Applied Minerals, Inc.
Form 10-K/A
August 14, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

AMENDMENT NO. 1

to

FORM 10-K

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

For the year ended December 31, 2017

Commission file number: 000-31380

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

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

55 Washington Street - Suite 301, Brooklyn, NY	11201
(Address of principal executive offices)	(Zip Code)

(800) 356-6463
Issuer's telephone number, including area code

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

YES NOX

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

YES NOX

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

YESXNO

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

YESXNO

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

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

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

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

YES NOX

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on June 30, 2017, based on the last sales price on the OTC Bulletin Board on that date, was approximately $4,354,542.

As of April 17, 2018 there were 150,388,549 shares of common stocks outstanding.

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EXPLANATION OF AMENDMENT NO. 1.

The registrant is amending the Annual Report on Form 10-K for the year ended December 31, 2017 in response to an SEC comment letter. In response to that comment letter, the registrant is (i) deleting information about resource studies that do not qualify as final bankable feasibility study under the SEC's Industry Guide 7, (ii) indicating that the Company has no plans for further exploration on the Dragon Mine property in the next year, and (iii) disclosing in the section "The Sales Process" that prices for its products are negotiated and that there is no established market prices for its products in the markets into which the Company is selling. This amendment has not been updated or amended to give effect to any subsequent events beyond those that existed as of the original filing date and should thus be read in conjunction with the original filing and any of the Company's other filings with Securities and Exchange Commission (SEC) subsequent to the original filing, together with any amendments to those filings."

APPLIED MINERALS, INC.

YEAR 2017 ANNUAL REPORT ON FORM 10-K

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NOTE REGARDING FORWARD LOOKING STATEMENTS

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

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

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

PART I

ITEM 1. BUSINESS

SUMMARY

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

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

Halloysite

Our halloysite clay, which we market under the DRAGONITE™ trade name, is an aluminosilicate mineral with a hollow tubular shape. DRAGONITE can utilize halloysite's shape, high surface area, and reactivity to add significant functionality to a number of applications. The Company sells halloysite at negotiated prices and there is no established market for the sale of DRAGONITE™ for the applications for which the Company is selling halloysite.

Iron Oxide

Our iron oxide, which we market under the AMIRON™ trade name, is a high purity product. We have sold it to one customer at a negotiated price for use as an absorbent for hydrogen sulfide gas contained in natural gas and we are continuing to offer AMIRON to that customer. The Company is not aware of an established market price in that market. Otherwise, we are not selling AMIRON™ to customers on a continuing basis.

Sales

In 2017, we recorded revenues of $2,444,677, of which $1,011,654 was related to sales of DRAGONITE to 13 customers and $1,433,023 was related to sales of AMIRON to one customer.

Development/Exploration Activities

In 2017 and 2016, the Company spent $508,861 and $981,045, respectively, on exploration and development. The Company does not expect to perform any exploration or development activities in the next year.

Classification for SEC Purposes

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

Processing Capability

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

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

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

The Company also has a crusher that can be used to crush iron oxide. Crushing (as opposed to pulverizing, which is the processing method used for halloysite) will be sufficient for any sales that the Company deems reasonably possible to materialize in the foreseeable future.

Distribution Channels

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

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

INFORMATION ABOUT THE COMPANY

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

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

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

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

The Company acquired the Dragon Mine primarily to exploit the mine's halloysite mineralization. At the time that the Dragon Mine was acquired, it was assumed that the iron oxide mineralization would be useful only for steelmaking. Given historical price conditions and our method of mining (underground), sales of iron oxide for steelmaking would often not be economic and at best would yield marginal or low profits. In November, 2015, the Company entered into an agreement to supply a customer its AMIRON iron oxide on an exclusive basis for a period of five years. The exclusivity provision is limited to the specialized catalyst application of the Customer and enables Applied Minerals to sell its iron oxide products for use in other technical applications that are not competitive with the Customer's intended field of use. An initial purchase order of $5.0 million of AMIRON products has been received and is to be delivered over the course of 18 months with deliveries commencing on December 1, 2015. Upon expiration of the initial 5-year term, the Customer has an option to extend the exclusive supply agreement for an additional 5 years by issuing an $8.0 million purchase order to be delivered over the course of the subsequent twenty-four months. In June, 2017, the Company fulfilled the $5.0 million purchase order. The Company is marketing its iron oxide only to that customer.

INFORMATION ABOUT THE DRAGON MINE

History of the Dragon Mine

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

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

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The Dragon Mine's Mineralization

There are two areas of the Dragon Mine minesite at which mining can be conducted and they are referred to as the "Dragon Pit" and the "Western Area." In addition, there are five surface piles on the site, mineralization that was left by prior operators.

Dragon Pit

The Dragon Pit area covers 4.95 acres and is mined underground. There are three separate types of mineralized material in the Dragon Pit area.

The first type is comprised of clay with a relatively high concentration of halloysite.

The second type is comprised of a mix of kaolinite, illite-smectite, and halloysite clays. Mixed clays are not used in our DRAGONITE products.

The third type of mineralized material found in the Dragon Pit is comprised of iron-bearing materials. This mineralization contains goethite and hematite. When dehydrated, goethite be comes hematite. We will sometimes refer to either mineral or combinations of the minerals as "iron oxide."

Western Area

The Western area covers 6.33 acres and is mined underground. There are two different types of mineralization in the Western Area.

One type of mineralization in the Western Area is clay. It is comprised primarily of a mix of kaolinite, illite-smectite, and halloysite clays. The Western Mine clays are not used in our DRAGONITE products.

The other type of mineralization is iron bearing. The Western Area contains goethite and hematite.

The Western Mine clays are not used in our DRAGONITE products.

Surface Piles

There are five surface piles that were created during the mining of halloysite clay between 1949 and 1976 when the Dragon Mine's halloysite resource was mined and sold for use as a petroleum cracking catalyst. Any clay that contained more than a minimal threshold amount (~ 2%) of iron oxide was not usable for petroleum cracking and was discarded into one of five surface piles. The waste pile clays are not used in DRAGONITE products.

In addition to the surface pile material described above, there is a surface pile of approximately 20,000 tons of mined iron oxide on the surface of the Dragon Mine property.

Development/Exploration Activities

In 2017 and 2016, the Company spent $508,861 and $981,045, respectively, on exploration and development. The Company does not expect to perform any exploration or development activities in the next year.

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More Detailed Description of the Mineralization at the Dragon Mine

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

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

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

Illite refers to a group of clays that includes hydrous micas, phengite, brammalite, celadonite, and glauconite. Illite clays are common and large amounts are produced each year.

Smectite refers to a group of clays that includes montmorillonite, bentonite, nontronite, hectorite, saponite and sauconite. Smectite clays are common clay and large amounts are produced each year.

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

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

Mixtures of goethite and hematite are the color brown.

STATUS OF THE COMPANY FOR SEC REPORTING PURPOSES

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

Under Industry Guide 7, companies engaged in significant mining operations are classified into three categories, referred to as "stages" - exploration, development, and production.

Exploration stage includes all companies engaged in the search for mineral deposits (that is, reserves), which are not in either the development or production stage. In order to be classified as a development or production stage company, the company must have already established reserves. Notwithstanding the nature and extent of development-type or production-type activities that have been undertaken or completed, a company cannot be classified as a development or production stage company unless it has established reserves.

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

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

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

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PROCESSING CAPABILITIES

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

We have a mineral processing plant with a capacity of up to 45,000 tons per annum for certain applications. Currently, this facility is dedicated to processing our halloysite mineralizaton. Typically, the processing involves a preliminary step of crushing the iron oxide in a crusher and a further step of pulverizing the iron oxide in our Hosokawa Alpine table roller mill. Depending on the customer’s specifications, if we need to only process the iron oxide through the preliminary step of crushing, our production capacity would be significantly greater than 45,000 tons per annum.

