ATLAS MINING CO
Form 10QSB
November 20, 2006

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

(Mark One)

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2006

|_| Transition report under Section 13 or 15(d) of the Exchange Act.

For the transition period from ______________ to ______________

Commission file number 000-31380

ATLAS MINING COMPANY
(Exact name of registrant as specified in its charter)

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

630 East Mullan Avenue, Osburn, Idaho	83849
(Address of principal executive offices)	(Zip Code)

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

Former name, former address and formal fiscal year, if changed since last report: N/A

Indicate by check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES /X/ NO /_/

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES /_/ NO /X/

The number of shares outstanding of each of the issuer's classes of common equity as of November 14, 2006 was as follows: 50,281,367 shares of Common Stock.

Transitional Small Business Disclosure Format: YES /_/ NO /X/

ATLAS MINING COMPANY
THIRD QUARTER 2006 REPORT ON FORM 10-QSB
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(Unaudited)

ASSETS

	September 30, 2006	December 31, 2005
	(unaudited)	

Current Assets		
Cash	$ 278,378	$ 2,215,930
Accounts receivable (net of allowance of $0)	520,655	40,174
Investments - available for sale	23,128	19,538
Advances	96	750
Deposits and prepaids	190,484	100,454
Total Current Assets	1,012,741	2,376,846
Property and Equipment		
Land and tunnels	1,129,034	1,005,159
Land improvements	24,111	-
Buildings and equipment	259,521	188,192
Mining equipment	963,508	244,499
Milling equipment	556,242	247,714
Drilling equipment	61,516	-
Office equipment	1,300	26,689
Vehicles	128,240	111,259
Less: Accumulated depreciation	(398,299)	(229,310)
Total Property and Equipment	2,725,173	1,594,200
Other Assets		
Long-term Note Receivable	50,419	50,000
Mining supplies	9,000	9,000
Total Other Assets	59,419	59,000
Total Assets	$ 3,797,333	$ 4,030,045

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

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Atlas Mining Company and Subsidiary
Consolidated Balance Sheets
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2006 (unaudited)	December 31, 2005
Current Liabilities		
Accounts payable and accrued liabilities	$ 299,119	$ 101,532
Current portion of long-term debt	284,778	25,973
Current portion of capital lease liabilities	43,002	-
Total Current Liabilities	626,899	127,505
Long-Term Liabilities		
Notes payable, net of current portion	125,562	23,688
Capital lease liabilities, net of current portion	33,934	-

Total Long-Term Liabilities	159,496	23,688
Minority Interest	52,797	52,797
Stockholders' Equity (Deficit)		
Preferred stock, $1.00 par value, 10,000,000 shares authorized, noncumulative, nonvoting, nonconvertible, none issued or outstanding	-	-
Common stock, no par value, 60,000,000 shares authorized, 49,491,367 and 48,852,892 shares issued and outstanding, respectively	14,505,525	13,598,660
Cost of treasury stock, 1,313,022 in 2006 and 2005	(131,221)	(131,221)
Accumulated Deficit	(11,416,337)	(9,641,558)
Accumulated other comprehensive income (loss)	174	174
Total Stockholders' Equity (Deficit)	2,958,141	3,826,055
Total Liabilities and Stockholders' Equity	$ 3,797,333	$ 4,030,045

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

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Atlas Mining Company
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenues - Contract Mining	$ 1,144,762	$ 234,448	$ 2,246,591	$ 392,926
Revenues - Mining Production	-	-	-	-
Revenues - Timber	-	-	-	-
Total Revenues	1,144,762	234,448	2,246,591	392,926
Cost of Sales - Contract Mining	690,744	145,119	1,392,989	324,382
Cost of Sales - Mining Production	-	9,229	-	21,188
Cost of Sales - Timber	-	5,734	-	6,268
Total Cost of Sales	690,744	160,082	1,392,989	351,838
Gross Profit (Loss)	454,018	74,366	853,602	41,088
Operating Expenses				
Exploration & development costs	458,129	198,475	1,581,340	494,978
Mining production costs	74,938	-	255,798	-
General & administrative	229,314	283,973	797,278	2,223,778
Total Operating Expenses	762,381	482,448	2,634,416	2,718,756

