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

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

FORM 10-Q
(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, 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 X 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 X 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 ____
Non-Accelerated Filer ____ Smaller reporting company X
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 X

At November 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 SEPTEMBER 30, 2018
(UNAUDITED)

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PART I-FINANCIAL INFORMATION

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Consolidated Balance Sheets (Unaudited)

ASSETS

	September 30, 2018	December 31, 2017
Current assets:		
Cash and cash equivalents	$519,282	$27,987
Certificates of deposit	252,954	252,298
Accounts receivable, net	574,216	362,579
Inventories	716,896	914,709
Other current assets	-	4,697
Total current assets	2,063,348	1,562,270
Properties, plants and equipment, net	14,866,458	15,132,897
Restricted cash for reclamation bonds	57,234	63,345
IVA receivable and other assets	464,334	372,742
Total assets	$17,451,374	$17,131,254

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2018	December 31, 2017
Current liabilities:		
Checks issued and payable	$41,820	$28,248
Accounts payable	2,304,976	2,276,357
Due to factor	16,048	10,880
Accrued payroll, taxes and interest	135,299	185,283
Other accrued liabilities	330,064	168,578
Payables to related parties	56,337	22,668
Deferred revenue	32,400	60,049
Notes payable to bank	100,000	192,565
Income taxes payable (Note 11)	-	443,110
Long-term debt, current portion, net of discount	669,407	546,988
Total current liabilities	3,686,351	3,934,726
Long-term debt, net of discount and current portion	1,001,563	1,239,126
Hillgrove advances payable	1,134,196	1,134,221
Common stock payable to directors for services	131,250	175,000

Asset retirement obligations and accrued reclamation costs	276,183	271,572
Total liabilities	6,229,543	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	(25,894,102)	(26,564,324)
Total stockholders' equity	11,221,831	10,376,609
Total liabilities and stockholders' equity	$17,451,374	$17,131,254

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

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United States Antimony Corporation and Subsidiaries

Consolidated Statements of Operations (Unaudited)

	For the three months ended		For the nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
REVENUES	$2,091,725	$2,369,714	$6,781,001	$7,827,525
COST OF REVENUES	2,268,854	2,315,646	6,871,870	7,381,020
GROSS PROFIT (LOSS)	(177,129)	54,068	(90,869)	446,505
OPERATING EXPENSES):				
General and administrative	151,825	130,698	489,067	480,482
Salaries and benefits	93,723	97,487	281,596	282,263
Professional fees	211,583	53,045	332,550	190,965
Gain on plant acquisition (Note 13)	(1,500,000)	-	(1,500,000)	-
TOTAL OPERATING EXPENSES (INCOME)	(1,042,869)	281,230	(396,787)	953,710
INCOME (LOSS) FROM OPERATIONS	865,740	(227,162)	305,918	(507,205)
OTHER INCOME (EXPENSE):				
Interest income	19	19	849	857
Gain on tax settlement (Note 11)	443,110	-	443,110	-
Interest expense	(27,516)	(25,960)	(76,163)	(80,764)
Foreign exchange gain (loss)	(12,752)	2,642	-	(49,000)
Factoring expense	(1,154)	(12,104)	(3,492)	(34,711)
TOTAL OTHER INCOME (EXPENSE)	401,707	(35,403)	364,304	(163,618)
INCOME (LOSS) BEFORE INCOME TAXES	1,267,447	(262,565)	670,222	(670,823)
Preferred dividends	(12,162)	(12,162)	(36,487)	(36,487)
Net income (loss) available to common stockholders	$1,255,285	$(274,727)	$633,735	$(707,310)

Net income (loss) per share of common stock:				
Basic	$0.02	NIL	$0.01	$(0.01)
Diluted	$0.02	NIL	$0.01	$(0.01)
Weighted average shares outstanding:				
Basic	68,227,171	67,488,153	67,894,207	67,387,337
Diluted	68,373,471	67,488,153	67,992,339	67,387,337

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

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United States Antimony Corporation and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)