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

The Company also has a crusher that can be used to crush iron oxide. Crushing (as opposed to pulverizing, which is the processing used for halloysite) will be sufficient for any sales that the Company deems reasonably possible to materialize in the foreseeable future. The table roller mill had previously been available for processing. If pulverization is required, the Company would either buy or rent equipment or use a third party processor.

MINING AND PRODUCTION ACTIVITY IN 2017 AND 2016

The following table discloses for the twelve (12) months ended December 31, 2017 and 2016, respectively (i) the number of tons of halloysite clay and iron oxide extracted by the Company from the Dragon Mine and (ii) the number of tons of finished product produced by the Company:

	2017	**2016**
Tons extracted		
Halloysite clay	407	35
Iron oxide	8,704	8,235

Products produced (tons)		
Halloysite clay	200	107
Iron oxide	8,962	22,428

CUSTOMERS

DRAGONITE

At the current time, the Company is selling halloysite on an ongoing basis to four (4) customers that have commercialized products using halloysite. One customer uses our DRAGONITE halloysite to manufacture a specialty zeolite, which is used in an adsorption application, two customers use it as a binder within a ceramic application and one customer uses it as a nucleating agent in a plastic injection molding. . Several prospective customers are conducting either commercial-scale trials or field trials for an array of products that are expected to use DRAGONITE as a functional additive. In 2017, we sold $1,011,654 of DRAGONITE.

There is no certainty that any potential customer that tests our products will actually become a customer on an ongoing basis. The Company currently is cautiously optimistic that additional customers will become ongoing customers with additional revenue in 2018 or early 2019.

AMIRON

In 2017, we sold $1,365,816 of iron oxide to one customer. As of the date of this report, the Company is not selling iron oxide on a continuing basis to customers, but is offering iron oxide to the customer who purchased in 2017.

Sales by Customer Use

The table below discloses the percentage of total revenue by product category for the twelve months ended December 31, 2017 and 2016. “Testing” represents revenue generated from the sale of products used for laboratory testing by customers or potential customers. “Scale-Ups” represents revenue generated from the sale of products to customers or potential customers to determine whether our products perform successfully within a production-scale environment. “Commercial Production” represents revenue generated from the sale of products to customers that are either consumed by the costumer or incorporated into a product that is sold by a customer to a third-party. “Other” represents revenue generated from the sale of products for which the Company is not aware of the use by a potential customer.

	Percentages of Sales Classified by Customer Use	
Sales for:	**2017**	**2016**
Commercial Production	95	98
Scale-Ups	5	2
Testing	*	*
Other	*	*
Total	100	100

* < 1%

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SALES AND MARKETING

In most application markets, the Company markets and sells its products directly and through distributors.

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

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

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

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

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

In October, 2017, we entered into an supply agreement with the Kaolin business unit of BASF Corp. ("Supply Agreement"). The Supply Agreement provides that the Company will sell halloysite to BASF and BASF may process and/or treat and will have an exclusive license to sell halloysite on a worldwide basis for use within the following third party markets: (i) paints and coatings; (ii) inks; (iii) rubbers (excludes flame retardant and wire and cable applications); (iv) adhesives; (v) paper, and (vi) ceramic honeycomb catalytic substrates and (b) use by other business units of BASF provided that such BASF business unit only uses or sells the halloysite as part of a product another product. Under the terms of the Supply Agreement, each party is reimbursed from the proceeds of sale for its direct costs and the Company and the BASF Kaolin business unit equally share the profits of any sales of halloysite by the Kaolin business unit. The Supply Agreement has an initial term of three years and automatically renews unless one party terminates. As of April 17, 2018, no sales of halloysite have been made by the Kaolin business unit.

APPLICATION MARKETS

The following discusses the markets into which the Company is marketing its DRAGONITE and AMIRON products. It cannot be assured that we will be successful penetrating these markets. The discussion does not discuss certain problems of selling into these markets, which are discussed elsewhere in the Business section or in the Risk Factors section.

DRAGONITE

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

Molecular Sieves and Catalysts.

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

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

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

Flame Retardant Additives

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

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

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

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

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

Binders for Ceramics

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

Nucleation of Polymers; Reinforcement of Polymers.

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

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

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

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

Paints and Coatings

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

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

AMIRON

The AMIRON line of natural iron oxide-based products can be used in technical application markets.

During part of 2015, 2016 and part of 2017, the Company sold AMIRON under a supply agreement for $5 million for use as an adsorbent to remove contaminants and moisture from gases. Under the supply agreement, the Company may not sell, at least until 2020, iron oxide to others to remove hydrogen sulfide from liquids or gases). If the other party to the transaction orders at least $5 million, the restriction of sales can be extended another five years.

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THE SALES PROCESS

It is important to understand that the price of halloysite in sales by the Company is negotiated. There are differences in halloysite mined from different deposits and differences in the amount and type of other material included in the halloysite materials that is sold. Such differences mean that there are differences in usability and functionality of the halloysite product.   The Company is marketing its halloysite product as relatively free of other materials and with characteristics and functionality that lend themselves to advanced applications. There is no established market for halloysite product for such applications and hence no established market price. Marketing for new applications is difficult. Another producer sells halloysite for traditional applications such as for use in fine china, but does not market halloysite for advance applications. That halloysite producer sells halloysite for prices much less than the prices at which the Company is selling halloysite. Another producer sells halloysite for use in catalysts but such catalysts do not need the functionality supplied the Company's halloysite and such halloysite is not competitive with the Company's halloysite for uses demanding the functionality of the Company's halloysite. That producer sells its halloysite product at a fraction of the prices the Company negotiates for its halloysite

The Company sold iron oxide only in one transaction for a specialty catalyst applications for $5 million. That transaction was privately negotiated and the pricing took into account the large size of the transaction. The Company is currently attempting to sell iron oxide only to that customer in a privately negotiated transaction that would reflect the size of the transaction. The Company is not aware of an established market price in that market.

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

DRAGONITE

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

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

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

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

AMIRON

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

It cannot be assured that we will be successful in further penetrating these markets.

RESEARCH, DEVELOPMENT AND TESTING

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

In 2017 and 2016, the Company spent $170,407 and $139,539 for testing and research, respectively.

TRADEMARKS AND PATENTS

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

REGULATION

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

We carry a Mine Safety and Health Administration (MSHA) license (#4202383) for the Dragon Mine and report as required to MSHA. The Company is subject to extensive regulation and periodic inspections by the Mine Safety and Health Administration, which was created by the Mine Safety and Health Act of 1977. The regulations generally are designed to assure the health and safety of miners and our mine is periodically inspected by MSHA. The Company does not believe that such regulations have or will materially adversely affect the Company's business or have a material impact on capital expenditures, earnings and competitive position of the Company.

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

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EMPLOYEES

As of April 17, 2018, the Company had 13 employees. None of our employees are covered by a collective bargaining agreement, we have never experienced a work stoppage, and we consider our labor relations to be excellent.

ITEM 1A. RISK FACTORS

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

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

SPECIFIC RISKS APPLICABLE TO APPLIED MINERALS

LOSSES, DEFICITS, GOING CONCERN.

We have experienced annual operating losses for as long as we have financial records (since 1998). For the years ended December 31, 2017 and 2016, the Company sustained losses from continuing operations of $14,910,659 and $7,639,772, respectively. At December 31, 2017 and 2016, the Company had accumulated deficits of $104,493,857 and $89,583,198, respectively. We have very limited cash as of the date of this report, negative cash flow, and continuing unprofitable operations. Accordingly, our independent registered public accounting firm, EisnerAmper, has included a going concern paragraph in its opinion on our financial statements.

We will need to seek additional financing to support our continued operations; however, there are no assurances that any such financing can be obtained on favorable terms, if at all, especially in light of the restrictions imposed on the incurrence of additional debt by the Series A Notes and the Series 2023 Notes.

Material Weakness in our Internal Control over Financial Reporting

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

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

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

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MATURITY OF OUTSTANDING PIK-ELECTION CONVERTIBLE NOTES.