Net Operating Income (Loss)	(308,363)	(408,082)	(1,780,814)	(2,677,668)
Other Income(Expense)				
Interest income	4,871	16,204	25,942	16,720
Interest expense	(18,554)	(37,364)	(20,040)	(76,847)
Miscellaneous Income	51	15	133	21
Minority Interest	-	-	-	3
Gain (Loss) on Settlement of Debt	-	17,618	-	51,042
Total Other Income (Expense)	(13,632)	(3,527)	6,035	(9,061)
Income (Loss) Before Income Taxes	(321,995)	(411,609)	(1,774,779)	(2,686,729)
Provision (Benefit) for Income Taxes	-	-	-	-
Net Income (Loss)	$ (321,995)	$ (411,609)	$(1,774,779)	$(2,686,729)
Net Income (Loss) Per Share	$ (0.01)	$ (0.01)	$ (0.04)	$ (0.06)
Weighted Average Shares Outstanding	49,444,280	48,221,558	49,001,524	44,034,104

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

Atlas Mining Company and Subsidiary
Consolidated Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended September 30,	
	2006	2005
Cash Flows from Operating Activities:		
Net Income (Loss)	$(1,774,779)	$(2,686,729)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operations:		
Depreciation	168,806	82,873
Amortization	182	-
Stock issued for services	45,000	1,251,387
Warrants issued for services	-	390,489
Compensation for options	50,550	-
Gain on Settlement of Debt	-	(51,042)
Change in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	(480,482)	140,065
Deposits and prepaids	(90,030)	(17,336)
Notes receivable	(419)	-

Other current receivables	654	(231)
Accounts payable and accrued expenses	197,587	(185,126)
Net Cash Provided(Used) by Operating Activities	(1,882,931)	(1,075,650)
Cash Flows from Investing Activities:		
Purchases of equipment	(979,975)	(627,141)
Purchases of land improvements	(24,111)	-
Purchases investment in land and tunnels	(123,876)	-
Purchases of vehicles	(16,980)	-
Purchases of investments	(3,590)	-
Net Cash Provided (Used) by Investing Activities	(1,148,532)	(627,141)
Cash Flows from Financing Activities:		
Payments on notes payable	(76,735)	(979,320)
Payments on capital leases	(77,374)	-
Proceeds from notes payable	436,705	-
Proceeds from issuance of common stock	811,315	5,160,056
Net Cash Provided (Used) by Financing Activities	1,093,911	4,180,736
Increase (Decrease) in Cash	(1,937,552)	2,477,945
Cash and Cash Equivalents at Beginning of Period	2,215,930	206,635
Cash and Cash Equivalents at End of Period	$ 278,378	$ 2,684,580

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

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Atlas Mining Company
Consolidated Statements of Cash Flows (Continued)
(Unaudited)

	For the Nine Months Ended September 30,	
	2006	2005
Cash Paid For:		
Interest	$ 27,847	$ 76,847
Income Taxes	$ -	$ -
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Stock issued for services	$ 45,000	$ 1,251,387
Stock issued for notes payable	$ -	$ 150,000
Warrants issued for services	$ -	$ 390,489
Leasing activity for equipment purchases	$ 155,019	$ -

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

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Atlas Mining Company and Subsidiary
Notes to the Consolidated Financial Statements
September 30, 2006

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

Atlas Mining Company ("the Company") was incorporated in the state of Idaho on March 4, 1924. The Company was formed for the purpose of exploring and developing the Atlas mine, a consolidation of several patented mining claims located in Coeur d'Alene mining district near Mullan, Idaho. The Company eventually became inactive as a result of low silver prices.

