rule 506 of the Securities Act of 1933 because this issuance was not a public offering.

On March 31, 2003, the Company issued 2,500,000 shares of its common stock to an accredited investor for payment of \$250,000 in cash. The issuance of the shares was exempt from registration pursuant to Section 4(2) and Rule 506 of the Securities Act of 1933 because this issuance was not a public offering.

On May 31, 2003, the Company issued 1,000 shares of its common stock to an accredited investor for payment of \$100 in cash. The issuance of the shares was exempt from registration pursuant to Section 4(2) and Rule 506 of the Securities Act of 1933 because this issuance was not a public offering.

On July 14, 2003 the Company issued 100,000 shares of its common stock valued at \$10,000 to Conjecture Mines, Inc for payment its annual lease payment on the Dragon Mine. This issuance was exempt from registration pursuant to Section 4(2) and Rule 506 of the Securities Act of 1933 because this issuance was not a public offering.

On October 2, 2003 the Company issued 20,000 shares of its common stock valued at \$1,400 to an individual for services. This issuance was exempt from registration pursuant to Section 4(2) and Rule 506 of the Securities Act of 1933 because this issuance was not a public offering.

On October 30,2003 the Company issued 10,000 shares of its common stock valued at \$700 to an individual for services. This issuance was exempt from registration pursuant to Section 4(2) and Rule 506 of the Securities Act of 1933 because this issuance was not a public offering.

### ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, we evaluate our estimates based on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We are a natural resources company engaged in the acquisition and exploration of our resource properties in the states of Idaho and Utah. We also provide contract mining services and specialized civil construction services for mine operators, exploration companies and the construction and natural resource industries through our trade name "Atlas Fausett Contracting."

Currently, our primary source of revenue is generated by our Atlas Fausett Contracting operations. However, we also have exploration targets and

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timber.

### CONTRACT MINING

Our contract mining normally generates 80% of our revenues. This may decrease as we are able to increase operations on our owned properties, and we will adjust our resources accordingly. At this time, we anticipate that our contracting will generate no less than approximately 50% of our revenues.

### PROPERTY EXPLORATION

We are currently considered an exploration company. Our efforts in exploration are dependent upon the available funds we can raise to pursue our exploration efforts. During 2003 we had exploration expenses amounting to \$51,140. We have no assurances that our exploration will result in proving any commercially viable deposits. We realize that additional steps will need to be taken to move from an exploration stage to a development or productions stage.

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The majority of our exploration has been at the Dragon Mine in Juab County, Utah. We have furnished samples of the halloysite clay extracted from this property to potential buyers and distributors. The preliminary results of these samples have been favorable, although we have not yet received any firm commitments; we have received non binding letters of intent from potential buyers. It is our intent to move into the development and productions stage of this property.

### TIMBER

We will continue to harvest timber on our property. Timber harvesting will be dependent upon lumber prices and weather.

FISCAL YEAR ENDED DECEMBER 31, 2003 COMPARED TO FISCAL YEAR ENDED DECEMBER 31, 2002.

Our operations for the period ended December 31, 2003, and the period ended December 31, 2002 consisted mostly of our contracting work, logging income and some exploration activities.

### REVENUES

Our total revenues for the period ending December 31, 2003 were \$304,851, compared to \$403,586 for the period ending December 31, 2002, resulting in a 24% decrease from the same period the previous fiscal year. The reason for this is due to fewer revenues received in 2003 from logging activities. Our contract mining revenue for the period ending December 31, 2003 was \$298,707 compared to \$284,196 for the period ended December 31, 2002, or an increase of 5%. Our timber revenue for the period ending December 31, 2003 was \$3,955, compared to \$116,048 for the same period ended December 31, 2002, which is a 97% decrease from 2002 to 2003. We logged less in 2003 because the lumber mills were paying less for logs during part of the year, and the high fire danger limited our activities in the forest.

### GROSS PROFIT

Our Gross profit for the year ended December 31, 2003 was \$(30,253) compared to \$103,356 for the year ended December 31, 2002. This is a 129% decrease from the previous year. The main reason for this was the lack of timber revenues (\$112,093 less) in 2003, compared to 2002, and some higher direct



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expenses in 2003 compared to 2002.

### GENERAL AND ADMINISTRATIVE EXPENDITURES

Our general and administrative expenditures for the period ending December 31, 2003 were \$1,255,182, which is a 63% increase from the same period the previous fiscal year. The reason for this is attributable to additional costs in 2003 not incurred in 2002 of \$466,737 in professional and fees, and \$156,681 in advertising expenses. In 2003 we finalized our payments to the SEC attorneys for the completed registration statements.

### CAPITAL EXPENDITURES

We had no capital expenditures for the period ending December 31, 2003 and December 31, 2002.

### INTEREST PAYMENTS

Our interest payments for the period ending December 31, 2003 were \$91,337, which is a 55% decrease from the same period the previous fiscal year. The reason for this is due to regulatory closure and subsequent bankruptcy of American Mortgage, our major creditor, resulting in our suspension of payments pending settlement of the debts.

### EXPLORATION EXPENDITURES

Our exploration expenses for the period ending December 31, 2003 was \$51,140 compared to \$48,280 for the previous fiscal year, which is a 6% increase from the same period the previous fiscal year. These expenses were incurred at the Dragon Mine, in Juab County, Utah, where we completed a small diamond drilling program in 2003.

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### NET PROFIT (LOSS)

Our net losses for the period ending December 31, 2003, (\$1,382,038), is a 94% increase over the same period the previous fiscal year. The reason for this is attributed to less revenue in 2003 than in 2002 (\$98,735 less), and additional general and administrative expenses in 2003 (\$483,349 more).

### LIQUIDITY AND CAPITAL RESOURCES

To date our activities have been financed primarily through the sale of equity securities, borrowings, and revenues from Atlas Fausett Contracting and logging operations. We intend to continue pursuing contracting work and to log our timber properties to help pay for our operations. In 2003 and 2002 the contracting work accounted for about 98% and 70% of the total revenues respectively. We have also borrowed from various sources to finance our activities. Our current debt structure is explained below.

We have a note payable to William Jacobson, an officer and director, which is payable on demand and bearing no interest. The proceeds of this obligation were used for general working capital. The current amount due as of December 31, 2003 is \$70,829. We have an unsecured line of credit with Textron Financial at an interest rate of prime plus 6%. The balance of the line of credit at December 31, 2003 and 2002 was \$23,094 and \$28,024, respectively. The funds were used for general working capital. Accounts payable due as of December 31, 2003 were \$214,855 and are the result of daily operations and taxes owed.

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We have a note payable to Moss Adams, LLP, an accounting firm, for \$53,250 due in monthly payments of \$1,000 with a balloon payment due at maturity. The note matured on August 16, 2002. We have negotiated the terms of repayment, and can pay this debt for approximately 50% of the value. The note was for accounting services provided to us in 1999 and 2000. As of December 31, 2003 our current balance, including interest is \$70,734. We have notes in the amount \$552,300 payable to American National Mortgage due in monthly installments for interest and fees of \$18,743.79, maturing on May 31, 2003, and secured by property in northern Idaho. American Mortgage has filed bankruptcy, and we are negotiating a settlement on this debt. We also have a note payable to CLS Mortgage Company, due in monthly installments of \$1,614, including interest at 16%. The note has a current balance of \$119,236, and is due in August 2005, secured by the proceeds of our logging activities and collateralized by land and a building on our property in northern Idaho.