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

The Company has two series of convertible, PIK notes outstanding, 3% PIK-Election Convertible Notes due May 1, 2023 ("Series A Notes") and 3% PIK-Election Notes due August 1, 2023 (“Series 2023 Notes”). As of April 17, 2018, the outstanding balance of the Series A Notes was approximately $27.2 million and the outstanding balance of the Series 2023 Notes was approximately $16.3 million. If the Company continues to pay interest in additional PIK Notes, the outstanding balances will increase to approximately $51.1 million by August 1, 2023.

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

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

The holders of the Series A Notes may convert their principal and accrued but unpaid interest into shares of common stock of the Company at any time. As of April 17, 2018, the conversion price of the Series A Notes was $0.40 per share and would have convert into approximately 68.0 million shares of common stock of the Company. As of April 17, 2018, the conversion price of the Series 2023 Notes was $0.59 per shares and would have converted into approximately 27.5 million shares of common stock of the Company.

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

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

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

PENETRATING MARKETS

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

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

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

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

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

COMPETITION

Competition from Other Miners of Halloysite

Currently there is limited competition involving the sale of halloysite-based products in our advanced-applications target markets. If our DRAGONITE penetrates our advanced-application target markets, we may face significant competition from competitors as well as from non-halloysite solutions often sold by larger, more established companies. The basis for competition is performance, price and reliability.

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

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

The New Zealand mines produce about 15,000 tons of halloysite per year. The raw clay from New Zealand contains around 50% halloysite, 50% silica minerals (quartz, cristobalite, tridymite, amorphous silica), and minor feldspar. It must be processed to eliminate the silica materials, which are classified as carcinogens. The exact percentages of silica and cristobalite in Imerys' halloysite products is not known, but Imerys' Safety Data Sheet for its premium halloysite filter cake indicates that the levels of cristobalite and silica are less than 10%. The permitted exposure levels for cristobalite are one–half of the permitted exposure levels for crystalline silica.

Our Safety Data Sheet indicates that our processed halloysite "may contain naturally occurring Respirable Crystalline Silica (CAS #'s 14808-60-7 and 14464-46-1) at trace concentration levels below HazCom 2012 and GHS Revision 3 hazard classification limits. Per XRC analysis, which combines the analytical capabilities of X-Ray Diffraction, Computer Controlled Scanning Electron Microscopy/Energy Dispersive Spectroscopy and Raman Spectroscopy to conduct particle-by-particle inter-instrumental relocation and physicochemical/mineralogical analysis - naturally occurring trace level substances in these products, including Respirable Crystalline Silica, are inextricably bound, environmentally unavailable and at de minimis concentrations. Thus, in the current and anticipated future physical state of these products, they are believed to be incapable of causing harm under normal conditions of use or as a result of extreme upset." Our halloysite does not contain cristobalite.

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

Imerys' website indicates that its halloysite is sold for use in tableware, but an article from 2000 indicated that a small percentage was being sold for use in synthetic zeolite-base molecular sieves and in the manufacture of honeycomb catalyst supports. We have no information as to whether it being sold for those purposes now. We are aware that Imerys is selling its halloysite for use as a binder at a lower price then we are willing to sell out DRAGONITE, but we believe that that particular application it is used for does not require reactivity at the level that DRAGONITE provides.

Halloysite from Turkey is sold for use in catalysts for a relatively low price, but it appears to be of significantly lower quality than the Company's halloysite.

Smaller or lower grade deposits occur in many countries including Japan, Korea, China, Thailand, Indonesia, Australia, South America, and Europe. It is reported that halloysite from China, Brazil, and Turkey is sold commercially. Halloysite is typically used for ceramics and for paper coating and a small percentage of the halloysite from Turkey is sold for use in catalysts.

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

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

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

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

Competition from Suppliers of Alternative Solutions to Halloysite

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

Competition for Iron Oxide

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

THE COMPANY'S SUCCESS DEPENDS ON OUR SENIOR MANAGEMENT

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

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OTHER MORE GENERALIZED RISKS AND UNCERTAINTIES

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

- Changes in tonnage, grades and characteristics of mineralization to be mined and processed;
- Higher input and labor costs;
- The quality of the data on which engineering assumptions were made;
- Adverse geotechnical conditions;
- Availability and cost of adequate and skilled labor force and supply and cost of water and power;
- Availability and terms of financing;
- Environmental or other government laws and regulations related to the Dragon Mine;
- Changes in tax laws, including percentage depletion and net operating loss carryforwards;
- Weather or severe climate impacts;
- Potential delays relating to social and community issues;
- Industrial accidents, including in connection with the operation of mining and transportation equipment and accidents associated with the preparation and ignition of blasting operations, milling equipment and conveyor systems;
- Underground fires or floods;
- Unexpected geological formations or conditions (whether in mineral or gaseous form);
- Ground and water conditions;
- Accidents in underground operations;
- Failure of mining pit slopes;
- Seismic activity; and
- Other natural phenomena, such as lightning, cyclonic or storms, floods or other inclement weather conditions.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

PRINCIPAL OFFICE

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

MINING PROPERTY

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

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

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

The Company has no underlying royalty agreements with any third-party with respect to the Dragon Mine. We leased the property in 2001 and in 2005 we purchased the property for $500,000 in cash. As more fully explained in the “Business” section, the property has two mining areas, the Dragon Pit, which contains high purity halloysite, Mixed clays and iron oxide and the Western Area, which contains mixed clays and iron oxides. On the property, there are also five large waste piles containing significant amounts of clay.

Processing Facilities at Dragon Mine; Plant and Equipment

The Company has two dry-process facilities at its Dragon Mine property for processing halloysite. It has a capacity of up to 45,000 ton per year for certain types of processing and includes a Hosokawa Alpine mill. The other facility is dedicated to dry processing of halloysite clay mineralization and has an annual capacity of up to 10,000 tons per year. Iron oxide is crushed using a crusher. If pulverizing is necessary, the Company will buy or rent equipment or use a third party processor.

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

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

SEC Industry Guide 7

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

Under Industry Guide 7, companies engaged in significant mining operations are classified into three categories, referred to as “stages”- exploration, development, and production. Exploration stage includes all companies engaged in the search for mineral deposits (reserves). In order to be classified as a development or production stage company, a company must have already established reserves. Unless a company has established reserves, it cannot be classified as a development or production stage company, notwithstanding the nature and extent of development-type or production- type activities that have been undertaken or completed.

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

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

Exploration Agreement

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

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

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

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

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

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

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

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

ITEM 3. LEGAL PROCEEDINGS

As of the date of this report, there is no pending or threatened litigation. We may become involved in or subject to, routine litigation, claims, disputes, proceedings and investigations in the ordinary course of business, could have a material adverse effect on our financial condition, cash flows or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and this Item is included in Exhibit 95 to this 10-K.

PART II

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

Market Prices for Our Common Stock

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

	Year 2017		***Year 2016***	
	High	Low	High	Low
First Quarter	$0.13	$0.08	$0.32	$0.15
Second Quarter	$0.08	$0.03	$0.24	$0.12
Third Quarter	$0.05	$0.02	$0.19	$0.12
Fourth Quarter	$0.10	$0.04	$0.15	$0.10

Record Holders

As of December 31, 2017, there were approximately 652 holders of record of our common stock. This number does not include an indeterminate number of shareholders whose shares are held by brokers in street name.

