

Edgar Filing: UNITED STATES ANTIMONY CORP - Form 10QSB

UNITED STATES ANTIMONY CORP  
Form 10QSB  
November 14, 2005

=====

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

- [X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended September 30, 2005
- [ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period \_\_\_\_\_ to \_\_\_\_\_

Commission file number 33-00215

UNITED STATES ANTIMONY CORPORATION

(Name of small business issuer in its charter)

MONTANA

81-0305822

(State or other jurisdiction of  
incorporation or organization)

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

P.O. BOX 643, THOMPSON FALLS, MONTANA 59873

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (406) 827-3523

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

YES  [X] No  [ ]

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

YES  [ ] No  [X]

Transitional Small Business Disclosure Format

YES  [ ] No  [X]

At November 14, 2005, the registrant had outstanding 32,806,620 shares of par value \$0.01 common stock.

=====

Edgar Filing: UNITED STATES ANTIMONY CORP - Form 10QSB

UNITED STATES ANTIMONY CORPORATION  
 QUARTERLY REPORT ON FORM 10-QSB  
 FOR THE PERIOD  
 ENDED SEPTEMBER 30, 2005

TABLE OF CONTENTS

	Page
PART I - FINANCIAL INFORMATION	
Item 1: Financial Statements.....	1
Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations.....	6
Item 3: Controls and Procedures.....	9
PART II - OTHER INFORMATION	
Item 1: Legal Proceedings.....	10
Item 2: Unregistered Sales of Equity Securities and Use of Proceeds.....	10
Item 3: Defaults among Senior Securities.....	10
Item 4: Submission of Matters to a Vote of Security Holders.....	10
Item 5: Other Information.....	10
Item 6: Exhibits and Reports on Form 8-K.....	10
SIGNATURE.....	11
CERTIFICATIONS.....	12

[The balance of this page has been intentionally left blank.]

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES ANTIMONY CORPORATION AND SUBSIDIARY  
 CONSOLIDATED BALANCE SHEETS

	(UNAUDITED) SEPTEMBER 30, 2005	DECEMBER 2004
ASSETS		
Current assets:		
Cash	\$ 32,978	\$ 11
Accounts receivable, less allowance for doubtful accounts of \$30,000	106,384	56

Edgar Filing: UNITED STATES ANTIMONY CORP - Form 10QSB

Inventories	131,722	237
	-----	-----
Total current assets	271,084	306
Investment in USAMSA, net	881	3
Properties, plants and equipment, net	850,515	683
Restricted cash for reclamation bonds	86,917	91
Deferred financing costs, net amortization	16,875	22
	-----	-----
Total assets	\$ 1,226,272	\$ 1,106
	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 469,485	\$ 441
Accrued payroll and related taxes	132,952	102
Other accrued liabilities	74,831	76
Deferred revenue	0	30
Accrued interest payable	44,866	30
Payable to related parties	285,514	287
Long-term debt, current	58,222	30
Accrued reclamation costs, current	71,250	100
	-----	-----
Total current liabilities	1,137,120	1,098
Convertible notes payable	350,000	350
Long-term debt, noncurrent	618,688	636
Accrued reclamations costs, noncurrent	71,250	42
	-----	-----
Total liabilities	2,177,058	2,127
	-----	-----
Commitments and contingencies (Note 3)		
Stockholders' deficit:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized:		
Series A: None and 4,500 shares issued and outstanding	0	7
Series B: 750,000 shares issued and outstanding	7,500	1
Series C: 177,904 shares issued and outstanding	1,779	18
Series D: 2,014,600 and 1,899,672 shares issued and outstanding	20,146	315
Common stock, \$0.01 par value, 50,000,000 shares authorized; 32,701,700 and 31,528,816 issued and outstanding	327,017	18,117
Additional paid-in capital	18,464,807	(19,482)
Accumulated deficit	(19,772,035)	(1,021)
	-----	-----
Total stockholders' deficit	(950,786)	(1,021)
	-----	-----
Total liabilities and stockholders' deficit	\$ 1,226,272	\$ 1,106
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

1

UNITED STATES ANTIMONY CORPORATION AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