Our principal sources of cash flow are from our timber properties, which averaged \$330 per month in fiscal year 2003 and \$9,600 per month in 2002, and our contract mining, which averaged \$24,892 per month in fiscal year 2003 and \$23,680 in 2002. In addition, we also rely on our credit facilities and any public or private equity issuances we may conduct in the future.

Cash flow from financing activities for the fiscal year ended December 31, 2003 was \$593,498 compared to \$593,992 for the same period in 2002, a difference of \$494.

The Company realized a use of funds of (\$45,431) from investing activities for the fiscal year ended December 31, 2003, compared to (\$31,307) for the same period in 2002, a difference of \$14,124. The main difference attributed to the sale of investments during 2003 of \$10,503 compared to \$1.538 for the same period ended December 31, 2002.

Cash flow from operating activities for the fiscal year ended December 31, 2003, was (\$546,589) compared to (\$557,439) for the same period in 2002, a difference of \$10,850. The Company had greater operating losses in 2003 because of the lack of revenues and accumulated more costs in the company's efforts to complete SEC filings.

As of April 1, 2003, we rent office space at 630 E. Mullan Avenue in Osburn, Idaho for \$300 per month, on a month-to-month basis from the Mcgillvray Environmental.

If we do not reduce any of this debt from proceeds of our offering, if we do not renegotiate any of this debt or if repayment is demanded, we would be obligated to pay an average of \$80,256 per month or \$963,080 for the next fiscal year.

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In anticipation of the cash needs for the upcoming year, we have completed an SB-2 filing with the Securities and Exchange Commission. This filing was first approved in July 2002, revised and approved again in February 2003. Under the revised application, the company was able to sell up to 10,000,000 shares of common stock at a price of \$0.10 per share. These shares have been sold and the company carries a subscription receivable as of December 31, 2003 for uncollected proceeds of \$524,700.

During 2003 the company entered into an agreement with a group to acquire \$2 million in financing through a restricted common stock sale and a convertible note. The group has funded \$250,000, however, it did not complete its commitment. The company issued 2.5 million shares of restricted stock on

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March 31, 2003.

We will need to obtain additional funding to pursue our business strategy during the next fiscal year. At the present time, we anticipate seeking additional funding through additional private placements, joint venture agreements, production financing, and/or pre-sale loans, although we have no plans to conduct any of these activities at this time. Our inability to raise additional capital to fund operations through the remainder of this year and through the next fiscal year could have a detrimental effect on our ability to pursue our business plan, and possibly our ability to continue as a going concern.

In anticipation of the above funding sources, we have attempted to satisfy our debts through a negotiated settlement, and/or ask for extended terms until we can become more profitable. We cannot assure you that any of these events will occur or, if they do occur, when they will occur.

Following is summary financial information reflecting our operations for the periods indicated.

	Year Ended December 31,	
	2003	2002
	-----	-----
Net revenues	\$ 304,851	\$ 403,586
Cost of revenues	\$ 335,104	\$ 300,230
Gross profit	\$ (30,253)	\$ 103,356
Selling, general and administrative	\$ 1,255,182	\$ 771,833
Gain (Loss) from operations	\$ (1,336,575)	\$ (716,757)
Net gain (loss)	\$ (1,382,038)	\$ (711,901)

### FACTORS AFFECTING BUSINESS, OPERATING RESULTS AND FINANCIAL CONDITION

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

WE ARE CURRENTLY IN DEFAULT ON ONE OR MORE OF OUR LOANS.

We have a note payable to Moss Adams, LLP for accounting services provided to us in 1999 and 2000. The principal of the note is \$53,250, with an interest rate of 9% per annum, due in monthly payments of \$1,000. The note matured on August 16, 2001. As of December 31, 2003 the current balance, including interest is \$70,734. We have renegotiated terms of repayment, and can pay this debt for approximately 50% of the amount otherwise due. We have notes in the amount \$552,300 payable to American National Mortgage due in monthly installments for interest and fees of \$18,743.79, maturing on May 31, 2003, and secured by property in northern Idaho. American Mortgage has filed bankruptcy, and we are negotiating a settlement on this debt. If we are unable to pay these debts, it would have a material adverse impact on our ability to conduct business, and our financial position.

WE HAVE EXPERIENCED ANNUAL OPERATING LOSSES SINCE SEPTEMBER 1997 AND OUR AUDITORS HAVE INDICATED UNCERTAINTY CONCERNING OUR ABILITY TO CONTINUE OPERATIONS AS A GOING CONCERN.

We have experienced annual operating losses since our reactivation in September 1997. As of December 31, 2003, we had an accumulated deficit of \$(4,914,966). We will need to raise additional capital to continue as a going concern. Our auditors have indicated uncertainty concerning our ability to

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continue as a going concern. We can not assure you that that our proposed projects and services, if fully developed, can be successfully marketed or that we will ever achieve significant revenues or profitable margins.

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WE ARE AN EXPLORATION STAGE COMPANY, AND THERE IS NO ASSURANCE THAT A COMMERCIALY VIABLE DEPOSIT OR "RESERVE" EXISTS IN ANY OF OUR PROPERTIES.

We are an exploration stage company and cannot assure you that a commercially viable deposit, or "reserve," exists in any of our exploration properties. Therefore, determination of the existence of a reserve will depend on appropriate and sufficient exploration work and the evaluation of legal, economic, and environmental factors. If we fail to find a commercially viable deposit on any of our properties, or if we fail to bring one of our properties into a profitable operating mode, our financial condition and results of operations will be materially adversely affected.

WE HAVE NOT RECORDED INCOME FOR OUR EXPLORATION ACTIVITIES, AND MAY NOT DO SO IN THE FUTURE.

To date, none of our exploration properties have produced any income from activities. Additionally, although our timber harvesting activities have generated revenue, we as a company have not yet generated any profit. We may not be able to develop these activities to commercially viable enterprises or to obtain additional properties that are commercially viable. The commodities extracted from our properties may never generate significant revenues or achieve profitability, which will adversely impact our financial condition.

WE WILL NEED ADDITIONAL FINANCING TO FULLY IMPLEMENT OUR BUSINESS PLAN, AND IF WE FAIL TO OBTAIN ADDITIONAL FUNDING WE MAY NOT BE ABLE TO CONTINUE OUR OPERATIONS.

Since September 1997, we have focused our efforts on developing our business in underground mine contracting primarily to companies in the mining and civil industries, and other resource development and property acquisitions. We will need to raise additional capital to implement fully our business plan and establish adequate operations. We cannot assure you that we will be able to recover additional public or private financing, including debt or equity financing, as needed, or, if available, on terms favorable to us. Furthermore, debt financing, if available, will require payment of interest and may involve restrictive covenants that could impose limitations on our operating flexibility. Our failure to successfully obtain additional future funding may jeopardize our ability to continue our business and operations.