Dividends

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

Equity Compensation Plans

Plans Approved by Stockholders

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

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

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Plans Not Approved by Stockholders

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

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

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

Equity Compensation Information

As of December 31, 2017

	Number of securities to be issued upon exercise of outstanding options (a)		Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	7,610,894	(1)	$ 1.05	16,289,106
Equity compensation plans not approved by security holders	49,446,874	(2)	$ 0.26	4,986,056
Total	57,057,768		$ 0.36	21,275,162

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

(2) Options to purchase common stock were issued under individual compensation plans prior to the adoption of the 2012 LTIP and 2016 LTIP as follows: (a) 9,487,930 options were granted to Material Advisors LLC, the entity that provided management personnel to the Company from 2009 to 2013. Mr. Zeitoun was allocated 60% of the options and the other members of Material Advisors LLC, Christopher Carney and Eric Basroon (Mr. Zeitoun's brother-in-law and Vice President of Business Development), were allocated 20% each. 6,583,277 options have an exercise price of $.70 per share, vested over three years from 2009-2011, and have a ten-year term. 2,904,653 have an exercise price of $.83 per share, vested over one year in 2012, and have a ten-year term; (6) 650,000 options were granted in two grants to a now-former director during 2008 and 2009 in his capacity as an employee and a consultant. The exercise price was $.70 per share, the options vested immediately and have a ten-year term; (c) 8,0371,949 options were granted to employees and consultants in five grants during 2011 and 2012. The exercise prices range from $0.78 per share to $2.00 per share, vesting periods ranged from one to three years, and the terms are five or ten years; and (d) 461,340 options were granted to an investment bank in April of 2011 for financial advisory services provided to the Company. The exercise price of the options was $1.15 per share, it vested immediately and has a term of ten years. All of the foregoing options had an exercise price at or above the market price of the common stock on the date of grant.

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

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

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

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

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

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

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

The options were granted under the 2017 Incentive Plan, which was adopted on December 14, 2017 by the Board of Directors. Forty million (40,000,000) shares of Common Stock are subject to the 2017 Incentive Plan.

On December 14, 2017, the Board of Directors granted options to directors other than to Mr. Zeitoun, who does not receive compensation for service on the Board. The exercise price of the options is $0.06 and the number of options is determined by dividing the dollar amount of the fee by $0.06. The closing market price of the Company's common stock on December 14, 2017 was $0.06.

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

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

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

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

On December 21, 2017, the Company granted options to purchase 545,289 shares to Alexandre Zyngier. Each option has an exercise price of $0.075 and a term of 5 years. Of the options granted to Mr. Zyngier, 45,290 vested on December 21, 2017, 166,666 vest on January 1, 2018, 166,666 vest on April 1, 2018 and 166,667 vest on July 1, 2018.

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

	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17
Applied Minerals, Inc.	$ 100	$ 71	$ 47	$ 18	$ 8	$ 4
iShares Russell Microcap ® Index ETF	$ 100	$ 144	$ 147	$ 138	$ 164	$ 183
S&P Metals & Mining Index	$ 100	$ 93	$ 68	$ 33	$ 67	$ 81

* Cumulative return assumes a $100 investment of each respective security at December 31, 2012.

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ITEM 6. SELECTED FINANCIAL DATA

Year Ended December 31 (in 000's except per share data)	2017	2016	2015	2014	2013
Revenue	$2,444.7	$4,013.1	$507.5	$234.2	$54.8
Net loss	$(14,910.7)	$(7,639.8)	$(9,805.1)	$(10,316.3)	$(13,063.5)
Net loss - basic	$(0.13)	$(0.07)	$(0.10)	$(0.11)	$(0.14)
Net loss - diluted	$(0.13)	$(0.07)	$(0.10)	$(0.11)	$(0.14)
Cash and equivalents	$47.7	$1,049.9	$1,803.1	$10,701.7	$8,685.6
Total assets	$3,324.2	$6,079.5	$8,339.4	$18,457.7	$15,215.3
Long-term liabilities	$35,291.9	$25,229.7	$22,245.4	$23,119.0	$11,727.4
Shareholders' equity (deficit)	$(33,200.8)	$(20,968.1)	$(15,739.7)	$(7,517.0)	$1,486.6

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

OVERVIEW

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

CRITICAL ACCOUNTING POLICIES

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. In these consolidated financial statements, the warrant and PIK note derivative liabilities, stock compensation, impairment of long-lived assets and valuation allowance on income taxes involve extensive reliance on management's estimates. Actual results could differ from those estimates.

Impairment of Long-Lived Assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. When such events occur, the Company compares the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset to its carrying amount. If this comparison indicates that there is impairment, the amount of the impairment is typically calculated using discounted expected future cash flows where observable fair values are not readily determinable.

RECENT ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance on revenue recognition, which provides a single, comprehensive revenue recognition model for all contracts with customers and supersedes most existing revenue recognition guidance. The main principle under this guidance is that an entity should recognize revenue at the amount it expects to be entitled to in exchange for the transfer of goods or services to customers. The Company has identified the predominant changes to its accounting policies resulting from the application of this guidance and is in the process of quantifying the impact on its consolidated financial statements. The cumulative effect of the initial adoption will be reflected as an adjustment to the opening balance of retained earnings as of the date of the application of the guidance; however, the Company does not expect this guidance to have a significant impact on the Company's consolidated financial statements as the Company does not have significant customer contracts in place at December 31, 2017. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017. The Company will adopt this guidance on January, 2018 as required.

In February 2016, the FASB issued ASU 2016-02 ("Topic 842") new accounting guidance for leases, which supersedes previous lease guidance. Under this guidance, for all leases with terms in excess of one year, including operating leases, the Company will be required to recognize on its balance sheet a lease liability and a right-of-use asset representing its right to use the underlying asset for the lease term. The new guidance retains a distinction between finance leases and operating leases and the classification criteria is substantially similar to previous guidance. Additionally, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed. The Company is currently evaluating the impact of this guidance on its consolidated financial statements. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted.

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Results of Operations - 2017 Compared to 2016

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

	Twelve Months Ended December 31,				Variance	
	2017	% of Rev.	2016	% of Rev.	Amount	%
REVENUES	$2,444,677	100 %	$4,013,134	100 %	$(1,568,457)	(39 %)
OPERATING EXPENSES:						
Production costs	2,173,732	89 %	2,282,805	57 %	(109,073)	(5 %)
Exploration costs	508,861	21 %	981,045	24 %	(472,184)	(48 %)
General and administrative *	3,683,330 *	151 %	4,069,508 *	101 %	(386,178)	(9 %)
Depreciation expense	1,316,537	54 %	1,348,860	34 %	(32,323)	(2 %)
(Gain) from disposition of land	- 0 -	- 0 - %	(108,764)	(3 %)	108,764	(100%)
Total Operating Expenses	7,682,460	314 %	8,573,454	214 %	(890,994)	(10 %)
Operating Loss	(5,237,783)	(214%)	(4,560,320)	(114%)	(677,463)	15 %
OTHER INCOME (EXPENSE):						
Interest expense, net, including amortization of deferred financing cost and debt discount	(9,923,430)	(406%)	(6,339,473)	(158%)	(3,583,957)	57 %
Gain on revaluation of PIK Notes	228,277	9 %	3,229,043	80 %	(3,000,766)	(93 %)
Other income (expense)	22,277	1 %	30,978	1 %	(8,701)	(28 %)
Total Other Income (Expense)	(9,672,876)	(396%)	(3,079,452)	(77 %)	(6,593,424)	214 %
Net Loss	$(14,910,659)	(610%)	$(7,639,772)	(190%)	$(7,270,887)	95 %

* Includes $961,222 and $698,350 of non-cash stock compensation expense for 2017 and 2016, respectively, related to employee, director and consultant stock options.

Revenue generated during 2017 was $2,444,677, compared to $4,013,134 of revenue generated during the same period in 2016, a decrease of $1,568,457 or 39.1%. The decrease was driven primarily by a $2,165,356, or 61%, decline in the sale of the Company's AMIRON iron oxide product due to the completion of an 18-month take-or-pay supply agreement into which the Company had entered in December, 2015. The decline was partially offset by a $271,343, or 10,307%, increase in sales of DRAGONITE to a customer for use as a nucleating agent, a $155,440, or 68%, increase in the sale of DRAGONITE to a customer for use in a molecular sieve application, and a $138,000, new sale of DRAGONITE to a plastics compounder for use as a nucleating agent and additive in foaming agents.

Operating expenses incurred during 2017 totaled $7,682,460, a decrease of $890,994, or 10%, when compared to 2016. The 10% decline in operating expenses was driven primarily to a 48% decline in exploration, a 9% decline in general and administrative expense and a 5% decline in production costs.