FOR THE THREE MONTHS ENDED  
SEPTEMBER 30, 2005

SEPTEMBER 30,  
2004

FOR THE N  
SEPTEMBER 3  
2005

Edgar Filing: UNITED STATES ANTIMONY CORP - Form 10QSB

Revenues:			
Sales of antimony products	\$ 506,414	\$ 569,361	\$ 1,862,45
Sales of zeolite products	255,783	249,585	943,46
	-----	-----	-----
	762,197	818,946	2,805,91
	-----	-----	-----
Cost of sales:			
Cost of antimony production	365,482	432,357	1,357,92
Antimony depreciation	11,200	8,425	31,80
Antimony freight and delivery	28,114	38,671	120,45
Cost of zeolite production	201,057	130,795	699,22
Zeolite depreciation	26,583	22,031	62,98
Zeolite freight and delivery	2,445	65,434	51,29
	-----	-----	-----
	634,881	697,713	2,323,68
	-----	-----	-----
Gross profit	127,316	121,233	482,23
	-----	-----	-----
Other operating expenses:			
Corporate general and administrative	61,305	93,937	206,03
Antimony general and administrative	1,365	5,872	33,88
Antimony sales expenses	19,794	11,249	46,77
Bear River Zeolite general and administrative	60,199	56,936	207,19
Bear River Zeolite sales expenses	29,874	13,243	93,86
	-----	-----	-----
	172,537	181,237	587,75
	-----	-----	-----
Other (income) expense:			
USAMSA expense	882	0	2,64
Interest expense	38,027	18,823	111,87
Factoring expense	17,504	25,113	71,44
Interest income and other	(1,384)	(383)	(2,03)
	55,029	43,553	183,93
Net loss	\$ (100,250)	\$ (103,557)	\$ (289,46)
	=====	=====	=====
Basic net loss per share of common stock	\$ Nil	\$ Nil	\$ Ni
	=====	=====	=====
Basic weighted average shares outstanding	32,546,137	30,929,251	31,951,65
	=====	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

2

UNITED STATES ANTIMONY CORPORATION AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	FOR THE NINE MONTHS ENDED	
	SEPTEMBER 30, 2005	SEPTEMBER 30 2004
Cash flows from operating activities:		
Net loss	\$ (289,461)	\$ (326,796)

## Edgar Filing: UNITED STATES ANTIMONY CORP - Form 10QSB

Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	103,054	86,731
Change in:		
Restricted cash	4,595	105,649
Accounts receivable	(49,610)	(80,733)
Inventories	106,084	20,395
Accounts payable	28,400	(121,001)
Accrued payroll and related taxes	30,524	(49,692)
Other accrued liabilities	(1,554)	(4,525)
Judgment payable	0	2,550
Deferred revenue	(30,000)	0
Accrued interest payable	46,417	4,974
Payable to related parties	(2,173)	54,756
Net cash used by operating activities	(53,724)	(307,692)
Cash flows from investing activities:		
Purchase of properties, plants and equipment	(262,295)	(170,023)
Net cash used by investing activities	(262,295)	(170,023)
Cash flows from financing activities:		
Proceeds from issuance of common stock and warrants	51,000	10,000
Proceeds from exercise of common stock warrants	253,375	427,215
Proceeds from exercise of Series D preferred stock warrants	23,000	0
Principal payments on notes payable to bank	(73,039)	(153,679)
Proceeds from notes payable to bank	58,019	174,419
Proceeds from related party note payable	25,000	0
Change in checks issued and payable	0	19,760
Net cash provided by financing activities	337,355	477,715
Net change in cash	21,336	0
Cash, beginning of period	11,642	0
Cash, end of period	\$ 32,978	\$ 0
Supplemental disclosures:		
Non cash financing activities:		
Common stock issued in satisfaction of accounts payable		\$ 150,145
Common stock issued for conversion of accrued interest	\$ 32,441	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

PART I - FINANCIAL INFORMATION, CONTINUED:

UNITED STATES ANTIMONY CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION:

## Edgar Filing: UNITED STATES ANTIMONY CORP - Form 10QSB

The unaudited consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, as well as the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of the Company's management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation of the interim financial statements have been included. Operating results for the three and nine-month periods ended September 30, 2005 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2005. Certain consolidated financial statement amounts for the three and nine-month periods ended September 30, 2004 have been reclassified to conform to the 2005 presentation. These reclassifications had no effect on the net loss or accumulated deficit as previously reported.

For further information refer to the financial statements and footnotes thereto in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004.