WE REQUIRE SUBSTANTIAL FUNDS MERELY TO DETERMINE WHETHER COMMERCIAL MINERAL DEPOSITS EXIST ON OUR PROPERTIES.

Any potential development and production of our exploration properties depends upon the results of exploration programs and/or feasibility studies and the recommendations of duly qualified engineers and geologists. Such programs require substantial additional funds. Any decision to further expand our operations on these exploration properties will involve consideration and evaluation of several significant factors including, but not limited to:

- o Costs of bringing each property into production, including exploration work, preparation of production feasibility studies, and construction of production facilities;
- o Availability and costs of financing;
- o Ongoing costs of production;

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- o Market prices for the minerals to be produced;
- o Environmental compliance regulations and restraints; and
- o Political climate and/or governmental regulation and control.

WE DO NOT CARRY INSURANCE ON OUR TIMBER ASSETS AND A SIGNIFICANT LOSS OF STOCK DUE TO FIRE, DISEASE OR OTHER CATASTROPHE MAY MATERIALLY REDUCE THE VALUE OF OUR TIMBER ASSETS.

We do not carry insurance for fire or disease on its timber reserves due to the prohibitive cost and our limited financial resources. As a result, any catastrophic event may significantly reduce the value of our reserves, and consequently reduce our financial position. The timber industry is affected by lumber price movements and adjustments, downturns in the housing industry, and interest rate movements. These factors can reduce the price of timber and lumber on the open market. A significant decrease in the price of timber may reduce income and therefore reduce the value of our stock.

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OUR SUCCESS DEPENDS A LARGE PART ON OUR ABILITY TO ATTRACT AND RETAIN OR HIRE KEY PERSONNEL, WHICH WE MAY OR MAY NOT BE ABLE TO DO.

To operate successfully and manage our potential future growth, we must attract and retain highly qualified key engineering, managerial and financial personnel. We face intense competition for qualified personnel in these areas, and we cannot assure you that we will be able to attract and retain qualified personnel. If we lose our key personnel, which includes our president, William T. Jacobson, or are unable to hire and retain additional qualified personnel in the future, our business, financial condition and operating results could be adversely affected. We do not have any employment agreements with any of our officers, directors or employees.

WE MAY NOT BE ABLE TO IMPLEMENT OR MAINTAIN FINANCIAL AND MANAGEMENT SYSTEMS WHICH COULD HAVE A MATERIAL ADVERSE AFFECT ON OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

If we fail to implement and maintain financial and management information systems, controls and procedures, add internal capacity, facilities and third-party sourcing arrangements or attract, train, retain, motivate and manage effectively our employees, it could have a material adverse effect on our business, financial condition and results of operations.

THE VALUE OF TIMBER ASSETS MAY FLUCTUATE DUE TO CHANGING TIMBER PRICES, WHICH MAY ADVERSELY IMPACT OUR REVENUES AND OUR FINANCIAL POSITION.

Although we attempt to harvest timber only when the lumber prices merit it, timber is subject to fluctuation in price. To help offset a change in prices, we try to obtain a price agreement with the lumber mills prior to going into any logging program. We do not currently have any agreements with mills. Although we attempt to offset this by obtaining agreements with our purchasing mills prior to beginning our logging, we may not be able to account entirely for price variations, which may result in lower revenues than anticipated.

OUR MARKET VALUE MAY DECREASE IN THE FUTURE.

Our stock is listed on the over-the-counter market. There has been significant fluctuation in our market price, and the market price of our common stock may decrease at any time as a result of poor operating results, sales of our shares, and other factors.

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

Exploration operations are subject to federal, state and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment. Exploration operations are also subject to federal, state and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of exploration methods and equipment. We require various permits from government bodies for exploration operations to be conducted. We cannot assure you that such permits will be received. No assurance can be given that environmental standards imposed by federal, state or local authorities will not be changed or that any such changes would not have material adverse effects on our activities. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on us. Additionally, we may be subject to liability for pollution or other environmental damages that we may elect not to insure against due to prohibitive premium costs and other reasons. Management is aware of the necessity of obtaining proper permits prior to conducting any exploration activity. However, at this point we are not close enough to the production stage to start the permitting process.

APPLICABILITY OF "PENNY STOCK RULES" TO BROKER-DEALER SALES OF OUR COMMON STOCK COULD HAVE A NEGATIVE EFFECT ON THE LIQUIDITY AND MARKET PRICE OF OUR COMMON STOCK.

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Our common stock is listed on the Over-the-Counter Bulletin Board. It is not quoted on any exchange or on NASDAQ, and no other exemptions currently apply. Therefore, the SEC "penny stock" rules govern the trading in our common stock. These rules require, among other things, that any broker engaging in a transaction in our securities provide its customers with the following:

- o a risk disclosure document,
- o disclosure of market quotations, if any,
- o disclosure of the compensation of the broker and its salespersons in the transaction, and
- o monthly account statements showing the market values of our securities held in the customer's accounts.

The broker must provide the bid and offer quotations and compensation information before effecting the transaction. This information must be contained on the customer's confirmation. Generally, brokers subject to the "penny stock" rules when effecting transactions in our securities may be less willing to do so. This may make it more difficult for investors to dispose of our common stock. In addition, the broker prepares the information provided to the broker's customer. Because we do not prepare the information, we cannot assure you that such information is accurate, complete or current.

### ITEM 7. FINANCIAL STATEMENTS

The financial statements, together with the independent auditors' report thereon of Chisolm, Bierwolf & Nilson, LLC, appear beginning on page F-1 of this report.

### ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

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We have experienced no recent change in or disagreement with our accountant. Our present auditor, Chisolm, Bierwolf & Nilson, LLC, Box 540216, No. Salt Lake, UT 84054, has been the Company's auditor since 1999. Management of the Company intends to keep Chisolm, Bierwolf & Nilson, LLC as its auditor for the foreseeable future.

### PART III

#### ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT

##### IDENTIFICATION OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information regarding our directors and executive officers.

Name	Age	Position
William T. Jacobson	57	Chairman of the Board, Chief Executive Officer
Jack Harvey	82	Vice President, Director
Kurt Hoffman	38	Treasurer, Director
Thomas E. Groce	83	Director
Marqueta Martinez	54	Secretary

There are no family relationships among any of the directors or officers of the Company.

##### BUSINESS EXPERIENCE

**WILLIAM T. JACOBSON, CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICER.** Mr. Jacobson has been Chairman of the Board and Chief Executive Officer of Atlas Mining Company since August 1997. From 1994 to 1997, Mr. Jacobson served as Secretary of Atlas and Treasurer of Fausett International, Inc. He has had a fifteen year career in the mining industry and spent fifteen years in the banking industry. Prior to joining the Company, Mr. Jacobson was a president and director of the Silver Trend Mining Company, located in Kellogg, Idaho. Mr. Jacobson holds a business degree from the University of Idaho. Mr. Jacobson does not hold a board seat in any other public company.