In September 1997, the Company became active and purchased substantially all of the operating equipment and mining supplies from Fausett International, Inc., a related party. The purchase price totaled $1,416,099, which consisted of $50,000 cash, 875,000 shares of the Company's common stock valued at $350,000 and a note payable of $1,016,094. After the purchase, the Company commenced contracting operations through the trade name, Atlas Fausett Contracting. Through Atlas Fausett Contracting, the Company provides shaft sinking, underground mine development and contracting primarily to companies in the mining and civil industries. In 2002, the Company settled out the debt to Fausett International, Inc. and returned a majority of the unusable equipment; however the Company continues to pursue contracting activities. The Company also pursues property acquisitions and resource development projects.

In 1997 and 1998, the Company was to exchange 844,560 shares of its common stock for all of the outstanding shares of Sierra Silver Lead Mines, Inc. (Sierra), an Idaho corporation. The Company has been unable to locate some of the shareholders of Sierra, and, as of September 30, 2006, 384,465 shares of the Company's common stock had not been exchanged. Therefore, the Company agreed to transfer the stock to an Atlas Mining Company Trust account in trust for the unlocated shareholders of Sierra Silver. The acquisition of Sierra has been recorded as a purchase. The purchase price totaled $276,157. All of the assets and liabilities of Sierra were transferred to the Company and Sierra ceased to exist.

In April 1999, the Company exchanged 741,816 shares of its common stock and paid cash of $15,770 for all of the outstanding shares of Olympic Silver Resources, Inc. (Olympic), a Nevada corporation. Olympic holds the rights to the San Acacio Mine in Zacatecas, Mexico. The purchase price totaled $228,566. The acquisition has been recorded as a purchase and all of the assets and liabilities were transferred to the Company. In 2001, the Company did not renew the rights to the property due to increased carrying costs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In 1998 and 1999, the Company exchanged 71,238 shares of its common stock for 53% of the outstanding shares of Park Copper and Gold Mining, Ltd. (Park Copper), an Idaho corporation. The purchase price totaled $72,825. The acquisition was recorded as a purchase.

In July 2001, Atlas Mining Company began leasing the Dragon Mine from Conjecture Silver Mines, Inc. of Spokane, Washington. Conjecture Mines has since been merged into Chester Mines, Inc. at the same location. The Company initially paid 400,000 shares of our common stock, valued at $100,000, for a one-year lease. Under the terms of the lease agreement, the Company had the right to renew the lease annually in exchange for 100,000 additional shares of common stock, or the option to purchase the property for $500,000 if $1,000,000 in sales were realized from the mine in a 12-month period. The Company exercised the option to purchase the Dragon Mine on August 18, 2005 for $500,000. The property consists of 38 patented mining claims on approximately 230 acres. The Dragon Mine is located in Eureka, Utah.

b. Revenue Recognition

Revenue is recognized when earned. The Company's revenue recognition policies are in compliance the Securities and Exchange Commission Staff Accounting Bulletin No. 101 and 104. The Company sells contract mining services, mined halloysite clay, and raw timber.

Revenue for contract mining services is recognized once a contract with a fixed and determinable fee has been established, the services have been rendered, and collection is reasonably assured.

Revenue for mined halloysite clay is recognized upon shipment and customer acceptance, once a contract with a fixed and determinable fee has been established, and collection is received or the resulting receivable is deemed probable. Certain of the Company's sales contracts call for a fixed price per ton plus a percentage of future sales revenue on the resale of product. Revenues are recorded at the time of sale based upon the fixed price per ton upon shipment. Revenues from the future resale of the product are recognized upon receipt as amounts are not easily or readily determinable.

Revenue for harvested raw timber is recognized once it has been shipped to the mill, a contract with a fixed and determinable fee has been established, and collection is received or the resulting receivable is deemed probable.