### 2. LOSS PER COMMON SHARE:

The Company accounts for its income (loss) per common share according to the Statement of Financial Accounting Standards No. 128 "Earnings Per Share" ("SFAS No. 128"). Under the provisions of SFAS No. 128, primary and fully diluted earnings per share are replaced with basic and diluted earnings per share. Basic earnings per share is arrived at by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding, and does not include the impact of any potentially dilutive common stock equivalents. Common stock equivalents, including warrants to purchase the Company's common stock and common stock issuable upon the conversion of debentures are excluded from the calculations when their effect is antidilutive.

### 3. COMMITMENTS AND CONTINGENCIES:

Until 1989, the Company mined, milled and leached gold and silver in the Yankee Fork Mining District in Custer County, Idaho. In 1994, the U.S. Forest Service, under the provisions of the Comprehensive Environmental Response Liability Act of 1980 ("CERCLA"), designated the cyanide leach plant as a contaminated site. In 1996, the Idaho Department of Environmental Quality requested that the Company sign a consent decree related to completing the reclamation and remediation at the Preachers Cove mill. The Company believes its reclamation is substantially complete.

In November of 2001, the Environmental Protection Agency ("EPA") listed two by-products of the Company's antimony oxide manufacturing process as hazardous wastes under subtitle C of the Resource Conservation and Recovery Act ("RCRA"), and emergency notification requirements for releases to the environment under CERCLA. On November 26, 2002, the Company received a notice of violation related to a hazardous waste discharge that was discovered during a hazardous waste compliance evaluation inspection conducted at the Company's Thompson Falls antimony facility. In response to the notice, the Company removed certain antimony materials from its production area and agreed to ensure that future releases of hazardous waste would not occur.

### 3. COMMITMENTS AND CONTINGENCIES, CONTINUED:

# Edgar Filing: UNITED STATES ANTIMONY CORP - Form 10QSB

UNITED STATES ANTIMONY CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED), CONTINUED:

The Company's management believes that USAC is currently in substantial compliance with environmental regulatory requirements and that its accrued environmental reclamation costs are representative of management's estimate of costs required to fulfill its reclamation obligations. Such costs are accrued at the time the expenditure becomes probable and the costs can reasonably be estimated. The Company recognizes, however, that in some cases future environmental expenditures cannot be reliably determined due to the uncertainty of specific remediation methods, conflicts between regulating agencies relating to remediation methods and environmental law interpretations, and changes in environmental laws and regulations. Any changes to the Company's reclamation plans as a result of these factors could have an adverse affect on the Company's operations. The range of possible losses in excess of the amounts accrued cannot be reasonably estimated at this time.

#### 4. BUSINESS SEGMENTS

The Company has two operating segments, antimony and zeolite. Management reviews and evaluates the operating segments exclusive of interest and factoring expenses. Therefore, interest expense is not allocated to the segments. Selected information with respect to segments for the three and nine month periods ended September 30, 2005 and 2004 are as follows:

	THREE MONTHS ENDED SEPTEMBER 30, 2005		NINE MONTH SEPTEMBER 2005
	2005	2004	
Revenues:			
Antimony	\$ 506,414	\$ 569,361	\$ 1,862,453
Zeolite	255,783	249,585	943,461
	-----	-----	-----
	\$ 762,197	\$ 818,946	\$ 2,805,914
	=====	=====	=====
Cost of sales:			
Production and freight and delivery:			
Antimony	\$ 393,596	\$ 471,028	\$ 1,478,381
Zeolite	203,502	196,229	750,518
Depreciation:			
Antimony	11,200	8,425	31,800
Zeolite	26,583	22,031	62,983
	-----	-----	-----
	\$ 634,881	\$ 697,713	\$ 2,323,682
	=====	=====	=====
Gross profit	\$ 127,316	\$ 121,233	\$ 482,232
	=====	=====	=====
Other operating expenses:			
Sales expense:			
Antimony	\$ 19,794	\$ 11,249	\$ 46,779
Zeolite	29,874	13,243	93,860
General and administrative expense:			
Corporate	61,305	93,937	206,034
Antimony	1,365	5,872	33,888
Zeolite	60,199	56,936	207,198
	-----	-----	-----
	\$ 172,537	\$ 181,237	\$ 587,759

## Edgar Filing: UNITED STATES ANTIMONY CORP - Form 10QSB

	=====	=====	=====
Capital expenditures:			
Antimony	\$ 36,349	\$ 0	\$ 36,349
Zeolite	16,414	42,735	225,946
	-----	-----	-----
	\$ 52,763	\$ 42,735	\$ 262,295
	=====	=====	=====
 Properties, plant and equipment, net:	 \$ 850,515	 \$ 645,678	 \$ 850,515
	=====	=====	=====

5

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

#### GENERAL

This report contains both historical and prospective statements concerning the Company and its operations. Prospective statements (known as "forward-looking statements") may or may not prove true with the passage of time because of future risks and uncertainties. The Company cannot predict what factors might cause actual results to differ materially from those indicated by prospective statements.

