

UNITED STATES ANTIMONY CORP
Form 10-Q
August 14, 2018

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

FORM 10-Q
(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period _____ to _____

Commission file number 001-08675

UNITED STATES ANTIMONY CORPORATION

(Exact name of registrant as specified 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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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). Yes No

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

Large Accelerated Filer Accelerated Filer

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Non-Accelerated Filer Smaller reporting company
 Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. []

Indicate by check mark whether the registrant is a shell company as defined by Rule 12b-2 of the Exchange Act. Yes
No

At August 14, 2018, the registrant had outstanding 68,227,171 shares of par value \$0.01 common stock.

UNITED STATES ANTIMONY CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD
ENDED JUNE 30, 2018
(UNAUDITED)

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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

United States Antimony Corporation and Subsidiaries
Consolidated Balance Sheets

ASSETS

	(Unaudited)	
	June 30, 2018	December 31, 2017
Current assets:		
Cash and cash equivalents	\$15,878	\$27,987
Certificates of deposit	252,954	252,298
Accounts receivable, net	461,291	362,579
Inventories	712,696	914,709
Other current assets	-	4,697
Total current assets	1,442,819	1,562,270
Properties, plants and equipment, net	14,854,626	15,132,897
Restricted cash for reclamation bonds	63,345	63,345
IVA receivable and other assets	384,677	372,742
Total assets	\$16,745,467	\$17,131,254

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Checks issued and payable	\$110,578	\$28,248
Accounts payable	2,367,656	2,276,357
Due to factor	5,440	10,880
Accrued payroll, taxes and interest	211,703	185,283
Other accrued liabilities	205,412	168,578
Payables to related parties	22,678	22,668
Deferred revenue	32,400	60,049
Notes payable to bank	191,009	192,565
Income taxes payable (Note 11)	430,358	443,110
Long-term debt, current portion, net of discount	632,655	546,988
Total current liabilities	4,209,889	3,934,726
Long-term debt, net of discount and current portion	1,084,827	1,239,126
Hillgrove advances payable	1,134,221	1,134,221
Common stock payable to directors for services	87,500	175,000

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Asset retirement obligations and accrued reclamation costs	274,646	271,572
Total liabilities	6,791,083	6,754,645
Commitments and contingencies (Note 7 and 11)		
Stockholders' equity:		
Preferred stock \$0.01 par value, 10,000,000 shares authorized:		
Series A: -0- shares issued and outstanding	-	-
Series B: 750,000 shares issued and outstanding (liquidation preference \$909,375 and \$907,500 respectively)	7,500	7,500
Series C: 177,904 shares issued and outstanding (liquidation preference \$97,847 both years)	1,779	1,779
Series D: 1,751,005 shares issued and outstanding (liquidation preference \$5,014,692 and \$4,920,178 respectively)	17,509	17,509
Common stock, \$0.01 par value, 90,000,000 shares authorized; 68,227,171 and 67,488,063 shares issued and outstanding, respectively	682,271	674,881
Additional paid-in capital	36,406,874	36,239,264
Accumulated deficit	(27,161,549)	(26,564,324)
Total stockholders' equity	9,954,384	10,376,609
Total liabilities and stockholders' equity	\$16,745,467	\$17,131,254

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

United States Antimony Corporation and Subsidiaries

Consolidated Statements of Operations (Unaudited)

	For the three months ended		For the six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
REVENUES	\$2,256,347	\$2,838,480	\$4,689,276	\$5,457,811
COST OF REVENUES	2,114,999	2,535,587	4,603,016	5,065,374
GROSS PROFIT	141,348	302,893	86,260	392,437
OPERATING EXPENSES:				
General and administrative	186,411	138,995	337,242	343,559
Salaries and benefits	96,427	97,487	187,873	191,001
Professional fees	18,563	34,582	120,967	137,920
TOTAL OPERATING EXPENSES	301,401	271,064	646,082	672,480
INCOME (LOSS) FROM OPERATIONS	(160,053)	31,829	(559,822)	(280,043)
OTHER INCOME (EXPENSE):				
Interest income	268	267	830	838
Interest expense	(24,814)	(27,154)	(48,647)	(54,804)
Foreign exchange gain (loss)	62,752	(10,191)	12,752	(51,642)
Factoring expense	(938)	(11,706)	(2,338)	(22,607)
TOTAL OTHER INCOME (EXPENSE)	37,268	(48,784)	(37,403)	(128,215)
NET INCOME (LOSS)	(122,785)	(16,955)	(597,225)	(408,258)
Preferred dividends	(12,162)	(12,162)	(24,325)	(24,325)
Net income (loss) available to common stockholders	\$(134,947)	\$(29,117)	\$(621,550)	\$(432,583)