Atlas Mining Company and Subsidiary
Notes to the Consolidated Financial Statements
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Bad Debts

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

d. Basis of Consolidation

The Company's investments representing a 50% or greater interest are consolidated. The consolidated financial statements presented reflect the accounts of Atlas Mining Company, and Park Copper & Gold. At both September 30, 2006 and December 31, 2005 the Company held a 53% ownership interest in Park Copper & Gold. The Company recorded no liability for the 47% non-controlling interest as Park Copper & Gold had a stockholders deficit at the time of merger. Further, the net loss for Park Copper & Gold for the periods ended September 30, 2006 and December 31, 2005 applicable to the 47% non-controlling interest were not allocated to the non-controlling interest as there is no obligation of the non-controlling interest to share in such losses. All significant inter-company transactions between the parent and subsidiary have been eliminated in consolidation.

e. Earnings (Loss) Per Share

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

	Net Loss (Numerator)	Shares (Denominator)	Per-Share Amount
For the period ended September 30, 2006:			
Basic EPS			
Net loss to common shareholders	$(1,774,779)	49,001,524	$ (0.04)
For the period ended September 30, 2005:			
Basic EPS			
Net loss to common shareholders	$(2,686,729)	44,034,104	$ (0.06)

f. Cash and Cash Equivalents

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

Atlas Mining Company and Subsidiary
Notes to the Consolidated Financial Statements
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences, and operating loss, tax credit carry-forwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

h. Available-for-Sale Investments

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

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

	Cost	Gross Unrealized Gains	Unrealized Losses	Gross Estimated Fair Value
September 30, 2006	$ 23,128	$ 174	$ -	$ 23,020
December 31, 2005	$ 19,364	$ 174	$ -	$ 19,538

i. Mining Supplies

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

Atlas Mining Company and Subsidiary
Notes to the Consolidated Financial Statements
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. In these financial statements, assets and liabilities involve extensive reliance on management's estimates. Actual results could differ from those estimates.

k. Property and Equipment

Property and equipment are carried at cost. Depreciation and amortization is computed on the straight-line method over the estimated useful lives of the assets as follows:

	Estimated Useful Life
Building	39 years
Land improvements	20 years
Mining equipment	2-8 years
Office and shop furniture and equipment	5-8 years
Vehicles	5 years

In accordance with Financial Accounting Standards Board Statement No. 144, the Company records impairment of long-lived assets to be held and used or to be disposed of when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount. At September 30, 2006 and December 31, 2005, no impairments were recognized. Depreciation expense for the quarters ended September 30, 2006 and 2005 totaled $168,806 and $82,873, respectively.

l. Financial Instruments

The recorded amounts of financial instruments, including cash equivalents, receivables, investments, accounts payable and accrued expenses, and long-term debt approximate their market values as of September 30, 2006 and 2005. The Company has no investments in derivative financial instruments.

Atlas Mining Company and Subsidiary
Notes to the Consolidated Financial Statements
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Mining Exploration and Development Costs

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

At September 30, 2006, all exploration costs have been expensed. During the quarter ended September 30, 2006, the Company recognized no revenue from the sale of halloysite clay.

n. Stock Options

The Company has stock option plans that provide for stock-based employee compensation, including the granting of stock options, to certain key employees. The plans are more fully described in Note 5. Prior to January 1, 2006, the Company applied APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations in accounting for awards made under the Company's stock-based compensation plans. Under this method, compensation expense was recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price.

During the periods presented in the accompanying financial statements, the Company has adopted the provisions of SFAS No. 123R using the modified-prospective transition method and the disclosures that follow are based on applying SFAS No. 123R. Under this transition method, compensation expense recognized during the nine months ended September 30, 2006 included: (a) compensation expense for all share-based awards granted prior to, but not yet vested as of January 1, 2006, and (b) compensation expense for all share-based awards granted on or after January 1, 2006. Accordingly, no compensation expense has been recognized for grants of options to employees and directors in the accompanying statements of operations for the period ended September 30, 2006. In accordance with the modified-prospective transition method, the Company's financial statements for the prior year have not been restated to reflect, and do not include, the impact of SFAS 123R. Had compensation cost for the Company's stock option plans and agreements been determined based on the fair value at the grant date for awards in 2005 consistent with the provisions of SFAS No. 123R, the Company's net loss and basic net loss per common share would have been increased to the pro forma amounts indicated below:

Atlas Mining Company and Subsidiary
Notes to the Consolidated Financial Statements
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Stock Options Continued