Production costs include those operating expenses which management believes are directly related to the mining and processing of the Company's iron oxide and halloysite minerals, which result in the production of its AMIRON and DRAGONITE products for commercial sale. Production costs include, but are not limited to, wages and benefits of employees who mine material and who work in the Company's milling operations, energy costs associated with the operation of the Company's two mills, the cost of mining and milling supplies and the cost of the maintenance and repair of the Company's mining and milling equipment. Wages and energy expenses are the two largest components of the Company's production costs.

Production costs during 2017 were $2,173,732, a decline of $109,073, or 5%, when compared to 2016. During June, 2017 the Company completed the fulfillment of a take-or-pay supply agreement for its AMIRON iron oxide product. As a result of the completion of the supply agreement, certain direct costs associated with the mining and milling of the iron oxide product (labor, utilities, fuel, packaging) declined by approximately $581,000 compared to 2016. This decline in these direct expenses was partially offset by $173,200 of expense related to the toll manufacturing of a halloysite-loaded masterbatch for a customer, a $102,500, or 412% increase in freight costs related to the transportation of halloysite to a BASF facility for testing and inventory build purposes, and approximately $25,000 of equipment rental expense that ought to have been accrued in 2016

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Exploration costs include operating expenses incurred at the Dragon Mine that are not directly related to production activities. Exploration costs, excluding depreciation expense, incurred during 2017 totaled $508,861 compared to $981,045 incurred during 2016, a decrease of $472,184 or 48.0%. The decline in exploration costs during the period was driven by a shift in the allocation of employees from exploration to production activities, a reduction in expense related to underground development activities, reduction in non-production related headcount and a reduction in insurance expense.

General and administrative expenses for 2017 totaled $3,683,330 compared to $4,069,508 of expense incurred during the same period in 2016, a decrease of $386,178 or 9%. The Company's general and administrative expenses are associated with expenses incurred at its New York operations. The largest component of the Company's general and administrative expense includes employee compensation and expense related to the issuance of stock options to employees and consultants.

Employee cash salaries incurred during 2017 at the Company's New York operation totaled $1,526,013, a decrease of $455,503, or 23%, when compared to 2016. The decline in wage expense during 2017 was driven primarily by (i) the elimination, in December, 2016, of the position of Director of Iron Oxide Sales who was paid approximately $300,000 in salary and bonus in 2016, (ii) a reduction of $210,000 in compensation paid to the Company's CEO and (iii) the elimination of $138,000 in bonuses paid to three executives during 2016, partially offset by $210,000 of accrued bonus payments awarded Company's CEO, CFO, General Counsel and V.P. of Business Development.

In December, 2017, the CEO was granted a bonus of $120,000 to be paid in six equal monthly installments during 2018 when the Company has sufficient liquidity to do so. In December, 2017, the Company's CFO, General Counsel and V.P. of Business Development were each awarded a $30,000 cash bonus to be in six equal monthly installments during 2018 when the Company has sufficient liquidity to do so.

Rent expense incurred during 2017 was $119,241, a decrease of $81,590 or 41% when compared to 2016. The decrease in rent expense was due to the Company decision to move its New York office to a less costly location in January 2017.

Travel and related expenses totaled $174,728 during 2017, a decline of $65,263, or 27%, compared to 2016. The decline in expense was due to management's decision to adopt a more strategic travel budget.

Employee related benefits and taxes incurred during 2017 at the Company's New York operation totaled $226,801, a decline of $37,251 or 14% compared to 2016. The decline was due to the decrease in the number of workers and related wage expense.

The decrease in certain general and administrative expense during 2017 was partially offset by an increase in equity-based compensation for management and consultants and an increase in director-related expense incurred during 2017.

Equity-based compensation paid to management, and consultants totaled $817,897, an increase of $158,192 or 24%. The great majority of equity-based compensation for management and consultants incurred during 2017 was related to the Black-Scholes value of vested performance-related options granted to management in December of 2017. On December 14, 2017, the Company's management was granted performance-based options to purchase 27.5 million shares of the Company's common stock at $0.06 per share. The options expire on December 13, 2027.

At December 31, 2017, the first fifty percent (50%) of the performance-based options were vested as management was able to (i) close the sale of an aggregate of $600,000 of units (consisting of a share of common stock of the Company and a warrant to buy 0.25 of a share of common stock of the Company) at $0.04 per unit and (ii) the Company established toll processing arrangements with two toll processors of halloysite that, in management's good faith belief, can process halloysite to the Company's specifications.

An additional twenty-five percent (25%) of the performance-based options vested on February 1, 2018 when management generated $900,000 of additional cash proceeds through (i) the sale of common stock and (ii) the licensing of a right to explore the Dragon Mine property for certain precious metals. The vesting of the remaining 8.3%, 8.3% and 8.4% of the performance-based options is dependent upon management achieving three respective financial objectives. For further detail regarding the vesting requirements of the performance-based options see Part III, Item 11 – Executive Compensation.

Director expense during 2017 totaled $143,325, an increase of $67,845 or 90% compared to 2016. The increase was due to the Black Scholes value of options granted to the directors in December 2017 for payment of quarterly fees covering the October 1, 2017 – July 1, 2018 period.

The decrease in general and administrative expense in 2017 was also partially offset by increases in expense related to legal services, dues and subscriptions and shareholder services.

The Company incurred $36,782 of expense related to legal services during 2017, an increase of $26,061 or 243%. The increase was due primarily to legal services required to resolve a matter with the U.S Department of Labor's Mine Safety and Health Administration.

The Company incurred $39,501 of expense related to dues and subscriptions during 2017, an increase of $13,667 or 53% compared to 2016. The increase was due primarily to an increase in spending on software for accounting and regulatory services.

During 2017 the Company incurred $108,036 of expense related to shareholder services, an increase of $11,315 or 12%. The increase was driven primarily by higher costs related to the Company's 2017 shareholder meeting.

Operating Loss incurred during the year was $5,237,783, an increase of $677,463, or 15%, when compared to 2016. The increase was driven primarily by a $1,568,457 decrease in revenue, partially offset by a decrease in Total Operating Expenses of $890,994.

Total Other Expense for 2017 was $9,672,876 compared to $3,079,452 during the same period in 2016, an increase of $6,953,424 or 214%. The increase in Total Other Income was driven primarily by a $3,583,957, or 57%, increase in interest expense due primarily to the increase in outstanding principal of the Series A and Series 2023 PIK Notes during 2017 when compared to 2016. The increase in Total Other Expense was also driven by a $3,000,766, or 93%, decline in the gain on revaluation of PIK Notes due to the drop in the price of the shares of the Company's common stock during 2017.

Net Loss for 2017 was $14,910,659, an increase of $7,270,887 when compared to a net loss of $7,639,772 for 2016. The increase in Net Loss was driven primarily by the $6,593,424, or 214%, increase in Total Other Expense and a $677,463, or 15%, increase in Operating Loss when compared to 2016.

LIQUIDITY AND CAPITAL RESOURCES

The Company has a history of recurring losses from operations and the use of cash in operating activities. For the twelve months ended December 31, 2017, the Company's net loss was $14,910,659 and cash used in operating activities was $2,108,388. As of December 31, 2017, the Company had current assets of $280,839 and current liabilities of $1,233,077 of which $57,334 was accrued PIK Note interest to be paid in additional PIK Notes. The Company's current liabilities also include approximately (i) $204,700 of accrued management bonus payments, which management may choose to take in the form of shares of common stock or options to purchase shares of common depending on the Company's ability to pay the bonuses in cash as determined by the Company's Audit Committee, (ii) $199,000 of a note payable related to the financing of the Company's D&O and G/L policies, (iii) $158,700 of payables to a compounder for which it has agreed to satisfy in halloysite product, (iv) $156,200 of disputed accrued expenses for which the Company believes it has a statute of limitations defense, and (v) $15,000 of director expense accrual that will be paid in equity.