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Net income (loss) per share of common stock:

Basic	Nil	Nil	\$(0.01)	\$(0.01)
Diluted	Nil	Nil	\$(0.01)	\$(0.01)
Weighted average shares outstanding:				
Basic	67,959,175	67,488,153	67,724,965	67,336,651
Diluted	67,959,175	67,488,153	67,724,965	67,336,651

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

United States Antimony Corporation and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)

	For the six months ended	
	June 30, 2018	June 30, 2017
Cash Flows From Operating Activities:		
Net income (loss)	\$(597,225)	\$(408,258)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	452,659	430,050
Amortization of debt discount	42,240	46,828
Accretion of asset retirement obligation	3,074	2,895
Common stock payable for directors' fees	87,500	87,500
Foreign exchange loss (gain)	(12,752)	51,642
Other non cash items	(656)	(677)
Change in:		
Accounts receivable, net	(98,712)	10,835
Inventories	202,013	49,196
Other current assets	4,697	(7,647)
Other assets	(11,935)	(83,437)
Accounts payable	91,299	67,164
Accrued payroll, taxes and interest	26,420	(40,362)
Deferred revenues	(27,649)	-
Other accrued liabilities	36,834	31,691
Payables to related parties	10	2,234
Net cash provided by operating activities	197,817	239,654
Cash Flows From Investing Activities:		
Purchases of properties, plants and equipment	(174,388)	(151,244)
Net cash used by investing activities	(174,388)	(151,244)
Cash Flows From Financing Activities:		
Change in checks issued and payable	82,330	(12,776)
Net proceeds from factor	(5,440)	20,471
Advances from related party	75,000	-
Payment on advances from related party	(75,000)	-
Proceeds from notes payable to bank	-	24,827
Principal paid notes payable to bank, net	(1,556)	-
Principal payments on long-term debt	(110,872)	(106,439)
Net cash provided (used) by financing activities	(35,538)	(73,917)

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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,109)	14,493
Cash and cash equivalents and restricted cash at beginning of period	91,332	73,331
Cash and cash equivalents and restricted cash at end of period	\$79,223	\$87,824

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Noncash investing and financing activities:

Common stock payable issued to directors	\$175,000	\$168,750
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The accompanying notes are an integral part of the consolidated financial statements.

PART I - FINANCIAL INFORMATION, CONTINUED:

United States Antimony Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

1.
Basis of Presentation

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-Q. 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 six month periods ended June 30, 2018 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2018.

For further information refer to the financial statements and footnotes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Going Concern Consideration

At June 30, 2018, the Company's consolidated financial statements show negative working capital of approximately \$2.8 million and accumulated deficit of approximately \$27.2 million. In addition, the Company had recurring net losses. These factors indicate that there may be doubt regarding the ability to continue as a going concern for the next twelve months.

The continuing losses are principally a result of the Company's antimony operations and in particular to the production costs incurred in Mexico.

Regarding the antimony division, prices improved during 2017 with an average sale price of \$4.01 per pound. Through June 30, 2018, the average sale price for antimony is approximately \$4.28 per pound. Additionally, in November 2017, the Company renegotiated its domestic sodium antimonite supply agreement resulting in a lower cost per antimony per pound of approximately \$0.44. During the first six months of 2018, we endured supply interruptions from our North American supplier, and they have notified us that, due to a lack of raw material, they will be suspending shipments to us from September 17, 2018 to November 5, 2018. We anticipate that normal supply quantities will resume for the remainder of 2018 after November 5. We have been able to continue with operations due to our Mexican raw material, and we will be directing our resources to increasing that supply source. The new supply agreement with our North American supplier has helped us with our cash flow in 2018 from our antimony division.

In 2017, we reduced costs for labor at the Mexico locations which has resulted in a lower overall production costs in Mexico which has continued into 2018. In the fourth quarter 2017, we adjusted operating approaches at Madero that has resulted decreased operating costs for fuel, natural gas, electricity, and reagents for 2018. Although total production activity in Mexico decreased in 2017 due to the lack of Hillgrove concentrates, the Company's 2018 plan involves ramping up production at its own antimony properties in Mexico. We are anticipating agreements that will provide us with operating capital to achieve this (See Note 14). In addition, a new leach circuit expected to come on line during 2018 in Mexico will result in more extraction of precious metals. The portion of the precious metals recovery system at the Madero smelter is complete and the cyanide leach circuit being built at the Puerto Blanco plant

is expected to be completed this fall.