		2005
Net Loss	As reported	$(1,887,131)
Deduct: Total stock-based employee compensation expense determined under fair value based method		(101,100)
	Proforma	$(1,988,231)
Basic earnings per share	As reported	$ (0.05)
	Proforma	$ (0.05)

o. Recently Enacted Accounting Standards

In December 2004, the FASB issued SFAS No. 123(R), "Share-Based Payment." This Statement is a revision to SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123(R) requires the measurement of the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost will be recognized over the period during which an employee is required to provide service in exchange for the award. No compensation cost is recognized for equity instruments for which employees do not render service. When adopted, the Company will be required to recognize compensation cost as expense for the portion of outstanding unvested awards, based on the grant-date fair value of those awards calculated using an option pricing model. Statement 123(R) is effective for small business issuers at the beginning of the first interim or annual period beginning after December 15, 2005. Management is currently evaluating the impact SFAS No. 123(R) will have on the Company's results of operations as a result of adopting this new Standard.

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations an interpretation of FASB Statement No. 143" ("FIN 47"). FIN 47 clarifies that the term conditional asset retirement obligation as used in FASB Statement No. 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event.

o. Recently Enacted Accounting Standards (Continued)

Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. This Interpretation is effective no later than the end of fiscal years ending after December 15, 2005. The adoption of FIN 47 did not have a material impact on the Company's financial position or results of operations.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154") which replaces Accounting Principles Board Opinions No. 20 "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements An Amendment of APB Opinion No. 28." SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company is currently evaluating the effect that the adoption of SFAS 154 will have on its consolidated results of operations and financial condition but does not expect it to have a material impact.

In October 2005, the FASB issued FSP FAS 13-1, "Accounting for Rental Costs Incurred During a Construction Period" ("FSP FAS 13-1") which requires companies to expense rental costs associated with ground or building operating leases that are incurred during the construction period. FSP FAS 13-1 is effective in first reporting period beginning after December 15, 2005. The Company does not expect that this pronouncement will have a material effect on its financial statements.

NOTE 2 -GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company is dependent upon raising capital to continue operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management has sold shares of its restricted stock in the past year to help support its financing activities and reduce the Company's debt. The Company has continued to obtain additional work in its contracting entity and intends to bring the Dragon Mine into production. The Company believes these actions will help to solidify their continued operations. Management feels the elimination of the Company's debts, the revenue stream from contracting and halloysite clay sales, and the sale of stock will provide sufficient cash flows to continue as a going concern.

Notes to the Consolidated Financial Statements
September 30, 2006

NOTE 3 - LONG-TERM LIABILITIES

Long- term liabilities are detailed in the following schedules as of September 30, 2006 and December 31, 2005:

	September 30, 2006	December 31, 2005
Note payable to a leasing company, due in monthly installments of $2,135, including interest at 18.62%. The note matures in March 2008 and is collateralized equipment.	$ 34,892	$ -
Note payable to a leasing company, due in monthly installments of $1,605, including interest at 17.03%. The note matures in May 2009 and is collateralized equipment.	41,052	-
Note payable to a leasing company, due in monthly installments of $676, including interest at 1.35%. The note matures in June 2008 and is collateralized equipment.	14,024	-
Note payable to a leasing company, due in monthly installments of $13,000, including interest at 10%. The note matures in February 2007 and is collateralized equipment.	61,600	-
Note payable to a leasing company, due in annual installments of $15,573, including interest at 8.589%. The note matures in August 2011 and is collateralized equipment.	61,225	-
Note payable to a leasing company, due in monthly installments of $7,500, including interest at 10%. The note matures in January 2007 and is collateralized equipment.	62,500	-
Balance forward to next page	275,293	-

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Atlas Mining Company and Subsidiary
Notes to the Consolidated Financial Statements
September 30, 2006

NOTE 3 - LONG-TERM LIABILITIES (Continued)

September 30, December 31,

	2006	2005
Balance forward from previous page	$ 275,293	$ -
Note payable to a leasing company, due in monthly installments of $479, including interest at 0.19%. The note matures in October 2009 and is collateralized equipment.	16,000	-
Note payable to a lending company, due in monthly installments of $688, including interest at 7.59%. The note matures in March 2010 and is collateralized by a vehicle.	25,268	29,888
Note payable to an insurance company, due in monthly installments of $12,767. The note matures in July 2007.	93,780	19,773
Total Notes Payable	$ 410,341	$ 49,661
Less Current Portion	(284,778)	(25,973)
Total Long-Term Liabilities	$ 125,563	$ 23,688