Cash used in operating activities in 2017 was $2,108,388 compared to $2,732,089 of cash used during the same period in 2016. Cash used in operating activities during 2017, after adjusting for non-cash items but before adjusting for changes in operating assets and liabilities, was $2,024,967, $577,189 less than the comparable period in 2016. After adjusting for the change in operating assets and liabilities, cash used in operating activities during 2017 was $623,701 less than during 2016.

Cash used by investing activities during 2017 was $43,752 compared to amounts provided by of $335,733 during the same period in 2016.

Cash provided by financing activities during 2017 was $1,149,912 compared to $1,643,105 in 2016. The $493,193 decrease was due primarily to a reduction of $580,000 in proceeds generated from the sale of common stock in 2017 compared to 2016, partially offset by a $125,000 increase in proceeds generated from the exercise of warrants to purchase shares of the Company’s common stock.

Our total assets as of December 31, 2017 were $3,324,164 compared to $6,079,539 as of December 31, 2016, or a decrease of $2,755,375. The decrease in total assets was due primarily to a $1,272,785 decrease in the net value of the Company's property and equipment due to the depreciation of the assets during 2017, a $1,002,255 reduction in cash due to the loss incurred by the Company during 2017, a $337,687 decline in accounts receivable and other current receivables due primarily to the decline in the Company's revenue during 2017, and a $165,284 reduction in current deposits and prepaid expenses, partially offset by a $40,410 increase in long-term deposits.

Management believes that in order for the Company to meet its obligations arising from normal business operations through April 17, 2019 that the Company requires (i) additional capital either in the form of a private placement of common stock or debt and/or (ii) additional sales of its products that will generate sufficient operating profit and cash flows to fund operations. Without additional capital or additional sales of its products, the Company's ability to continue to operate will be limited.

Based on the Company's current cash usage expectations, management believes it will not have sufficient liquidity to fund its operations through April 17, 2019. Further, management cannot provide any assurance that it is probable that the Company will be successful in accomplishing any of its plans to raise debt or equity financing or generate additional product sales. Collectively these factors raise substantial doubt regarding the Company's ability to continue as going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded assets amounts and classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

OFF-BALANCE SHEET ARRANGEMENTS

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

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations as of December 31, 2017 that require us to make future cash payments. For contractual obligations, we included payments that we have an unconditional obligation to make:

	Payment due by period			
	Total	< 1 year	1 – 3	3 – 5

			years	years	> 5 years
Contractual Obligations:					
Rent obligations	$472,185	$107,010	223,752	141,414	- 0 -
Total	$472,185	$107,010	223,752	141,414	- 0 -

Rent expense for the years ended December 31, 2017 and 2016 was $119,241 and $200,832, respectively.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Applied Minerals, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Applied Minerals, Inc. (the “Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, stockholders’ equity (deficit), and cash flows for each of the years then ended and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and the consolidated results of their operations and their cash flows for each of the years the ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

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

Basis for Opinion

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

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

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

/s/ EisnerAmper LLP

We have served as the Company's auditor since 2012.

EISNERAMPER LLP

New York, New York

April 17, 2018

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APPLIED MINERALS, INC.

(An Exploration Stage Mining Company)

CONSOLIDATED BALANCE SHEETS

	December 31, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$*47,652*	$*1,049,880*
Accounts receivable	*27,265*	*364,952*
Deposits and prepaid expenses	*205,922*	*371,206*
Other current receivables	*- 0 -*	*16,801*
Total Current Assets	*280,839*	*1,802,839*
Property and Equipment, net	*2,802,391*	*4,075,176*
Other Assets		
Deposits	*240,934*	*200,524*
Assets Held for Sale	*- 0 -*	*1,000*
Total Other Assets	*240,934*	*201,524*
TOTAL ASSETS	$*3,324,164*	$*6,079,539*
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
Current Liabilities		
Accounts payable and accrued liabilities	$*963,609*	$*622,331*
PIK Note interest accrual	*57,334*	*961,395*
Current portion of notes payable	*212,134*	*234,149*
Total Current Liabilities	*1,233,077*	*1,817,875*
Long-Term Liabilities		
Long-term portion of notes payable	*- 0 -*	*13,073*
PIK Notes payable, net of $9,755,832 and $15,143,123 debt discount, respectively	*33,244,605*	*23,040,093*
PIK Note derivative	*2,047,264*	*2,176,552*
Total Long-Term Liabilities	*35,291,869*	*25,229,718*
TOTAL LIABILITIES	*36,524,946*	*27,047,593*
Commitments and Contingencies (Note 14)		
Stockholders' (Deficit)		
Preferred stock, $0.001 par value, 10,000,000 shares authorized, none issued and outstanding	*-0-*	*-0-*
Common stock, $0.001 par value, 400,000,000 shares authorized, 140,763,549 and 108,613,549 shares issued and outstanding at December 31, 2017 and 2016, respectively	*140,764*	*108,614*
Additional paid-in capital	*71,152,311*	*68,506,530*
Accumulated deficit prior to the exploration stage	*(20,009,496)*	*(20,009,496)*

Accumulated deficit during the exploration stage	*(84,484,361)*	*(69,573,702)*
Total Stockholders' (Deficit)	*(33,200,782)*	*(20,968,054)*
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	$*3,324,164*	$*6,079,539*

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

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APPLIED MINERALS, INC.

(An Exploration Stage Mining Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended December 31, 2017	2016
REVENUES	$*2,444,677*	$*4,013,134*
OPERATING EXPENSES:		
Production costs	*2,173,732*	*2,282,805*
Exploration costs	*508,861*	*981,045*
General and administrative	*3,683,330*	*4,069,508*
Depreciation expense	*1,316,537*	*1,348,860*
(Gain) from disposition of land	*- 0 -*	*(108,764*)
Total Operating Expenses	*7,682,460*	*8,573,454*
Operating Loss	*(5,237,783*)	*(4,560,320*)
OTHER INCOME (EXPENSE):		
Interest expense, net, including amortization of deferred financing cost and debt discount	*(9,923,430*)	*(6,339,473*)
Gain on revaluation of PIK Note derivative	*228,277*	*3,229,043*
Other income	*22,277*	*30,978*
Total Other Income (Expense)	*(9,672,876*)	*(3,079,452*)
Net loss	$*(14,910,659*)	$*(7,639,772*)
Net Loss Per Share (Basic and Diluted)	$*(0.13*)	$*(0.07*)
Weighted Average Shares Outstanding (Basic and Diluted)	*118,977,573*	*103,124,288*

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

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APPLIED MINERALS, INC.

(An Exploration Stage Mining Company)

Consolidated Statements of Stockholders' Equity (Deficit)

	Common Stock Shares	Amount	Additional Paid-In Capital	Accumulated Deficit Prior to Exploration Stage	Accumulated Deficit During Exploration Stage	Total Stock-holders' Equity (Deficit)
Balance, December 31, 2015	*97,144,736*	$*97,145*	$*66,106,631*	$*(20,009,496)*	$*(61,933,930)*	$*(15,739,650)*
Shares issued for directors fees and other services	*203,980*	*204*	*53,710*	*- 0 -*	*- 0 -*	*53,914*
Shares issued for employee compensation	*331,494*	*332*	*57,416*	*- 0 -*	*- 0 -*	*57,748*
Shares issued for private placement	*10,933,339*	*10,933*	*1,629,067*	*- 0 -*	*- 0 -*	*1,640,000*
Stock-based compensation expense	*- 0 -*	*- 0 -*	*659,706*	*- 0 -*	*- 0 -*	*659,706*
Net Loss	*- 0 -*	*- 0 -*	*- 0 -*	*- 0 -*	*(7,639,772)*	*(7,639,772)*
Balance, December 31, 2016	*108,613,549*	*108,614*	*68,506,530*	*(20,009,496)*	*(69,573,702)*	*(20,968,054)*
Shares issued for directors fees and other services	*250,000*	*250*	*8,750*	*- 0 -*	*- 0 -*	*9,000*
Shares issued for warrant exercise	*3,125,000*	*3,125*	*121,875*	*- 0 -*	*- 0 -*	*125,000*
Shares issued for private placement	*26,500,000*	*26,500*	*1,033,500*	*- 0 -*	*- 0 -*	*1,060,000*
Shares issued in lieu of payment for private placement fee	*2,275,000*	*2,275*	*(2,275)*	*- 0 -*	*- 0 -*	*- 0 -*
Warrants issued to holders of Series A and Series 2023 Notes			*522,710*	*- 0 -*	*- 0 -*	*522,710*
Stock-based compensation expense	*- 0 -*	*- 0 -*	*961,221*	*- 0 -*	*- 0 -*	*961,221*

Net Loss	*- 0 -*	*- 0 -*	*- 0 -*	*- 0 -*	*(14,910,659)*	*(14,910,659)*
Balance, December 31, 2017	*140,763,549*	$*140,764*	$*71,152,311*	$*(20,009,496)*	$*(84,484,361)*	$*(32,200,782)*

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

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APPLIED MINERALS, INC.