In 2017, management implemented wage and other cost reductions at the corporate level that has kept administrative costs stable in 2018. The Company expects to continue paying a low cost for propane in Montana through 2018, which in years past has been a major operating cost.

United States Antimony Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

1.
Basis of Presentation, Continued:

Over the past several years, the Company has been able to make required principal payments on its debt from cash generated from operations without the need for additional borrowings or selling shares of its common stock. The Company plans to continue keeping current on its debt payments in 2018 through cash flows from operations while using the additional operating capital to continue with the expansion of our Mexican operation and to improve our working capital. Management believes that the actions taken to increase production and reduce costs, along with the expected additional operating capital, will enable the Company meet its obligations for the next twelve months.

2.
Developments in Accounting Pronouncements

Accounting Standard Updates Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 Revenue Recognition, replacing guidance currently codified in Subtopic 605-10 Revenue Recognition-Overall. The new ASU establishes a new five step principles-based framework in an effort to significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. In August 2015, the FASB issued ASU No. 2015-14 Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. ASU No. 2015-14 deferred the effective date of ASU No. 2014-09 until annual and interim reporting periods beginning after December 15, 2017. We adopted ASU No. 2014-09 as of January 1, 2018 using the modified-retrospective transition approach. There was no impact of adoption of the update to our consolidated financial statements for the three and six months ended June 30, 2018.

We performed an assessment of the impact of implementation of ASU No. 2014-09, and concluded it does not change the timing of revenue recognition or amounts of revenue recognized compared to how we recognize revenue under our current policies. Adoption of ASU No. 2014-09 involves additional disclosures, where applicable, on (i) contracts with customers, (ii) significant judgments and changes in judgments in determining the timing of satisfaction of performance obligations and the transaction price, and (iii) assets recognized for costs to obtain or fulfill contracts. See Note 4 for information on our sales of products.

In August 2016, the FASB issued ASU No. 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The update provides guidance on classification for cash receipts and payments related to eight specific issues. The update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. We adopted this update as of January 1, 2018.

In November 2016, the FASB issued ASU No. 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash. The update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. We adopted this update as of January 1, 2018. Cash, cash equivalents, and restricted cash on the consolidated statements of cash flows includes restricted cash of \$63,345 as of June 30, 2018 and December 31, 2017 and \$63,274 as of June 30, 2017 and December 31, 2016, as well as amounts previously reported for cash and cash equivalents.

United States Antimony Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

2.
Developments in Accounting Pronouncements, Continued:

Accounting Standards Updates to Become Effective in Future Periods

In February 2016, the FASB issued ASU No. 2016-02 Leases (Topic 842). The update modifies the classification criteria and requires lessees to recognize the assets and liabilities on the balance sheet for most leases. The update is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. We are currently reviewing our leases and compiling the information required to implement the new guidance. We are currently evaluating the potential impact of implementing this update on our consolidated financial statements.

3.
Income (Loss) Per Common Share

Basic earnings per share is calculated by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated based on the weighted average number of common shares outstanding during the period plus the effect of potentially dilutive common stock equivalents, including warrants to purchase the Company's common stock and convertible preferred stock. Management has determined that the calculation of diluted earnings per share for the quarter and six month periods ended June 30, 2018 and June 30, 2017, is not applicable since any additions to outstanding shares related to common stock equivalents would be anti-dilutive.

As of June 30, 2018 and 2017, the potentially dilutive common stock equivalents not included in the calculation of diluted earnings per share as their effect would have been anti-dilutive are as follows:

	June 30, 2018	June 30, 2017
Warrants	250,000	250,000
Convertible preferred stock	1,751,005	1,751,005
Total possible dilution	2,001,005	2,001,005

4.
Revenue Recognition

Our products consist of the following:

Antimony: includes antimony oxide, sodium antimonate, and antimony metal

Zeolite: includes course and fine zeolite crushed in various sizes.