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**JOHN "JACK" HARVEY, VICE PRESIDENT, DIRECTOR.** Mr. Harvey has been Vice President of Atlas Mining Company for 18 years. He received his mining engineering degree from Montana Tech. He worked in Butte, Montana with Anaconda and Arco until he retired about 15 years ago, after a 41 year career. Mr. Harvey does not hold a board seat in any other public company.

**KURT HOFFMAN, TREASURER, DIRECTOR.** Mr. Hoffman is the treasurer of Atlas Mining Company and has been the president of Trend Mining Company since 1998 which is a publicly traded company traded on the over the counter bulletin board under the symbol "TRDM." Mr. Hoffman also owns and has operated Hoffman Mining and Land Services since 1995. Other than TRDM, Mr. Hoffman does not hold

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a board seat in any other public company.

THOMAS E. GROCE, DIRECTOR. Mr. Groce has been a director of Atlas Mining Company for 33 years. He retired 17 years ago after a 30-year career at Kaiser Aluminum. Mr. Groce held the position of secretary treasurer for 16 years. Mr. Groce does not hold a board seat in any other public company. Mr. Groce received a metallurgical engineering degree from Montana Tech.

MARQUETA MARTINEZ, SECRETARY. Ms. Martinez is the secretary for the corporation, and works as a full time employee for the Company. She has worked in the mining industry since 1991. Ms. Martinez does not hold a board seat in Atlas Mining or any other public company. Ms. Martinez is also the treasurer for the Shoshone County Habitat for Humanity.

All directors hold office until the next annual meeting of shareholders and the election and qualification of their successors. Officers are elected annually by, and serve at the discretion of, the Board of Directors. Members of the Board of Directors are not compensated for serving as directors of Atlas Mining, however expenses may be reimbursed.

None of the foregoing Directors or Executive Officers has, during the past five years:

(a) Had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) Been convicted in a criminal proceeding or subject to a pending criminal proceeding;

(c) Been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and

(d) Been found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

No individual on our Board of Directors possesses all of the attributes of an audit committee financial expert and no one on our Board of Directors is deemed to be an audit committee financial expert. In forming our Board of Directors, we sought out individuals who would be able to guide our operations based on their business experience, both past and present, or their education. Our business model is not complex and our accounting issues are straightforward. Responsibility for our operations is centralized within management. We rely on the assistance of others, such as our accountant, to help us with the preparation of our financial information. We recognize that having a person who possesses all of the attributes of an audit committee financial expert would be a valuable addition to our Board of Directors, however, we are not, at this time, able to compensate such a person therefore, we may find it difficult to attract such a candidate.

Atlas Mining Company has not yet adopted a Code of Ethics for management, although it intends to do so.



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### COMPLIANCE WITH SECTION 16(a) OF EXCHANGE ACT

Section 16(a) of the Securities Exchange Act requires our directors, executive officers and persons who own more than 10% of our Common Stock to file reports of ownership and changes in ownership of our common stock with the Securities and Exchange Commission. Directors, executive officers and persons who own more than 10% of our common stock are required by Securities and Exchange Commission regulations to furnish to us copies of all Section 16(a) forms they file.

To our knowledge, based solely upon review of the copies of such reports received or written representations from the reporting persons, we believe that during our 2003 fiscal year our directors, executive officers and persons who own more than 10% of our common stock complied with all Section 16(a) filing requirements with the exception of the following: Form 3s for William T. Jacobson, John Harvey, Kurt Hoffman, Thomas E. Groce and Marqueta Martinez were filed in March 2003 rather than in July 2002.

### ITEM 10. EXECUTIVE COMPENSATION

During the 2003 fiscal year, no officer received compensation in excess of \$100,000 per year. The following table sets forth information as to the compensation paid or accrued to William T. Jacobson, our Chairman and Chief Executive Officer, for the three years ended December 31, 2003, December 31, 2002 and December 31, 2001:

SUMMARY COMPENSATION TABLE							
LONG TERM COMPENSATION							
-----							
ANNUAL COMPENSATION				AWARDS			
-----							
NAME AND PRINCIPAL POSITION	YEAR	SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$)	RESTRICTED STOCK AWARDS (\$)	SECURITIES UNDERLYING OPTIONS/SARS	L PA (\$)
-----	-----	-----	-----	-----	-----	-----	-----
William T. Jacobson, Chairman and Chief Executive Officer	2003	\$78,000	---	---	---	---	---
	2002	\$78,000	---	---	---	---	---
	2001	\$78,000	---	---	---	---	---
-----							

(1) Mr. Jacobson owns 1,643,660 shares of restricted stock worth approximately \$164,366.

### EMPLOYMENT AGREEMENTS

We do not have any written employment/consultant agreements with our executive officers and directors.

### ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 30 2004, information regarding the beneficial ownership of our common stock with respect to each of our executive officers, each of our directors, each person known by us to own beneficially more than 5% of the common stock, and all of our directors and executive officers as a group. The term "executive officer" is defined as the Chief Executive Officer, Secretary, Treasurer and the Vice-President. Each individual or entity named has sole investment and voting power with respect to

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shares of common stock indicated as beneficially owned by them, subject to community property laws, where applicable, except where otherwise noted. The percentage of common stock beneficially owned is based on 36,679,017 shares of common stock outstanding as of March 30, 2004.

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Name and Address (1)	Number of Shares of Common Stock Beneficially Owned (2)	Percentage of Common Stock Beneficially Owned
William T. Jacobson (3) (4)	1,643,660	4.5%
John Harvey (3) (4)	60,767	*
Kurt Hoffman (3) (4)	2,500	*
Thomas E. Groce (4)	121,340	*
Marqueta Martinez (3)	33,871	*
IGI Capital Management, LLC (6)	2,500,000	6.8%
All Officers and Directors as a Group (5 persons)	1,862,138	5.1%

\* Less than 1%.

- (1) Unless otherwise indicated, the address of the persons named in this column is c/o Atlas Mining Company, 630 East Mullan Avenue, Osburn, Idaho 83849.
- (2) Included in this calculation are shares deemed beneficially owned by virtue of the individual's right to acquire them within 60 days of the date of this report that would be required to be reported pursuant to Rule 13d-3 of the Securities Exchange Act of 1934.
- (3) Executive Officer.
- (4) Director.
- (5) 5% Shareholder.
- (6) IGI Capital Management, LLC is located at #1 Stamford Plaza, 263 Tresser Blvd., 9th Floor, Stamford, CT 06901. Dmitri Hotimski may be deemed a control person of the shares owned by IGI Capital Management, LLC.

### ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We engage in a number of transactions with interested parties. We make every effort to ensure that these transactions are conducted as arm length transactions. However, at this time we do not have a formal conflicts of interest policy.

William Jacobson has loaned Atlas Mining sums of money over the past several years. In January 2003, Mr. Jacobson accepted 1,000,000 shares of our common stock, valued at \$0.10 per share, for a \$100,000 reduction in the note balance. The outstanding balance as of March 30, 2004 is \$70,829.