Future minimum principal payments on notes payable are as follows:

2006	$ 99,588
2007	197,680
2008	52,812
2009	30,696
2010	15,224
Thereafter	14,341
Total	$ 410,341

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Atlas Mining Company and Subsidiary
Notes to the Consolidated Financial Statements
September 30, 2006

NOTE 4 -RELATED PARTY TRANSACTIONS

During 2006 and 2005, an officer loaned the Company $0 and $1,670, respectively. The loan was repaid to the officer during the 3rd quarter of 2005. The balance of the note payable at September 30, 2006 and December 31, 2005 is $0 and $0, respectively.

NOTE 5 - STOCK OPTIONS

In 1998, the Company adopted a non-qualified stock option plan authorizing the granting to officers, directors, or employees options to purchase common stock. Options are granted by the Administrative Committee, which is elected by the Board of Directors. The number of options granted under this plan and any other plans active may not exceed 10% of the currently issued and outstanding shares of the Company's common stock. The term of each option granted is determined by the Committee, but cannot be for more than five years from the date the option is granted. The option price per share with each option granted will be fixed by the Administrative Committee on the date of grant.

The Company adopted an incentive stock option plan in 1998. The stock option plan permits the Company to grant to key employees options to purchase shares of stock in the Company at the direction of the Committee. The price of shares purchased must be equal to or greater than fair market value of the common stock at the date. At September 30, 2006, no options have been granted under this plan.

The Company is authorized to issue stock options under one existing stock option plan approved by stockholders. The fair value of each of the Company's stock option awards is estimated on the date of grant using a Black-Scholes option-pricing model that uses the assumptions noted in the table below. Expected volatility is based on an average of historical volatility of the company's stock. The risk-free interest rate for periods within the contractual life of the stock option award is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the award is granted with a maturity equal to the expected term of the award. The Company uses historical data to estimate forfeitures within its valuation model.

The expected term of awards granted is derived from historical experience under the Company's stock-based compensation plans and represents the period of time that awards granted are expected to be outstanding.

The significant weighted average assumptions relating to the valuation of the Company's Stock Options for the nine months ended September 30, 2006 and 2005, were as follows:

NOTE 5 - STOCK OPTIONS (Continued)

	2006	2005
Dividend Yield	0%	0%
Expected Life	4 years	5 years
Expected Volatility	130%	130%
Risk-Free Interest Rate	3.44%	3.44%

During 2004, the company's board of directors approved an option to the Company's CEO to acquire up to 3.5 million shares of common stock over a five year period at $0.18 per share under the non-qualified stock option plan. The options vested 43% on January 1, 2005, and 14% on January 1, 2006 -2009.

A summary of the status of the options granted under the Company's 1998 stock option plan and other agreements and changes for the nine months ended September 30, 2006, are as follows:

	September 30, 2006			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at beginning of period	3,500,000	$0.18	3 years	$ 2,765,000
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at end of Period	3,500,000	$0.18	2.50 years	$ 5,495,000
Vested and expected to vest in the future	3,500,000	$0.18	2.50 years	
Exercisable at end of period	1,995,000	$0.18	2.50 years	$3,132,150
Weighted average fair value of options granted	-	-	-	-

The Company had 1,995,000 non-vested options at the beginning of the period with a weighted average grant date fair value of $0.269. At September 30, 2006 the Company had 1,505,000 non-vested options with a weighted average grant date fair value of $0.269.

NOTE 5 - STOCK OPTIONS (Continued)

The total intrinsic value of options exercised during the nine months ended September 30, 2006 and 2005 was $0 and $0, respectively. Intrinsic value is measured using the fair market value at the date of exercise (for shares exercised) or at September 30, 2006 and 2005 (for outstanding options), less the applicable exercise price.