Precious Metals: includes refined gold and silver

For our antimony and zeolite products, revenue is recognized upon the completion of the performance obligation which is met when the transaction price can be reasonably estimated and revenue is recognized generally at the time when risk is transferred. We have determined the performance obligation is met and title is transferred either upon

shipment from our warehouse locations or upon receipt by the customer as specified in individual sales orders. The performance obligation is met because at that time, 1) legal title is transferred to the customer, 2) the customer has accepted the product and obtained the ability to realize all of the benefits from the product, 3) the customer has the significant risks and rewards of ownership to it, 4) it is very unlikely product will be rejected by the customer upon physical receipt, and 5) we have the right to payment for the product. Shipping costs related to the sales of antimony and zeolite products are recorded to cost of sales as incurred. For zeolite products, royalty expense due a third party by the Company is also recorded to cost of sales upon sale in accordance with terms of underlying royalty agreements.

United States Antimony Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

4.
Revenue Recognition, Continued

For sales of precious metals, the performance obligation is met, the transaction price is known, and revenue is recognized at the time of transfer of control of the agreed-upon metal quantities to the customer. Refining and shipping costs related to sales of precious metals are recorded to cost of sales as incurred.

Sales of products for the three and six month periods ended June 30, 2018 and 2017 were as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Antimony	\$1,492,520	\$2,077,300	\$3,174,333	\$4,063,808
Zeolite	682,534	616,414	1,373,240	1,228,426
Precious metals	81,293	144,766	141,703	165,577
	\$2,256,347	\$2,838,480	\$4,689,276	\$5,457,811

The following is sales information by geographic area based on the location of customers for the three and six month periods ended June 30, 2018 and 2017:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
United States	\$1,878,244	\$2,653,227	\$4,125,935	\$4,950,282
Canada	378,103	185,253	563,341	507,529
	\$2,256,347	\$2,838,480	\$4,689,276	\$5,457,811

Sales of products to significant customers were as follows for the three and six month periods ended June 30, 2018 and 2017:

For the Three Months Ended For the Six Months Ended

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	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Mexichem Speciality Compounds	\$669,103	\$769,998	\$1,397,681	\$1,556,423
East Penn Manufacturing Inc.	-	363,979	-	512,621
Kohler Corporation	334,778	501,320	651,550	946,498
Ampacet Corporation	146,118	-	330,260	-
ZEO, Inc.	185,730	-	306,701	-
	\$1,335,729	\$1,635,297	\$2,686,192	\$3,015,542
% of Total Revenues	59.20%	57.60%	57.30%	55.30%

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United States Antimony Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

4.
Revenue Recognition, Continued:

Accounts receivable from largest customers were as follows for June 30, 2018 and December 31, 2017:

	June 30, 2018	December 31, 2017
Nutreco Canada, Inc.	\$-	\$25,657
Ralco Mix Products	-	16,000
Mexichem Speciality Compounds	148,211	-
Axens North America, Inc.	38,404	-
Teck American, Inc.	82,733	241,627
	\$269,348	\$283,284
% of Total Receivables	58.40%	78.10%

Our trade accounts receivable balance related to contracts with customers was \$461,291 at June 30, 2018 and \$362,579 at December 31, 2017. Our products do not involve any warranty agreements and product returns are not typical.

We have determined our contracts do not include a significant financing component. For antimony and zeolite sales contracts, we may factor certain receivables and receive final payment within 30 days of the performance obligation being met. For antimony and zeolite receivables not factored, we typically receive payment within 10 days. For precious metals sales, a provisional payment of 75% is typically received within 45 days of the date the product is delivered to the customer. After an exchange of assays, a final payment is normally received within 90 days of product delivery.

5.
Inventories

Inventories at June 30, 2018 and December 31, 2017 consisted primarily of finished antimony products, antimony metal, antimony ore, and finished zeolite products that are stated at the lower of first-in, first-out cost or estimated net realizable value. Finished antimony products, antimony metal and finished zeolite products costs include raw materials, direct labor and processing facility overhead costs and freight. Inventory at June 30, 2018 and December 31, 2017 is as follows:

	June 30, 2018	December 31, 2017
Sodium antimonate	\$56,091	\$-
Antimony oxide	225,099	408,217
Antimony with precious metal content	23,474	35,554

Antimony ore	165,280	187,133
Total antimony	469,944	630,904
Zeolite	242,752	283,805
	\$712,696	\$914,709

United States Antimony Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

6.
Accounts Receivable and Due to Factor

The Company factors designated trade receivables pursuant to a factoring agreement with LSQ Funding Group L.C., an unrelated factor (the "Factor"). The agreement specifies that eligible trade receivables are factored with recourse. We submit selected trade receivables to the factor, and receive 83% of the face value of the receivable by wire transfer. The Factor withholds 15% as retainage, and 2% as a servicing fee. Upon payment by the customer, we receive the remainder of the amount due from the factor. The 2% servicing fee is recorded on the consolidated statement of operations in the period of sale to the factor. John Lawrence, CEO, is a personal guarantor of the amount due to Factor.