Further discussions of these transactions are described in "Management's Discussion and Analysis of Plan of Operation - Liquidity and Capital Resources."

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ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit Number -----	Description of Exhibit -----
3.1	Articles of Incorporation, as amended.(1)
3.2	Bylaws, as amended.(1)
10.1	Atlas Mining Company Common Stock Subscription Agreement.(1)
10.2	Dragon Mine Lease Purchase Agreement.(1)
10.3	Article of Merger of Sierra Silver-Lead Mining Company and Atlas Mining Company.(1)
10.4	Stock Option Plan of Atlas Mining Company.(1)
10.5	Incentive Stock Option Plan of Atlas Mining Company.(1)
10.6	Investment Marketing Agreement.(1)
10.7	Moss Adams, LLP Promissory Note.(1)
10.8	CLS Mortgage Company Promissory Note.(1)
10.9	Attorney-Client Fee Agreement.(2)
10.10	Professional Adjusters Inc. Appraisal and Clyde James Resume.(2)
21.1	Subsidiaries of the Registrant.(1)
31.1	Certification pursuant to Rule 13a-14 of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer and Principal 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 and Principal Financial Officer

- 
- (1) Incorporated by reference to the similarly described exhibit included in the Registrant's Amendment No. 4 to its SB-2, Commission File No. 333-72830, filed with the Commission on June 11, 2002
- (2) Incorporated by reference to the similarly described exhibit included in the Registrant's Amendment No. 5 to its SB-2, Commission File No. 333-72830, filed with the Commission on July 1, 2002.

(b) Reports on Form 8-K

None.

ITEM 14. CONTROLS AND PROCEDURES

As of December 31, 2003, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer, who is our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the Chief Executive Officer, concluded that our disclosure controls and procedures were effective as of that date. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to that date.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 30th day of March 2004.

ATLAS MINING COMPANY

By: /s/ William T. Jacobson  
 -----  
 William T. Jacobson  
 Chairman of the Board and Chief  
 Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature -----	Title -----	Date ----
/s/ William T. Jacobson ----- William T. Jacobson	Chairman of the Board and Chief Executive Officer	March 30, 2004
/s/ John Harvey ----- John Harvey	Vice-President, Director	March 30, 2004
/s/ Kurt Hoffman ----- Kurt Hoffman	Treasurer, Director	March 30, 2004
/s/ Thomas E. Groce ----- Thomas E. Groce	Director	March 30, 2004
/s/ Marqueta Martinez ----- Marqueta Martinez	Secretary	March 30, 2004

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December 31, 2003 and 2002

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders  
of Atlas Mining Company

We have audited the accompanying consolidated balance sheets of Atlas Mining Company as of December 31, 2003 and 2002 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Atlas Mining Company as of December 31, 2003 and 2002 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the

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Company will continue as a going concern. The Company has suffered recurring losses from operations which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Chisholm, Bierwolf & Nilson, LLC  
 Bountiful, Utah  
 January 21, 2004

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### ATLAS MINING COMPANY Consolidated Balance Sheets

ASSETS	December 31,	
	2003	2002
	-----	-----
Current Assets		
Cash	\$ 6,814	\$ 5,246
Accounts receivable (net of allowance of \$0)	32,253	--
Investments - available for sale	12,796	13,051
Advances	7,696	11,696
Deposits and prepaids	--	25,835
Advances - related party	74,693	18,849
	-----	-----
Total Current Assets	134,252	74,677
	-----	-----
Property and Equipment		
Land and tunnels	345,159	345,159
Buildings and equipment	77,680	77,680
Mining equipment	26,000	26,000
Office equipment	1,300	1,300
Vehicles	27,995	27,995
Less: Accumulated depreciation	(121,914)	(114,839)
	-----	-----
Total Property and Equipment	356,220	363,295
	-----	-----
Other Assets		
Mining supplies	9,000	9,000
	-----	-----
Total Other Assets	9,000	9,000
	-----	-----
Total Assets	\$ 499,472	\$ 446,972
	=====	=====

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

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ATLAS MINING COMPANY  
Consolidated Balance Sheets

LIABILITIES AND STOCKHOLDERS' EQUITY -----	December 31,	
	2003	2002
	-----	-----
Current Liabilities		
Accounts payable and accrued liabilities	\$ 214,855	\$ 276,000
Line of credit	23,094	28,000
Current portion of long-term debt	725,131	875,000
	-----	-----
Total Current Liabilities	963,080	1,180,000
	-----	-----
Long-Term Liabilities		
Notes payable	729,795	790,000
Notes payable - related party	70,829	161,000
Less: current portion of long-term debt	(725,131)	(875,000)
	-----	-----
Total Long-Term Liabilities	75,493	75,000
	-----	-----
Minority Interest	52,652	69,000
	-----	-----
Stockholders' Equity		
Preferred stock, \$1.00 par value, 10,000,000 shares authorized, noncumulative, nonvoting, nonconvertible, none issued or outstanding	--	--
Common stock, no par value, 60,000,000 shares authorized, 34,725,151 and 9,949,945 shares issued and outstanding, respectively	4,994,977	2,689,000
Cost of treasury stock, 1,313,022 and 18,106 shares, respectively	(131,221)	(1,000,000)
Retained earnings (deficit)	(4,914,966)	(3,532,000)
Accumulated comprehensive income (loss)	(10,843)	(27,000)
Prepaid expenses	(5,000)	(5,000)
Subscription receivable	(524,700)	--
	-----	-----
Total Stockholders' Equity	(591,753)	(877,000)
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 499,472	\$ 446,000
	=====	=====

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

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ATLAS MINING COMPANY  
Consolidated Statements of Operations

	For the Year Ended December 31,	
	2003	2002
Revenues	\$ 304,851	\$ 403,586
Cost of Sales	335,104	300,230
Gross Profit (Loss)	(30,253)	103,356
Operating Expenses		
Exploration & development costs	51,140	48,280
General & administrative	1,255,182	771,833
Total Operating Expenses	1,306,322	820,113
Net Operating Income (Loss)	(1,336,575)	(716,757)
Other Income (Expense)		
Interest income	8	14
Interest expense	(106,659)	(269,373)
Miscellaneous income	4,013	10,122
Minority interest	16,474	9,609
Gain (loss) on sale of investments available for sale	(6,606)	(748)
Gain (loss) on settlement of debt	47,307	255,232
Total Other Income (Expense)	(45,463)	4,856
Income (Loss) Before Income Taxes	(1,382,038)	(711,901)
Provision (Benefit) for Income Taxes	--	--
Net Income (Loss)	\$ (1,382,038)	\$ (711,901)
Net Income (Loss) Per Share	\$ (0.06)	\$ (0.09)
Weighted Average Shares Outstanding	21,363,537	7,938,251

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



ATLAS MINING COMPANY  
Consolidated Statements of Stockholders' Equity  
For the Years Ended December 31, 2003 and 2002