Common Stock

During the quarter ended September 30, 2006, the Company sold a total of 50,000 shares of restricted common stock at a price of $0.50 per share for a total of $25,000 cash. The Company also sold a total of 3,000 shares of restricted common stock at a price of $0.25 per share for a total of $750 cash. The sales resulted from the redemption of outstanding warrants.

Stock Warrants

The Company has issued warrants to non-employees under various agreements expiring through January 2007. A summary of the status of warrants granted and outstanding at September 30, 2006, and changes during the period then ended is as follows:

	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	999,820	$ 0.54
Granted	-	-
Exercised	53,000	0.49
Forfeited	-	-
Expired	-	-
Outstanding at end of period	946,820	$ 0.49
Exercisable at end of period	946,820	0.49

NOTE 5 - STOCK OPTIONS (Continued)

A summary of the status of the warrants outstanding at September 30, 2006 is presented below:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.25	106,820	0.25 years	$0.25	106,820	$0.25
$0.40	750,000	0.33 years	$0.52	750,000	$0.52
$0.50	90,000	0.25 years	$0.50	90,000	$0.50
	946,820			946,820	

During 2005, the Company granted warrants to purchase up to 750,000 of its common shares at $0.40 per share expiring in January 2007 with a calculated weighted average fair value of $0.52 each for services. The fair value of each option granted is estimated on the date granted using the Black-Scholes option pricing model. Assumptions used to compute the weighted-average grants during the quarter ended December 31, 2005 include risk-free interest rates of 3.25%, expected dividend yields of 0%, expected life of 2 years, and expected volatility 76.36%.

During September 2006, the Company had outstanding warrants as follows:

Number of shares underlying the warrants	Exercise price	Issued	Expire
90,000	$ 0.50	With common shares	12/06
106,820	0.25	For services	12/06
750,000	0.40	For services	01/07

NOTE 6 CAPITAL LEASES

The company leases equipment under capital leases that expire in September 2006 and March through December 2008. The gross amount of assets recorded under capital leases and the associated accumulated depreciation are included under property and equipment and are as follows:

NOTE 6 CAPITAL LEASES (Continued)

	September 30, 2006	December 31, 2005
Mining Equipment	$ 155,019	$ -
Total	155,019	-
Less Accumulated Depreciation	(28,053)	-
Net Leased Equipment	$ 126,966	$ -

The Company amortizes its lease obligations over the term of each lease. Amortization expense was $28,053 and $0 for the nine month periods ended September 30, 2006 and 2005, respectively.

The future minimum lease payments are as follows for the twelve-month periods ended:

December 31,	Amount Due
2006	$ 12,837
2007	53,914
2008	28,040
2009	-
2010	-
Thereafter	-
Total minimum obligations	$ 94,791
Executory costs and interest	(17,854)
PV of minimum obligations	76,937
Current portion	(49,038)
Long-term obligations	$ 27,899

NOTE 7 - COMMITMENTS AND CONTINGENCIES

There are no significant commitments and contingencies related to the Company.

NOTE 8 SEGMENT REPORTING

The Company's Chief Operating Decision-maker, as defined in SFAS No. 131, is considered to be Atlas's CEO. The Chief Operating Decision-maker reviews separate financial information for the contract mining business segment, the mining production business segment and the timber business segment. Each of the Company's business segments offer and distribute distinct services to different customer segments. The contract mining segment provides mining services and specialized civil construction services in various locations for mine operators and exploration companies, and in the construction and natural resources industries. Other activities include site evaluation, feasibility studies, trouble-shooting and consultation prior to the undertaking of exploration and mine development. The mining production segment is located at the Dragon Mine in Juab County, Utah which contains a deposit of high quality halloysite clay. The Company is in the process of extracting this clay to sell to outside parties. The Company holds property with harvestable timber in Northern Idaho. Timber harvesting is contracted out to a qualified logger, who is able to negotiate with local timber mills on the price for the timber. The Company primarily uses the timber to generate revenues and cash flows for other operations. The Company therefore considers that it has three reportable segments under SFAS 131 during 2005 to 2006 as follows: (i) contract mining, (ii) mining production, and (iii) timber.