#### RESULTS OF OPERATIONS

FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2005 COMPARED TO THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2004

The Company's operations resulted in a net loss of \$100,250 for the three-month period ended September 30, 2005, compared with a net loss of \$103,557 for the same period ended September 30, 2004. The decrease in the loss for the third quarter of 2005 compared to the similar period of 2004 is primarily due to an increase in sales of zeolite.

Total revenues from antimony product sales for the third quarter of 2005 were \$506,414 compared with \$569,361 for the comparable quarter of 2004, a decrease of \$62,947. During the three-month period ended September 30, 2005, 72% of the Company's revenues from antimony product sales were from sales to one customer (Kohler, Inc.). Sales of antimony products during the third quarter of 2005 consisted of 311,732 pounds at an average sale price of \$1.62 per pound. During the third quarter of 2004 sales of antimony products consisted of 392,872 pounds at an average sale price of \$1.45 per pound.

Sales of zeolite products during the third quarter of 2005 were \$255,783 compared with the same quarter sales in 2004 of \$249,585. The increase in sales for the third quarter of 2005 compared to the same quarter of 2004 was due to the Company's marketing efforts and a corresponding increase in the number of zeolite customers. Gross profit from antimony and zeolite sales during the third quarter of 2005 was \$127,316 compared with gross profit of \$121,233 during the third quarter of 2004.

The cost of antimony production was \$365,482, or \$1.17 per pound sold, during the third quarter of 2005 compared to \$432,357 or \$1.10 per pound sold, during the third quarter of 2004. The increase in price per pound was due to decreased volume of production and increased costs of electricity and fuel.

The cost of zeolite production was \$201,057 for the third quarter of 2005



## Edgar Filing: UNITED STATES ANTIMONY CORP - Form 10QSB

compared to \$130,795 during the third quarter of 2004. The increase was principally due to the increase in costs of fuel and a jaw crusher repair.

Antimony depreciation for the third quarter of 2005 was \$11,200 compared to \$8,425 for the third quarter of 2004. The increase in depreciation directly related to the purchase of capital assets.

Zeolite depreciation for the third quarter of 2005 was \$26,583 compared to \$22,031 for the third quarter of 2004. The increase in depreciation is due to the continued purchase of capital assets associated with zeolite production.

Antimony freight and delivery for the third quarter of 2005 was \$28,114 compared to \$38,671 of freight and delivery expense during the third quarter of 2004. The decrease is directly related to the decrease in sales of antimony in the third quarter of 2005 compared to the same quarter of 2004.

Zeolite freight and delivery for the third quarter of 2005 was \$2,445 compared to \$65,434 for the third quarter of 2004. The decrease is due to customers using their own trucking.

6

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

During the third quarter of 2005, the Company incurred costs totaling \$60,199 associated with general and administrative expenses of its 100% owned subsidiary, Bear River Zeolite Company, compared to \$56,936 of such expenses in the comparable quarter of 2004. These expenses included royalties.

Zeolite sales expenses were \$29,874 during the third quarter of 2005 compared to \$13,243 during the third quarter of 2004. The increase is directly related to the increase in zeolite sales.

General and administrative expenses in the antimony division were \$1,365 during the third quarter of 2005 compared to \$5,872 during the same quarter of 2004.

Antimony sales expenses were \$19,794 in the third quarter of 2005 and were comparable with \$11,249 during the third quarter of 2004.

Interest expense of \$38,027 was incurred during the third quarter of 2005 compared to \$18,823 during the third quarter of 2004. The increase was primarily due to an increase in funding.

Accounts receivable factoring expense was \$17,504 during the third quarter of 2005 compared to \$25,113 during the third quarter of 2004. The decrease was primarily due to a decrease in sales.

Interest and other income increased from \$383 during the third quarter of 2004 to \$1,384 during the third quarter of 2005. The increase was the result of finance charges associated with an account receivable during the third quarter of 2005.