	Common Stock		Retained Earnings (Deficit)	Treasury Stock		Accumula Compre hensiv Income
	Shares	Amount		Shares	Amount	
Balance, December 31, 2001	6,997,283	\$ 2,387,445	\$(2,821,027)	--	\$ --	\$(30,56
3/8/02 - Stock issued for services at \$0.10 per share	300,000	30,000	--	--	--	--
7/10/02 - Stock issued for lease at \$0.10 per share	100,000	10,000	--	--	--	--
7/17/02 - Stock issued for services at \$0.07 per share	8,571	600	--	--	--	--
7/17/02 - Stock issued for services at \$0.10 per share	150,000	15,000	--	--	--	--
7/19/02 - Stock issued for cash at \$0.11 per share	9,091	1,000	--	--	--	--
8/21/02 - Stock issued for cash at \$0.10 per share	50,000	5,000	--	--	--	--
9/4/02 - Stock issued for services at \$0.10 per share	125,000	12,500	--	--	--	--
9/5/02 - Stock issued for services at \$0.25 per share	100,000	25,000	--	--	--	--
9/11/02 - Stock issued for services at \$0.10 per share	275,000	27,500	--	--	--	--
10/02/02 - Stock issued for services at \$0.10 per share	100,000	10,000	--	--	--	--

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10/08/02 - Stock issued for services at \$0.10 per share	380,000	38,000	--	--	--	--
10/30/02 - Stock issued for services at \$0.10 per share	20,000	2,000	--	--	--	--
11/13/02 - Stock issued for services at \$0.10 per share	475,000	47,500	--	--	--	--
11/20/02 - Stock issued for services at \$0.10 per share	55,000	5,500	--	--	--	--
12/01/02 - Purchase of treasury stock	--	--	--	(18,106)	(1,738)	--
12/13/02 - Stock issued for services at \$0.10 per share	645,000	64,500	--	--	--	--
12/30/02 - Stock issued for services at \$0.05 per share	160,000	8,000	--	--	--	--
Amortization of prepaid expenses	--	--	--	--	--	--
Net change in unrealized gains (losses) on available for sale securities	--	--	--	--	--	2,87
Net income (loss) for the year ended December 31, 2002	--	--	(711,901)	--	--	--
Balance, December 31, 2002	9,949,945	\$ 2,689,545	\$ (3,532,928)	(18,106)	\$ (1,738)	\$ (27,69

The accompanying notes are an integral part of these financial statements

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ATLAS MINING COMPANY  
Consolidated Statements of Stockholders' Equity  
For the Years Ended December 31, 2003 and 2002 (Continued)

	Common Stock		Retained Earnings (Deficit)	Treasury Stock		Accumulated Comprehensive Income
	Shares	Amount		Shares	Amount	
1/6/03 - Stock issued for services at \$0.10 per share	250,000	25,000	--	--	--	--

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1/27/03 - Stock issued for note payable at \$0.10 per share	1,000,000	100,000	--	--	--
2/12/03 - Stock issued for services at \$0.10 per share	68,000	6,800	--	--	--
3/13/03 - Stock issued for services at \$0.10 per share	100,000	10,000	--	--	--
3/27/03 - Stock issued to subsidiary for cash at \$0.10 per share	500,000	50,000	--	(500,000)	(50,000)
3/27/03 - Stock issued for services at \$0.10 per share	600,000	60,000	--	--	--
3/28/03 - Stock issued for services at \$0.10 per share	200,000	20,000	--	--	--
3/28/03 - Stock issued for services at \$0.10 per share	150,000	15,000	--	--	--
3/31/03 - Stock issued for cash at \$0.10 per share	2,500,000	250,000	--	--	--
4/4/03 - Stock issued for services at \$0.10 per share	1,250,000	125,000	--	--	--
4/25/03 - Stock issued for services at \$0.10 per share	45,000	4,500	--	--	--
5/03/03 - Cash received from sale of treasury stock	--	(252)	--	10,084	1,000
5/9/03 - Stock issued for services at \$0.10 per share	1,000	100	--	--	--
5/28/03 - Stock issued for services at \$0.10 per share	250,000	25,000	--	--	--
7/1/03 - Shares issued for services at \$.09 per share	250,000	22,500	--	--	--
7/13/03 - Purchased treasury stock	--	--	--	(5,000)	(483)
7/14/03 - Stock issued					

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for lease at \$.10 per share	100,000	10,000	--	--	--	--
7/28/03 - Stock issued for accounts payable at \$.08 per share	875,000	70,000	--	--	--	--
7/28/03 - Stock issued for services at \$.08 per share	1,100,000	88,000	--	--	--	--
7/29/03 - Exchanged treasury stock for services	--	(2,000)	--	200,000	20,000	--
8/8/03 - Stock issued for cash at \$.10 per share	7,650,000	765,000	--	--	--	--

The accompanying notes are an integral part of these financial statements

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ATLAS MINING COMPANY  
Consolidated Statements of Stockholders' Equity  
For the Years Ended December 31, 2003 and 2002 (Continued)

	Common Stock		Retained Earnings (Deficit)	Treasury Stock		Accu Compr In
	Shares	Amount		Shares	Amount	
8/8/03 - Stock issued for cash to subsidiary at \$.10 per share	1,750,000	175,000	--	(1,750,000)	(175,000)	--
8/26/03 - Stock issued for services at \$.08 per share	125,000	10,000	--	--	--	--
9/03/03 - Stock issued for services at \$.07 per share	400,000	28,000	--	--	--	--
9/04/03 - Cash received from subscription receivable	--	--	--	--	--	--
9/22/03 - Cash received from subscription receivable	--	--	--	--	--	--
9/23/03 - Stock issued for services at						

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\$.07 per share	3,020,000	211,400	--	--	--
9/30/03 - Cash received from sale of treasury stock	--	55,000	--	750,000	75,000
10/02/03 - Stock issued for services at \$.07 per share	20,000	1,400	--	--	--
10/14/03 - Stock issued for services at \$.07 per share	600,000	42,000	--	--	--
10/20/03 - Stock issued for services at \$.07 per share	908,857	63,620	--	--	--
10/30/03 - Stock issued for services at \$.07 per share	10,000	700	--	--	--
12/5/03 - Stock issued to located shareholder from Sierra Silver Mine at \$.07 per share	6,649	465	--	--	--
12/09/03 - Stock issued for services at \$.07 per share	1,045,000	73,150	--	--	--
12/09/03 - Stock issued for services at \$.07 per share	700	49	--	--	--
12/31/03 - Cash received from subscription receivable	--	--	--	--	--
Amortization of prepaid expenses	--	--	--	--	--
Net change in unrealized gains (losses) on available for sale securities	--	--	--	--	--
Net income (loss) for the year ended December 31, 2003	--	--	(1,382,038)	--	--
Balance, December 31, 2003	34,725,151	\$ 4,994,977	\$(4,914,966)	(1,313,022)	\$ (131,221)

The accompanying notes are an integral part of these financial statements

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ATLAS MINING COMPANY  
Consolidated Statements of Cash Flows