Trade receivables assigned to the Factor are carried at the original invoice amount less an estimate made for doubtful accounts. Under the terms of the recourse provision, the Company is required to reimburse the Factor, upon demand, for factored receivables that are not paid on time. Accordingly, these receivables are accounted for as a secured financing arrangement and not as a sale of financial assets. The allowance for doubtful accounts (if any) is based on management's regular evaluation of individual customer's receivables and consideration of a customer's financial condition and credit history. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. Interest is not charged on past due accounts.

We present the receivables, net of allowances, as current assets and we present the amount potentially due to the Factor as a secured financing in current liabilities.

Accounts Receivable	June 30, 2018	December 31, 2017
Accounts receivable - non factored	\$455,851	\$351,699
Accounts receivable - factored with recourse	5,440	10,880
Accounts receivable - net	\$461,291	\$362,579

7.
Commitments and Contingencies

In June of 2013, the Company entered into a lease to mine antimony ore from concessions located in the Wadley Mining district in Mexico. The lease calls for a term of one year and, as of June 30, 2018, requires payments of \$10,000 plus a tax of \$1,700, per month. The lease is renewable each year with a 15 day notice to the lessor, and agreement of terms. The next lease is scheduled for renewal in June 2019.

8.
Notes Payable to Bank

At June 30, 2018 and December 31, 2017, the Company had the following notes payable to bank:

June 30, December 31,

2018 2017

Promissory note payable to First Security Bank of Missoula,

bearing interest at 3.150%, payable on demand, collateralized

by a lien on Certificate of Deposit

\$99,999 \$98,863

Promissory note payable to First Security Bank of Missoula,

bearing interest at 3.150%, payable on demand, collateralized

by a lien on Certificate of Deposit

91,010 93,702

Total notes payable to the bank

\$191,009 \$192,565

United States Antimony Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), Continued:

8.
Notes Payable to Bank, Continued:

These notes are personally guaranteed by John C. Lawrence the Company's Chief Executive Officer and Chairman of the Board of Directors. The maximum amount available for borrowing under each note is \$99,999.

9.
Debt

Long-Term debt at June 30, 2018 and December 31, 2017, is as follows:	June 30,	December 31,
	2018	2017

Note payable to First Security Bank, bearing interest at 6%;

payable in monthly installments of \$917; maturing

September 2018; collateralized by equipment.	\$2,725	\$8,054
Note payable to Cat Financial Services, bearing interest at 6%; payable in monthly installments of \$1,300; maturing August 2019; collateralized by equipment.	21,243	27,096
Note payable to Cat Financial Services, bearing interest at 6%; payable in monthly installments of \$778; maturing December 2022; collateralized by equipment.	37,972	40,278
Note payable to De Lage Landen Financial Services, bearing interest at 3.51%; payable in monthly installments of \$655; maturing September 2019; collateralized by equipment.	9,630	13,344
Note payable to De Lage Landen Financial Services, bearing interest at 3.51%; payable in monthly installments of \$655; maturing December 2019; collateralized by equipment.	12,106	15,776
Note payable to Phyllis Rice, bearing interest at 1%; payable in monthly installments of \$2,000; maturing March 2015; collateralized by equipment.	14,146	14,146
Obligation payable for Soyatal Mine, non-interest bearing, annual payments of \$100,000 or \$200,000 through 2019, net of discount.	682,229	715,709
Obligation payable for Guadalupe Mine, non-interest bearing, annual payments from \$60,000 to \$149,078 through 2026, net of discount.	937,431	951,711
	1,717,482	1,786,114
Less current portion	(632,655)	(546,988)
Long-term portion	\$1,084,827	\$1,239,126

At June 30, 2018, principal payments on debt are due as follows:

12 Months Ending June 30,

	Principal Payment	Discount	Net
2019	710,481	(77,826)	632,655
2020	320,163	(62,435)	257,728
2021	207,185	(48,238)	158,947
2022	157,601	(39,188)	118,413
2023	155,499	(32,594)	122,905
Thereafter	483,069	(56,235)	426,834
	\$2,033,998	\$(316,516)	\$1,717,482

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United States Antimony Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), Continued:

10.
Related Party Transactions

During the three and six months ended June 30, 2018 and 2017, the Chairman of the audit committee and compensation committee received \$4,500 and \$4,500, respectively, for services performed. See Note 12 for shares of common stock issued to directors.