General and administrative expenses for the corporation were \$61,305 during the third quarter of 2005 compared to \$93,937 for the same quarter in 2004. The decrease is primarily due to the decrease in general and administrative activities associated with reclamation.

## Edgar Filing: UNITED STATES ANTIMONY CORP - Form 10QSB

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2005 COMPARED TO THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2004

The Company's operations resulted in a net loss of \$289,461 for the nine-month period ended September 30, 2005, compared with a net loss of \$326,796 for the nine-month period ended September 30, 2004. The decrease in net loss for the first nine months of 2005 compared to the first nine months of 2004 is primarily due an increase in gross profit from product sales in 2005.

Total revenues from antimony product sales for the first nine months of 2005 were \$1,862,453 compared with \$1,662,100 for the comparable period of 2004, an increase of \$200,353. During the nine-month period ended September 30, 2005, 59% of the Company's revenues from antimony products sales were from sales to one customer (Kohler, Co.) and 6% were from sales to a second individual customer. Sales of antimony products during the first nine months of 2005 consisted of 1,244,765 pounds at an average sale price of \$1.50 per pound. During the first nine months of 2004 sales of antimony products consisted of 1,120,833 pounds at an average sale price of \$1.48 per pound. The increase in pounds of antimony sold is attributed to difficulties customers are having in procuring product which meets their specifications. The increase in sale prices of antimony products from the first nine months of 2005 to the first nine months of 2004 is the result of a corresponding increase in antimony metal prices.

Sales of zeolite products during the first nine months of 2005 were \$943,461 compared to sales of \$786,683 during the comparable period of 2004. The increase in sales of zeolite is due to the Company expanding its zeolite plant and expanding its customer base.

7

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

Gross profit from antimony and zeolite sales during the first nine-month period of 2005 was \$482,232 compared with gross profit of \$296,518 during the same nine-month period of 2004.

During the first nine months of 2005, the Company incurred expenses totaling \$207,198 associated with sales development and general and administrative expenses of its wholly owned subsidiary, Bear River Zeolite, compared to \$146,886 of expenses during the comparable period of 2004. The increase in BRZ expenses was principally due to an increase in royalty expense directly related to increase in sales.

Antimony general and administrative expenses were \$33,888 during the first nine months of 2005, compared to \$6,245 during the first nine months of 2004. The increase in general and administrative expenses during the first nine months of 2005 compared to the same period of 2004 was due travel and expenses related to the new project in Mexico to research another possible source of antimony ore to expand our present available sources.

Antimony sales expenses were \$46,779 during the first nine months of 2005 compared with \$37,123 in the first nine months of 2004. The increase in sales expenses is directly related to the increase in sales.

Interest expense was \$111,876 during the first nine months of 2005, compared to interest expense of \$76,608 incurred during the first nine months of 2004. The increase was due to an increase in convertible note funding in 2005.

## Edgar Filing: UNITED STATES ANTIMONY CORP - Form 10QSB

Accounts receivable factoring expense was \$71,449 during the first nine months of 2005 compared to \$65,356 of factoring expense incurred during the first nine months of 2004. The increase was primarily due to an increase in sales of antimony factored.

Interest and other income decreased from \$2,846 during the first nine months of 2004 to \$2,037 during the first nine months of 2005. The decrease was due to a corresponding decrease in cash bonds.

General and administrative expenses for the corporation were \$206,034 during the nine-month period ending September 2005 compared to \$246,108 for the same quarter in 2004. The decrease is primarily due to the decrease in reclamation expense and a decrease in the telephone expense directly related to the toll free line.

### FINANCIAL CONDITION AND LIQUIDITY

At September 30, 2005, Company assets totaled \$1,226,272, and there was a stockholders' deficit of \$950,786. The stockholders' deficit decreased \$70,355 from December 31, 2004, primarily due to the operating loss during the nine months ended September 30, 2005. At September 30, 2005 the Company's total current liabilities exceeded its total current assets by \$866,036. Due to the Company's operating losses, negative working capital, and stockholders' deficit, the Company's independent accountants included a paragraph in the Company's 2004 financial statements relating to a going concern uncertainty. To continue as a going concern the Company must generate profits from its antimony and zeolite sales and to acquire additional capital resources through the sale of its securities or from short and long-term debt financing. Without financing and profitable operations, the Company may not be able to meet its obligations, fund operations and continue in existence. While management is optimistic that the Company will be able to sustain profitable operations and meet its financial obligations, there can be no assurance of such. The Company's management is confident, however, that it will be able to generate cash from operations and financing sources that will enable it to meet its obligations over the next twelve months.