(An Exploration Stage Mining Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 2017	2016
Cash Flows From Operating Activities:		
Net loss	$*(14,910,659)*	$*(7,639,772)*
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation	*1,316,537*	*1,348,860*
Asset Impairment	*1,000*	*- 0 -*
Amortization of discount – PIK Notes	*5,987,888*	*2,696,500*
Amortization of deferred financing costs	*20,766*	*7,500*
Accrued interest on PIK Notes	*4,817,557*	*3,551,195*
Stock issued for director and consulting services	*9,000*	*53,914*
Stock-based compensation expense	*961,221*	*659,706*
Stock issued for employee compensation	*- 0 -*	*57,748*
(Gain) on revaluation of PIK Notes derivative	*(228,277)*	*(3,229,043)*
(Gain) on disposal of property	*- 0 -*	*(108,764)*
Change in operating assets and liabilities:		
Accounts receivable	*337,687*	*(188,747)*
Other receivables	*16,801*	*77,846*
Deposits and prepaid expenses	*124,874*	*20,394*
Accounts payable and accrued expenses	*(562,783)*	*(39,426)*
Net Cash (Used In) Operating Activities	*(2,108,388)*	*(2,732,089)*
Cash Flows From Investing Activities:		
Sale of property	*- 0 -*	*552,944*
Purchases of property and equipment	*(43,752)*	*(217,211)*
Net Cash (Used In) Provided By Investing Activities	*(43,752)*	*335,733*
Cash Flows From Financing Activities:		
Payments on notes payable	*(234,149)*	*(237,235)*
Proceeds from notes payable	*199,061*	*240,340*
Proceeds from sale of common stock	*1,060,000*	*1,640,000*
Proceeds from exercise of warrants	*125,000*	*- 0 -*
Net Cash Provided By Financing Activities	*1,149,912*	*1,643,105*
Net (decrease) in cash and cash equivalents	*(1,002,228)*	*(753,251)*
Cash and cash equivalents at beginning of year	*1,049,880*	*1,803,131*
Cash And Cash Equivalents At End Of Year	$*47,652*	$*1,049,880*

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

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APPLIED MINERALS, INC.

(An Exploration Stage Mining Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,	
	2017	2016
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$*6,365*	$*4,956*
Income Taxes	$--	$*430*

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

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APPLIED MINERALS, INC.

(An Exploration Stage Mining Company)

Notes to the Consolidated Financial Statements

NOTE *1* – ORGANIZATION AND DESCRIPTION OF BUSINESS

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

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

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

For the years ended *December 31, 2017* and *2016,* revenues from the Company's largest customer accounted for *56%* and *88%* of total revenues, respectively. As of *December 31, 2017* and *2016,* amounts owed from this customer comprised *0%* and *90%* of accounts receivable, respectively.

NOTE *2* - LIQUIDITY AND BASIS OF PRESENTATION

The Company has a history of recurring losses from operations and the use of cash in operating activities. For the *twelve* months ended *December 31, 2017,* the Company's net loss was *$14,910,659* and cash used in operating activities was *$2,108,388.* As of *December 31, 2017,* the Company had current assets of *$280,839* and current liabilities of *$1,233,077* of which *$57,334* was accrued PIK Note interest to be paid in additional PIK Notes. The Company's current liabilities also include approximately (i) *$204,700* of accrued management bonus payments, which management *may* choose to take in the form of shares of common stock or options to purchase shares of common depending on the Company's ability to pay the bonuses in cash as determined by the Company's Audit Committee, (ii) *$158,700* of payables to a compounder for which it has agreed to satisfy in halloysite product, (iii) *$156,200* of disputed accrued expenses for which the Company believes it has a statute of limitations defense, and (iv) *$15,000* of director expense accrual that will be paid in equity.

Management believes that in order for the Company to meet its obligations arising from normal business operations through *April 17, 2019* that the Company requires (i) additional capital either in the form of a private placement of common stock or debt and/or (ii) additional sales of its products that will generate sufficient operating profit and cash flows to fund operations. Without additional capital or additional sales of its products, the Company's ability to continue to operate will be limited.

Based on the Company's current cash usage expectations, management believes it will *not* have sufficient liquidity to fund its operations through *April 17, 2019.* Further, management cannot provide any assurance that it is probable that the Company will be successful in accomplishing any of its plans to raise debt or equity financing or generate additional product sales. Collectively these factors raise substantial doubt regarding the Company's ability to continue as going concern. These financial statements do *not* include any adjustments to the recoverability and classification of recorded assets amounts and classification of liabilities that might be necessary should the Company *not* be able to continue as a going concern.

NOTE *3* – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Exploration-Stage Company

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

Principles of Consolidation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. In these consolidated financial statements, the warrant and PIK note derivative liabilities, stock compensation, impairment of long-lived assets and valuation allowance on income taxes involve extensive reliance on management’s estimates. Actual results could differ from those estimates.

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Cash and Cash Equivalents

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

Receivables

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

Management evaluates the collectability of receivable account balances to determine the allowance, if any. Management considers the other party's credit risk and financial condition, as well as current and projected economic and market conditions, in determining the amount of the allowance. Receivable balances are written off when management determines that the balance is uncollectable. *No* allowance was required at *December 31, 2017* and *2016.*

Property and Equipment

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

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

Depreciation expense for the years ended *December 31, 2017* and *2016* totaled *$1,316,537,* and *$1,348,860,* respectively.

Impairment of Long-lived Assets

The Company periodically reviews the carrying amounts of long-lived assets to determine whether current events or circumstances warrant adjustment to such carrying amounts. Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount *may not* be recoverable. When such events occur, the Company compares the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset to its carrying amount. If this comparison indicates that there is an impairment, the amount of the impairment is typically calculated using discounted expected future cash flows where observable fair values are *not* readily determinable. Considerable management judgment is necessary to estimate the fair value of assets. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value, less cost to sell. The Company has determined that there was *no* impairment of its long-lived assets as of December *31, 2017* and *2017.*

Revenue Recognition

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

Mining Exploration and Development Costs

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

Income taxes

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

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

Authoritative guidance provides that the tax effects from an uncertain tax position taken or expected to be taken in a tax return can be recognized in our financial statements only if the position is more likely than *not* of being sustained on audit based on the technical merits of the position. As of *December 31, 2017 no* benefit from uncertain tax positions was recognized in our financial statements. The Company has elected to classify interest and/or penalties related to income tax matters in income tax expense.

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Stock Options and Warrants

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

Environmental Matters

Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures resulting from the remediation of existing conditions caused by past operations that do *not* contribute to future revenue generations are expensed. Liabilities are recognized when environmental assessments indicate that remediation efforts are probable and the costs can be reasonably estimated.