	For the nine months ended	
	September 30, 2018	September 30, 2017
Cash Flows From Operating Activities:		
Net income (loss)	$670,222	$(670,823)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	678,010	637,225
Gain on tax settlement	(443,110)	-
Gain on plant acquisition	(1,500,000)	-
Amortization of loan discount	63,360	70,242
Accretion of asset retirement obligation	4,611	4,342
Common stock payable for director fees	131,250	131,250
Foreign exchange (gain) loss	-	49,000
Other non-cash items	(681)	(682)
Change in:		
Accounts receivable, net	(211,637)	55,722
Inventories	197,813	(84,243)
Other current assets	4,697	(790)
Other assets	(91,592)	(83,437)
Accounts payable	28,619	402,207
Accrued payroll, taxes and interest	(49,984)	(50,862)
Deferred revenues	(27,649)	-
Other accrued liabilities	161,486	30,305
Payables to related parties	33,669	1,797
Net cash provided (used) by operating activities	(350,916)	491,253
Cash Flows From Investing Activities:		
Purchase of properties, plants and equipment	(411,571)	(279,465)
Proceeds from plant acquisition	1,500,000	-
Net cash provided (used) by investing activities	1,088,429	(279,465)
Cash Flows From Financing Activities:		
Net proceeds from (payments to) factor	5,168	13,338
Checks issued and payable	13,572	12,726

Advances from related party	125,000	-
Payments on advances from related party	(125,000)	-
Principal payments on notes payable to bank	(92,565)	(64,291)
Principal payments on long-term debt	(178,504)	(156,042)
Net cash provided (used) by financing activities	(252,329)	(194,269)
NET INCREASE IN CASH AND CASH EQUIVALENTS	485,184	17,519
Cash and cash equivalents and restricted cash at beginning of period	91,332	73,332
Cash and cash equivalents and restricted cash at end of period	$576,516	$90,851
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Noncash investing and financing activities:		
Common stock payable issued to directors	$175,000	$168,750

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

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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 nine month periods ended September 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 September 30, 2018, the Company's consolidated financial statements show negative working capital of approximately $1.6 million and accumulated deficit of approximately $25.9 million. In addition, although the Company has a net income for the third quarter of 2018, the Company has had recurring operating 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 were stable or improved slightly during 2018. Through September 30, 2018, the average sale price for antimony is approximately $4.14 per pound. Additionally, in November 2017, the Company renegotiated its domestic sodium antimonite supply agreement with our North American supplier resulting in a lower cost per antimony per pound of approximately $0.44. During the first nine months of 2018, we endured supply interruptions from our North American supplier, and they have notified us that we will not be receiving normal shipments until 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 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 in 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. In addition, a new leach circuit expected to come on line during 2019 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.

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

1.
Basis of Presentation, Continued:

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.

In the third quarter of 2018, we closed on an agreement to purchase and dismantle an antimony processing plant in Reynosa, Mexico. The agreement was structured as a capital purchase agreement, and we were paid $1,500,000 to assist us in the plant closure and salvage operation (See Note 13). We expect that we will be able to complete the closure and salvage for less than that amount and use any remaining proceeds and salvaged equipment to enhance and improve our Mexican antimony operations. In addition, in the third quarter of 2018 we settled the tax assessment from the Mexican government completely in our favor (See Note 11). The accrual of $443,110 recorded as a potential tax liability in prior years was reversed and recognized as a gain during the quarter ended September 30, 2018. We paid our Mexican tax representatives $157,500 to negotiate the tax settlement, and we reported this expense as professional fees. Both of these transactions improved our net working capital position.

Subsequent to September 30, 2018, on November 7, 2018, the Company agreed to sell real property acquired in the Reynosa transaction for $700,000. The agreement calls for a down payment of $150,000 which we received on November 8, 2018, payment of $150,000 on December 8, 2018, and two more payments of $200,000 each on January 8 and February 8, 2019.

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 additional operating capital, will enable the Company to 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 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 nine months ended September 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.

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

2.
Developments in Accounting Pronouncements, Continued:

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 $57,234 as of September 30, 2018 and $63,345 as of December 31, 2017 and $63,274 as of September 30, 2017 and December 31, 2016, as well as amounts previously reported for cash and cash equivalents.

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.

Included in the calculation of diluted earnings per share for the quarter and nine month periods ended September 30, 2018 are 250,000 shares of stock warrants. For the three and nine months ended September 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:

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

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

4.
Revenue Recognition

Our products consist of the following:

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

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

Precious Metals: includes unrefined and 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.

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 nine month periods ended September 30, 2018 and 2017 were as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Antimony	$1,366,540	$1,796,776	$4,540,873	$5,860,584
Zeolite	653,365	494,694	2,026,605	1,723,120
Precious metals	71,820	78,244	213,523	243,821
	$2,091,725	$2,369,714	$6,781,001	$7,827,525

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
United States	$1,876,218	$2,208,417	$6,151,068	$7,284,803
Canada	215,507	161,297	629,933	542,722
	$2,091,725	$2,369,714	$6,781,001	$7,827,525

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

4.
Revenue Recognition, Continued:

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

	For the Three Months Ended	For the Nine Months Ended
Sales to Three	September 30,	September 30,