	For the Year Ended December 31,	
	2003	2002
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ (1,382,038)	\$ (711,901)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operations:		
Depreciation	7,075	22,834
(Gain) loss on sale of investments available for sale	6,606	748
Stock issued for services	850,684	286,100
Amortization of prepaid expenses (equity)	10,000	55,000
Minority interest	(16,474)	(9,609)
(Gain) loss on settlement of debt	(28,500)	(255,232)
Bad debt expense	4,000	--
Change in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	(32,253)	29,667
Deposits and prepaids	25,835	688
Other current receivables	--	1,136
Increase (Decrease) in:		
Accounts payable and accrued expenses	8,476	23,130
Net Cash Provided(Used) by Operating Activities	(546,589)	(557,439)
Cash Flows from Investing Activities:		
Purchases of equipment	--	(1,300)
Proceeds from advances	465,543	55,574
Proceeds from sale of investments available for sale	10,503	1,538
Purchase of investments	--	(1,000)
Payments for advances	(521,387)	(86,119)
Net Cash Provided (Used) by Investing Activities	(45,341)	(31,307)
Cash Flows from Financing Activities:		
Proceeds from notes payable	10,766	602,735
Payments for notes payable	(32,903)	(8,872)
Payments for line of credit	(4,930)	(4,133)
Proceeds from issuance of common stock	490,300	6,000
Proceeds from sale of treasury stock	130,748	--
Purchase of treasury stock	(483)	(1,738)
Net Cash Provided (Used) by Financing Activities	593,498	593,992
Increase (Decrease) in Cash	1,568	5,246
Cash and Cash Equivalents at Beginning of Period	5,246	--

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Cash and Cash Equivalents at End of Period	\$	6,814	\$	5,246
		=====		=====

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

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ATLAS MINING COMPANY  
Consolidated Statements of Cash Flows (Continued)

	For the Year Ended December 31,	
	2003	2002
	-----	-----
Cash Paid For:		
Interest	\$ 91,337	\$205,000
	=====	=====
Income Taxes	\$ --	\$ --
	=====	=====
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Stock issued for services	\$ 850,684	\$286,100
	=====	=====
Stock issued for prepaid expenses	\$ 10,000	\$ 10,000
	=====	=====
Stock issued for notes payable	\$ 100,000	\$ --
	=====	=====
Stock issued for accounts payable	\$ 70,000	\$ --
	=====	=====

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

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ATLAS MINING COMPANY  
Notes to the Consolidated Financial Statements  
December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

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 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 and purchased substantially all of the operating equipment and mining supplies from Fausett International, Inc., a related party. The purchase price was \$1,416,099 which consisted of \$50,000 cash, 875,000 shares of the Company's common stock valued at \$350,000 and a note payable of \$1,016,094. After the purchase, the Company commenced contracting

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operations through the trade name, Atlas Fausett Contracting. Through Atlas Fausett Contracting, the Company provides shaft sinking, underground mine development and contracting primarily to companies in the mining and civil industries. The Company also pursues property acquisitions and resource development projects.

In 1997 and 1998, the Company was to exchange 844,560 shares of its common stock for all of the outstanding shares of Sierra Silver Lead Mines, Inc. (Sierra), an Idaho corporation. As of December 31, 2003, 384,465 shares of the Company's common stock had not been exchanged. The Company was unable to locate some of the shareholders of Sierra. Therefore, the Company agreed to transfer the stock to an Atlas Mining Company Trust account in trust for the unlocated shareholders of Sierra Silver.

The acquisition of Sierra has been recorded as a purchase. The purchase price was \$276,157. All of the assets and liabilities of Sierra were transferred to the Company and Sierra ceased to exist.

In April 1999, the Company exchanged 741,816 shares of its common stock and paid cash of \$15,770 for all of the outstanding shares of Olympic Silver Resources, Inc. (Olympic), a Nevada corporation. Olympic holds the rights to the San Acacio Mine in Zacatecas, Mexico. The purchase price was \$228,566. The acquisition has been recorded as a purchase and all of the assets and liabilities were transferred to the Company.

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ATLAS MINING COMPANY  
Notes to the Consolidated Financial Statements  
December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The purchase price was \$72,825. The acquisition has been recorded as a purchase.

b. Revenue and Cost Recognition

The Company recognizes income and expenses on the accrual basis of accounting. Revenues from unit price contracts are recognized on the units produced method which management considers to be the best available measure of progress on contracts.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation costs. Costs associated with the start-up of contracts are capitalized as deferred contract costs and amortized to expense over the life of the contract. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which revisions are determined.

Contract claims are included in revenue when realization is probable



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and can be reliably estimated.

### c. Bad Debts

Bad debts on receivables are charged to expense in the year the receivable is determined uncollectible, therefore, no allowance for doubtful accounts is included in the financial statements. Amounts determined as uncollectible are not significant to the overall presentation of the financial statements.

### d. Basis of Consolidation

The consolidated financial statements include the accounts of Park Copper & Gold Mining Ltd. All significant inter-company accounts and transactions have been eliminated in the consolidation.

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### ATLAS MINING COMPANY Notes to the Consolidated Financial Statements December 31, 2003 and 2002

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### e. Earnings (Loss) Per Share

The computation of earnings per share of common stock is based on the weighted average number of shares outstanding at the date of the financial statements.

	Income (Loss) (Numerator)	Shares (Denominator)	Per-Share Amount
	-----	-----	-----
For the year ended December 31, 2003:			
Basic EPS			
Income (loss) to common Shareholders	\$ (1,382,038)	\$ 21,363,537	\$ (0.06)
For the year ended December 31, 2002:			
Basic EPS			
Income (loss) to common Shareholders	\$ (711,901)	\$ 7,938,251	\$ (0.09)

### f. Cash and Cash Equivalents

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

### g. Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss, tax credit carry-forwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are

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reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

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ATLAS MINING COMPANY  
Notes to the Consolidated Financial Statements  
December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	December 31,	
	2003	2002
	-----	-----
Deferred Tax Assets:		
Net Operation Loss Carry-forwards	\$ 552,000	\$ 690,000
Contribution Carry-forwards	148	148
Unrealized Loss on Available for Sale Securities	16,853	--
	-----	-----
Total Deferred Tax Assets	569,001	690,148
Valuation Allowance for Deferred Tax Assets	(562,001)	(681,448)
	-----	-----
	7,000	8,700
Deferred Tax Liabilities:		
Tax over Book Depreciation	7,000	8,700
Total Deferred Tax Liabilities	7,000	8,700
	-----	-----
Total Deferred Tax Assets	\$ --	\$ --
	=====	=====

At December 31, 2003, the Company has net operating losses of approximately \$3,680,000 which expire from 2004 through 2020.

h. Available for Sale Investments

Management determines the appropriate classification of marketable equity security investments at the time of purchase and reevaluates such designation as of each balance sheet date. Unrestricted marketable equity securities have been classified as available for sale. Available for sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported as a net amount in accumulated comprehensive income. Realized gains and losses and declines in value judged to be other-than-temporary on available for sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available for sale are included in investment income.