During the three and six months ended June 30, 2018 and 2017, the Company paid \$2,461 and \$4,555, and \$2,480 and \$5,054, respectively, to John Lawrence, our President and Chief Executive Officer, as reimbursement for equipment used by the Company. Mr. Lawrence advanced the Company \$75,000 for ongoing operating expenses during the six months ended June 30, 2018, which has been repaid as of June 30, 2018.

11.
Income Taxes

During the three and six months ended June 30, 2018, and the year ended December 31, 2017, the Company determined that a valuation allowance equal to 100% of any deferred tax asset was appropriate, as management of the Company cannot determine that it is more likely than not the Company will realize the benefit of a net deferred tax asset. The net effect is that the deferred tax asset is fully reserved for at June 30, 2018 and December 31, 2017. Management estimates the effective tax rate at 0% for the current year.

Mexican Tax Assessment

In 2015, the Mexican tax authority (“SAT”) initiated an audit of the USAMSA’s 2013 income tax return. In October 2016, as a result of its audit, SAT assessed the Company \$13.8 million pesos, which was approximately \$666,400 in U.S. Dollars (“USD”) as of December 31, 2016. Approximately \$285,000 USD of the total assessment is interest and penalties. SAT’s assessment is based on the disallowance of specific costs that the Company deducted on the 2013 USAMSA income tax return. These disallowed costs were incurred by the Company for USAMSA’s business operations. SAT claims that the costs were not deductible or were not supported by appropriate documentation. At June 30, 2018, the assessed amount is \$694,752 in U.S. dollars.

Management has reviewed the assessment notice from SAT and believes numerous findings have no merit. The Company has engaged accountants and tax attorneys in Mexico to defend its position. An appeal has been filed.

At December 31, 2016, management estimated possible outcomes for this assessment and believes it will ultimately pay an amount ranging from 30% of the total assessment to the total assessed amount. The Company’s agreement with the tax professionals is that the professionals will receive 30% of the amount of tax relief they are able to achieve.

At December 31, 2016, the Company accrued a potential liability of \$410,510 USD of which \$285,048 was for unpaid income taxes, \$75,510 was for interest expense, and \$49,952 was for penalties. The amount accrued represents management’s best estimate of the amount that will ultimately be paid. The outcome could vary from this estimate. For the three and six months ended June 30, 2018, the Company recognized a \$62,752 and \$12,752 decrease, respectively, and for the three and six months ended June 30, 2017, recognized a \$51,642 and \$10,191 decrease, respectively, due to the change in exchange rates. Fluctuation in exchange rates has an ongoing impact on the amount the Company will pay in U.S. dollars.

If an issue addressed during the SAT audit is resolved in a manner inconsistent with management expectations, the Company will adjust its net operating loss carryforward, or accrue any additional penalties, interest, and tax associated with the audit. The Company's tax professionals in Mexico have reviewed and filed tax returns with the SAT for other tax years and have advised the Company that they do not expect the Company to have a tax liability for those years relating to similar issues.

United States Antimony Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), Continued:

12.
Stockholder's Equity

Issuance of Common Stock for Payable to Board of Directors

During the six month period ended June 30, 2017, the Board of Directors was issued a total of 421,875 shares of common stock for \$168,750 in directors' fees that were payable at December 31, 2016. In addition during the three and six months ended June 30, 2017, the Company accrued \$43,750 and \$87,500, respectively, in directors' fees payable that will be paid in common stock.

On May 3, 2018, the Board of Directors was issued a total of 739,018 shares of common stock for \$175,000 in directors' fees that were payable at December 31, 2017. In addition during the quarter and six months ended June 30, 2018, the Company accrued \$43,750 and \$87,500, respectively, in directors' fees payable that will be paid in common stock.

13.
Business Segments

The Company is currently organized and managed by four segments, which represent our operating units: United States antimony operations, Mexican antimony operations, precious metals recovery and United States zeolite operations.