8

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

Cash used by operating activities during the first nine months of 2005 was \$53,724, and resulted from net loss of \$289,461 during the first nine months of 2005 as adjusted by increasing accounts payable, decreasing inventories and the non-cash affects of depreciation and amortization expenses.

Cash used in investing activities during the first nine months of 2005 was \$262,295 and primarily related to the construction of capital assets at the Bear River Zeolite facility.

Net cash provided by financing activities was \$337,355 during the first nine months of 2005 was primarily generated from proceeds from the exercise of common stock warrants.

### ITEM 3. CONTROLS AND PROCEDURES

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the Exchange Act.

## Edgar Filing: UNITED STATES ANTIMONY CORP - Form 10QSB

This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission.

In connection with the review of the Company's consolidated financial statements for the three and nine month periods ended September 30, 2005, the Company's independent registered public accounting firm advised the Board of Directors and management of certain significant internal control deficiencies that they considered to be, in the aggregate, a material weakness. In particular, our independent registered public accounting firm identified the following weaknesses in our internal control systems: (1) lack of segregation of duties and (2) lack of formal procedures relating to all areas of financial reporting including a lack of review by management. The independent registered public accounting firm indicated that they considered these deficiencies to be reportable conditions as that term is defined under standards established by the American Institute of Certified Public Accountants. A material weakness is a significant deficiency in one or more of the internal control components that alone or in the aggregate precludes our internal controls from reducing to an appropriately low level of risk that material misstatements in our financial statements will not be prevented or detected on a timely basis. The Company considered these matters in connection with the period-end closing of accounts and preparation of related consolidated financial statements and determined that no prior period financial statements were materially affected by such matters. We believe that the material weakness began in 2003 and existed at the end of the period covered by this report.

The size of the Company has prevented us from being able to employ sufficient resources at this time to enable us to have an adequate level of supervision and segregation of duties within our internal control system. We will continue to monitor and assess the costs and benefits of additional staffing within the Company. However, we have not taken any formal steps at this time to correct the material weaknesses identified by our independent registered public accounting firm. If we are unable to correct these material weaknesses, there is more than a remote likelihood that a material misstatement to our SEC reports will not be prevented or detected, in which case investors could lose confidence in the accuracy and completeness of our financial reports. This could have an adverse effect on our ability to raise additional capital and could also have an adverse effect on our stock price.

As required by the SEC rules, we have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this Quarterly Report. This evaluation was performed under the supervision and with the participation of the Company's

9

management, including the President & Chief Executive Officer and Vice President Finance, Secretary and Treasurer. Based upon that evaluation, our President & Chief Executive Officer and Vice President Finance, Secretary and Treasurer have concluded that the Company's controls and procedures were not effective as of the end of the period covered by this Quarterly Report due to inadequate supervision and segregation of duties.

### PART II - OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

Edgar Filing: UNITED STATES ANTIMONY CORP - Form 10QSB

None

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

During the nine month period ended September 30, 2005 the Company sold 170,000 shares of its restricted common stock for \$0.30 per share or \$51,000 and issued 890,167 shares of its restricted common stock to exercising warrant holders for approximately \$0.28 per share or \$253,375. During the three month period ended September 30, 2005 the Company sold 85,000 Series D preferred shares to a director for approximately \$0.27 per share or \$23,000. Proceed from sales of restricted common stock and Series D preferred shares were used to fund the Company's operations.

In addition, during the three month period ended September 30, 2005, the Company exchanged 108,137 shares of its restricted common stock for accrued interest due a company controlled by Al Dugan, a significant share holder of \$32,441 (\$0.30 per share).

The Company also issued 4,500 shares of its restricted common stock in exchange for 4,500 shares of Series A preferred shares during nine month period ended September 30, 2005.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The registrant has no outstanding senior securities.

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

None

Reports on Form 8-K      None

10

SIGNATURE

Pursuant to the requirements of Section 13 or 15(b) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED STATES ANTIMONY CORPORATION  
(Registrant)

By /s/ John C. Lawrence  
-----  
John C. Lawrence, Director  
and President (Principal  
Executive, Financial and

Date: November 30, 2005  
-----

Accounting Officer)