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ATLAS MINING COMPANY  
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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### h. Available for Sale Investments (Continued)

Following is a summary of available for sale equity securities which are concentrated in companies in the mining industry:

	Cost -----	Gross Unrealized Gains -----	Gross Unrealized Losses -----	Estimated Fair Value -----
December 31, 2003	\$ 23,639	\$ -	\$ (10,843)	\$ 12,796
December 31, 2002	40,747	-	(27,696)	13,051

#### i. Mining Supplies

Mining supplies, consisting primarily of bits, steel, and other mining related equipment, are stated at the lower of cost (first-in, first-out) or market. In addition, equipment repair parts and maintenance items are also included at cost.

#### j. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

#### k. 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	39 years
Mining equipment	2-8 years
Office and shop furniture and equipment	5-8 years
Vehicles	5 years

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ATLAS MINING COMPANY  
Notes to the Consolidated Financial Statements  
December 31, 2003 and 2002

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### k. Property and Equipment (Continued)

In accordance with Financial Accounting Standards Board Statement No. 144, the Company records impairment of long-lived assets to be held and used or to be disposed of when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets

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are less than the carrying amount. At December 31, 2003 and 2002, no impairments were recognized. Depreciation expense for the years ended December 31, 2003 and 2002 was \$7,075 and \$22,834, respectively.

### l. Financial Instruments

The recorded amounts of financial instruments, including cash equivalents, receivables, investments, accounts payable and accrued expenses, and long-term debt approximate their market values as of December 31, 2003 and 2002. The Company has no investments in derivative financial instruments.

### m. Mining Exploration and Development Costs

The company has elected to expense all mining exploration and development costs due to the inactivity of their mining operations. At such a time as mining continues in any of the Company's properties, the Company will capitalize costs of developing the properties, when future benefit of the costs can be identified.

### NOTE 2 - GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company is dependent upon raising capital to continue operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. It is management's plan to reduce the Company's debt through the collection of the \$524,700 subscription receivable and to begin the operations at the Dragon Mine. The Company has negotiated a \$500,000 equipment line of credit in order to finance the required equipment to begin mining operations. Management believes the mining operations will provide sufficient cash flows to continue as a going concern.

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### ATLAS MINING COMPANY Notes to the Consolidated Financial Statements December 31, 2003 and 2002

### NOTE 3 - LONG-TERM LIABILITIES

Long-term liabilities are detailed in the following schedules as of December 31, 2003 and 2002:

	2003	2002
	-----	-----
Note payable to a company, due in monthly payments of \$1,000 with a balloon payment due at maturity, including interest at 9%. The note matured August 16, 2001, past due.	\$ 53,250	\$ 53,250
Note payable to a lending company, due in monthly installments of \$578, including interest at 11.99%. The note matured August 2003, secured by a vehicle, past due.	5,001	11,760
Note payable to a mortgage company, due in monthly installments of \$1,614, including interest at 16%. The note is due in August 2005, secured by the proceeds of a logging agreement		

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and collateralized by land and a building.	119,236	119,371
Note payable to a lending company, balloon payment due at maturity, bears interest at 8% per month. The note is secured by land owned by a related party and matured in March 2003, past due.	120,700	120,700
Note payable to a mortgage company, principal due at maturity and bears interest at 3.5% per month. The note matured in October 2003, secured by property, past due.	86,100	86,100
Note payable to a lending company, principal due at maturity and bears interest at 5% per month. The note matured in May 2003, secured by land, past due.	345,508	345,508
Note payable to a company, principal due at maturity with interest at 7%. The note is to be repaid when the proceeds are received from an offering of common stock.	--	53,500
Total Notes Payable	<u>\$ 729,795</u>	<u>\$ 790,189</u>

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ATLAS MINING COMPANY  
Notes to the Consolidated Financial Statements  
December 31, 2003 and 2002

NOTE 4 - LONG-TERM LIABILITIES (Continued)

	2003	2002
	-----	-----
Notes payable - related party:		
Note payable to an officer, payable on demand and bears no interest.	\$ 70,829	\$ 161,071
Total Notes Payable - Related Party	70,829	161,071
Total Long-Term Liabilities	800,624	951,260
Less Current Portion	(654,302)	(714,696)
Less Current Portion-Related Party	(70,829)	(161,071)
Total Current Portion	725,131	(875,767)
Total Long-Term Liabilities	<u>\$ 75,493</u>	<u>\$ 75,493</u>

Future minimum principal payments on notes payable are as follows:

2004	\$ 725,131
2005	75,493
	-----
Total	<u>\$ 800,624</u>
	=====

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### NOTE 5 - LINE OF CREDIT

In 2003 and 2002, the Company has an unsecured line of credit for \$50,000 at an interest rate of prime plus 6%. The balance of the line of credit at December 31, 2003 and 2002 is \$23,094 and \$28,024, respectively.

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ATLAS MINING COMPANY  
Notes to the Consolidated Financial Statements  
December 31, 2003 and 2002

### NOTE 6 - RELATED PARTY TRANSACTIONS

During 2003 and 2002, the Company paid advances to a company with a common officer. The balance of the advances at December 31, 2003 and 2002 is \$74,693 and \$18,949, respectively.

During 2003 and 2002, an officer loaned the Company \$10,766 and \$50,424, respectively. During 2003, the Company paid cash of \$1,009 and issued 1,000,000 shares of stock valued at \$10,000 as partial payment for the note. During 2002, the Company paid \$4,000 as partial payment for the note. The balance of the note payable at December 31, 2003 and 2002 is \$70,829 and \$161,071, respectively.

### NOTE 7 - STOCK OPTIONS

In 1998, the Company adopted a non-qualified stock option plan authorizing the granting to officers, directors, or employees options to purchase common stock. Options are granted by the Administrative Committee, which is elected by the Board of Directors. The number of options granted under this plan and any other plans active may not exceed 10% of the currently issued and outstanding shares of the Company's common stock. The term of each option granted is determined by the Committee, but cannot be for more than five years from the date the option is granted. The option priced per share with each option granted will be fixed by the Administrative Committee on the date of grant. At December 31, 2003, no options have been granted under this plan.

The Company adopted an incentive stock option plan in 1998. The stock option plan permits the Company to grant to key employees options to purchase shares of stock in the Company at the direction of the Committee. The price of shares purchased must be equal to or greater than fair market value of the common stock at the date. At December 31, 2003, no options have been granted under the plan.

### NOTE 8 - COMMITMENTS AND CONTINGENCIES

On July 10, 2001, the Company entered into an agreement to lease and possibly purchase a mine in Juab County, Utah. The Company has the sole option to renew the lease on an annual basis. The agreement requires the lease payments be made through the issuance of 100,000 shares of the Company's common stock. In July 2003, the Company issued 100,000 shares of common stock valued at \$10,000 to renew the lease. If during any one year period the Company sells \$1,000,000 of product from the mine, the Company has the option to purchase the mine for \$500,000.