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

Based upon management's current assessment of its environmental responsibilities, it does *not* believe that any reclamation or remediation liability exists at *December 31, 2017.*

Recent Issued Accounting Pronouncements

In *May 2014,* the Financial Accounting Standards Board ("FASB") issued guidance on revenue recognition, which provides a single, comprehensive revenue recognition model for all contracts with customers and supersedes most existing revenue recognition guidance. The main principle under this guidance is that an entity should recognize revenue at the amount it expects to be entitled to in exchange for the transfer of goods or services to customers. The Company has identified the predominant changes to its accounting policies resulting from the application of this guidance and is in the process of quantifying the impact on its consolidated financial statements. The cumulative effect of the initial adoption will be reflected as an adjustment to the opening balance of retained earnings as of the date of the application of the guidance; however, this guidance will *not* have a significant impact on the Company's consolidated financial statements as the Company does *not* have significant customer contracts in place at *December 31, 2017.* The Company will adopt this guidance *January 1, 2018* as required.

In *February 2016,* the FASB issued ASU *2016-02* ("Topic *842"*) new accounting guidance for leases, which supersedes previous lease guidance. Under this guidance, for all leases with terms in excess of *one* year, including operating leases, the Company will be required to recognize on its balance sheet a lease liability and a right-of-use asset representing its right to use the underlying asset for the lease term. The new guidance retains a distinction between finance leases and operating leases and the classification criteria is substantially similar to previous guidance. Additionally, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have *not* significantly changed. The Company is currently evaluating the impact is guidance on its consolidated balance sheets. This guidance is effective for interim and annual reporting periods beginning after *December 15, 2018,* with early adoption permitted.

NOTE *4* – PROPERTY AND EQUIPMENT

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

	December 31,	
	2017	2016
Land	$*500,000*	$*500,000*
Land improvements	*171,122*	*171,122*
Buildings	*3,129,519*	*3,129,519*
Mining equipment	*1,784,115*	*1,775,884*
Milling equipment	*2,841,726*	*2,806,834*
Laboratory equipment	*607,716*	*607,716*
Office equipment	*70,529*	*69,900*
Vehicles	*150,810*	*150,810*
	9,255,537	*9,211,785*
Less: Accumulated depreciation	(*6,453,146*)	(*5,136,609*)
Total	$*2,802,391*	$*4,075,176*

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NOTE *5* – ASSETS HELD FOR SALE

In *December 2015,* the Company put *four* parcels owned in Idaho up for auction. Three of the *four* properties sold but settled in *January 2016* for a gross sales price of *$172,948.* The Company received net process of *$155,187,* net of *$17,761* of selling expenses. On *April 21, 2016,* the Company sold the *fourth* parcel for gross proceeds of *$418,000.* The Company received net process of *$380,000,* net of a *10%* buyer's premium paid to the auction firm, J.P. King.

NOTE *6* – FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

ASC Topic *820, Fair Value Measurement and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This topic also establishes a fair value hierarchy, which requires classification based on observable and unobservable inputs when measuring fair value. The fair value hierarchy distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs). The hierarchy consists of *three* levels:

Level *1* – Quoted prices in active markets for identical assets and liabilities;

Level *2* – Inputs other than level *one* inputs that are either directly or indirectly observable; and

Level *3* – Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

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Liabilities measured at fair value on a recurring basis are summarized as follows:

	Fair value measurement using inputs			**Carrying amount**	
	Level 1	**Level 2**	**Level 3**	**December 31, 2017**	**December 31, 2016**
Financial instruments:					
Series 2023 Note Derivative	$ *-0-*	$ *-0-*	$ *163,634*	$ *163,634*	$ *142,909*
Series A Note Derivative	$ *-0-*	$ *-0-*	$ *1,883,630*	$ *1,883,630*	$ *2,033,643*

The following table summarizes the activity for financial instruments at fair value using Level *3* inputs for *2017* and *2016:*

	2017	2016
Balance at beginning of year	$ *2,176,552*	$ *5,138,857*
Issuance of additional Series 2023 Notes	*13,155*	*18,807*
Issuance of additional Series A Notes	*85,834*	*247,931*
Net unrealized gain included in operations	*(228,277*)	*(3,229,043*)
Balance at end of year	$ *2,047,264*	$ *2,176,552*

The recorded value of certain financial assets and liabilities, which consist primarily of cash and cash equivalents, receivables, and accounts payable and accrued expenses approximate their fair value at *December 31, 2017* and *2016* based upon the short-term nature of the assets and liabilities. Based on borrowing rates currently available to the Company for loans with similar terms, and the remaining short-term period outstanding, the carrying value of notes payable other than PIK notes approximate fair value. The estimated fair value of the PIK Notes Payable was approximately *$11,395,208* and *$23,361,553* at *December 31, 2017* and *2016* (Level *3*), respectively.

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

Series 2023 Note derivative liability

	Fair Value Measurements Using Inputs December 31, 2017	December 31, 2016
Market price and estimated fair value of stock	$*0.05*	$ *0.12*
Exercise price (1)	$*0.59*	$ *1.28*
Term (years)	*5.58*	*6.58*
Dividend yield	*-0-*	*-0-*
Expected volatility	*115.3*%	*86.2* %
Risk-free interest rate	*2.24* %	*2.18* %

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

Series A Note derivative liability	Fair Value Measurements Using Inputs December 31, 2017	December 31, 2016
Market price and estimated fair value of stock	$*0.05*	$ *0.12*
Exercise price (1)	$*0.40*	$ *0.83*
Term (years)	*5.58*	*6.58*
Dividend yield	*-0-*	*-0-*
Expected volatility	*115.3*%	*86.2* %
Risk-free interest rate	*2.24* %	*2.18* %

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

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NOTE *7* - NOTES AND LEASES PAYABLE

Notes payable at *December 31, 2017* and *2016* consist of the following:

	December 31, 2017	2016
Note payable for equipment, payable $1,339 monthly, including interest (a)	$*13,073*	$*28,033*
Note payable for mine site vehicle, payable $628 monthly (b)	*- 0 -*	*5,655*
Note payable to insurance companies, payable $5,045 - $17,959 monthly, (c) and (d)	*199,061*	*213,534*
	212,134	*247,222*
Less: Current Portion	*(212,134*)	*(234,149*)
Notes Payable, Long-Term Portion	$*- 0 -*	$*13,073*

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

(b) On *September 20, 2012,* the Company purchased a vehicle for the mine site for *$37,701* by issuing a non-interest bearing note. The note is collateralized by the vehicle with payments of *$628* for *60* months, which started on *October 20, 2012.*

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

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

During the *2017* and *2016,* the Company's interest payments totaled *$6,365* and *$4,956,* respectively.

NOTE *8* – CONVERTIBLE DEBT (PIK NOTES)

The Company raised *$23* million of financing through the issuance of *two* series of Paid-In-Kind (“PIK”)-Election Convertible Notes in *2013* (“Series *2023* Notes”) and *2014* (“Series A Notes”). The original terms of the Series A Notes included among other things: (i) a maturity of *November 1, 2018* with an option to extend to *November 1, 2019, (*ii) a stated interest rate of *10%* paid semi-annually and (iii) a conversion price of *$0.90,* adjusted downward based on an anti-dilution provision. The original terms of the Series *2023* Notes included among other things: (i) a maturity of

*August 1, 2023, (*ii) a stated interest rate of *10%* paid semi-annually and (iii) a conversion price of *$1.40,* adjusted downward based on an anti-dilution provision. On *December 14, 2017,* an amendment agreement, entered into between the Company and the holders of the Series A Notes and Series *2023* Notes, went into effect. The agreement resulted in changes to certain terms of the Series A and Series *2023* Notes. The key terms of the Series A and Series *2023* Notes, as amended, are highlighted in the table below:

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

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

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

As of *December 31, 2016,* the liability components of the PIK Notes on the Company's balance sheet are listed in the following table:

	Series 2023 Notes	Series A Notes	Total
PIK Note Payable, Gross	$*14,071,008*	$*24,125,958*	$*38,196,966*
Less: Discount	*(1,721,898*)	*(13,421,225*)	*(15,143,123*)
Less: Deferred Financing Cost	*(5,064*)	*(8,686*)	*(13,750*)
PIK Note Payable, Net			