The Madero smelter and Puerto Blanco mill at the Company's Mexico operation brings antimony up to an intermediate stage, which may be sold directly or shipped to the United States operation for finishing at the Thompson Falls, Montana plant. The precious metals recovery plant is operated in conjunction with the antimony processing plant at Thompson Falls, Montana. The zeolite operation produces zeolite near Preston, Idaho. Almost all of the sales of products from the United States antimony and zeolite operations are to customers in the United States.

Segment disclosure regarding sales to major customers is located in Note 4.

Properties, plants

and equipment, net: June 30, 2018 December 31, 2017

Antimony

United States	\$1,661,616	\$1,687,997
Mexico	11,266,118	11,452,507
Subtotal Antimony	12,927,734	13,140,504
Precious metals	649,741	642,774
Zeolite	1,277,151	1,349,619
Total	\$14,854,626	\$15,132,897

Total Assets: June 30, 2018 December 31, 2017

Antimony

United States	\$2,317,937	\$2,510,323
Mexico	11,950,342	12,073,219
Subtotal Antimony	14,268,279	14,583,542
Precious metals	649,741	642,774
Zeolite	1,827,447	1,904,938
Total	\$16,745,467	\$17,131,254

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United States Antimony Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), Continued:

13.
Business Segments, Continued:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017

Capital expenditures:

Antimony

United States	\$-	\$-	\$-	\$-
Mexico	70,892	47,033	110,977	75,716
Subtotal Antimony	70,892	47,033	110,977	75,716
Precious Metals	-	16,582	40,988	59,582
Zeolite	8,691	8,030	22,423	15,946
Total	\$79,583	\$71,645	\$174,388	\$151,244

Segment Operations for the three months ended June 30, 2018	Antimony USA	Antimony Mexico	Total Antimony	Precious Metals	Zeolite	Totals
Total revenues	\$1,492,520	\$-	\$1,492,520	\$81,293	\$682,534	\$2,256,347
Depreciation and amortization	\$13,170	\$97,844	\$111,014	\$17,011	\$47,072	\$175,097
Income (loss) from operations	391,895	(808,575)	(416,680)	114,801	141,826	(160,053)
Other income (expense):	(1,938)	41,630	39,692	-	(2,424)	37,268
NET INCOME (LOSS)	\$389,957	\$(766,945)	\$(376,988)	\$114,801	\$139,402	\$(122,785)

Segment Operations for the three months ended June 30, 2017	Antimony USA	Antimony Mexico	Total Antimony	Precious Metals	Zeolite	Totals
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Total revenues	\$2,077,300	\$-	\$2,077,300	\$144,766	\$616,414	\$2,838,480
Depreciation and amortization	\$18,700	\$145,875	\$164,575	\$-	\$49,800	\$214,375
Income (loss) from operations	844,257	(1,089,834)	(245,577)	144,766	132,640	31,829
Other income (expense):	(11,965)	(33,605)	(45,570)	-	(3,214)	(48,784)
NET INCOME (LOSS)	\$832,292	\$(1,123,439)	\$(291,147)	\$144,766	\$129,426	\$(16,955)

United States Antimony Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), Continued:

13.
Business Segments, Continued:

Segment Operations for the six months ended June 30, 2018	Antimony USA	Antimony Mexico	Total Antimony	Precious Metals	Zeolite	Totals
Total revenues	\$3,174,333	\$-	\$3,174,333	\$141,703	\$1,373,240	\$4,689,276
Depreciation and amortization	\$26,380	\$297,366	\$323,746	\$34,021	\$94,892	\$452,659
Income (loss) from operations	589,934	(1,551,357)	(961,423)	107,682	293,919	(559,822)
Other income (expense):	(2,716)	(29,488)	(32,204)	-	(5,199)	(37,403)
NET INCOME (LOSS)	\$587,218	\$(1,580,845)	\$(993,627)	\$107,682	\$288,720	\$(597,225)

Segment Operations for the six months ended June 30, 2017	Antimony USA	Antimony Mexico	Total Antimony	Precious Metals	Zeolite	Totals
Total revenues	\$4,046,026	\$17,782	\$4,063,808	\$165,577	\$1,228,426	\$5,457,811
Depreciation and amortization	\$38,200	\$292,050	\$330,250		\$99,800	\$430,050
Income (loss) from operations	1,173,160	(1,841,012)	(667,852)	165,577	222,232	(280,043)
Other income (expense):	(23,044)	(98,569)	(121,613)	-	(6,602)	(128,215)