The Chief Operating Decision-maker evaluates performance and allocates resources based on revenues produced from operations. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. It is the Company's policy that trade between the segments is entered into at an arms-length basis.

SEGMENT REPORTING

	For the Period Ended September 30, 2006	2005
Contract Mining:		
Net Revenue	2,246,591	392,926
Operating Expenses		
Cost of Sales	1,392,989	324,382
General & Administrative	379,832	1,047,479
Total Operating Expenses	$ 1,772,821	$ 1,371,861
Net Operating Profit (Loss)	473,770	(978,935)
Capital Expenditures:	5,318	2,517
Depreciation:	7,121	525
Total Assets:	100,786	221,817

NOTE 8 SEGMENT REPORTING (Continued)

	For the Period Ended September 30, 2006	2005
Mining Production:		
Net Revenue	-	-
Operating Expenses		
Mining Production Costs	255,798	27,456
Exploration & Development Costs	1,581,340	494,978
General & Administrative	379,831	950,098
Total Operating Expenses	2,216,969	1,472,532

Net Operating (Loss)	(2,216,969)	(1,472,532)
Capital Expenditures:	1,292,109	81,381
Depreciation:	84,739	82,348
Total Assets:	3,291,137	3,402,818
Timber:		
Net Revenue	-	-
Operating Expenses		
Cost of Sales	-	-
General & Administrative	54,465	226,201
	54,465	(226,201)
Net Operating (Loss)	(54,465)	(226,201)
Capital Expenditures:	-	-
Depreciation:	-	-
Total Assets:	405,410	405,410

Atlas Mining Company and Subsidiary
Notes to the Consolidated Financial Statements
September 30, 2006

NOTE 8 SEGMENT REPORTING (Continued)

	For the Period Ended September 30, 2006	2005
Consolidated on Financial Statements:		
Total Revenues	2,246,591	392,926
Operating Expenses		
Total Cost of Sales	1,392,989	351,838
Exploration & development costs	1,581,340	494,978
Total General & Administrative	1,069,926	2,223,778
Total Operating Expenses	4,044,255	3,070,594
Net Operating (Loss)	(1,797,664)	(2,677,668)
Capital Expenditures:	1,297,427	83,898
Depreciation:	91,860	82,873
Total Assets	3,797,333	4,030,045

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

FORWARD LOOKING STATEMENTS

This Form 10-QSB contains forward-looking statements, including statements regarding the expectations of future operations. For this purpose, any statements contained in this Form 10-QSB that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "estimate," or "continue" or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within the Company's control. These factors include, but are not limited to, economic conditions generally and in the industries in which the Company may participate, competition within the chosen industry, including competition from much larger competitors, technological advances, and the failure to successfully develop business relationships. In light of these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. This item should be read in conjunction with "Item 1. Financial Statements" and other items contained elsewhere in this report.

OVERVIEW

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

Our primary source of revenue is generated by our Atlas Fausett Contracting operations. However, we also have exploration targets and timber. As a result, we are providing Management's discussion on our plan of operation.

CONTRACT MINING

Our contract mining generates our revenues. This may decrease as we are able to increase operations on our owned properties, and at that time we will adjust our resources accordingly. At this time, we anticipate that our contracting will remain a significant portion of our business.

PROPERTY EXPLORATION

We intend to continue our exploration activities for halloysite clay and other minerals, and intend to acquire commercially feasible properties that can be put into production with minimal environmental problems and with limited financial resources. We do not intend to seek out and acquire other properties unless they fit into the parameters we have set. Further, we will limit our acquisitions based on our ability to conduct our feasibility surveys and other exploration. Work on these properties, and until we have been able to bring our existing acquisitions into an income generating stage.

In August 2001, we acquired the Dragon Mine in Juab, Utah and began our halloysite clay exploration. Our exploration and development expenses for the period ending September 30, 2006 and September 30, 2005 were $458,129 and $198,475, respectively, on the halloysite clay project.

The halloysite clay is considered a non-toxic material, and we feel we can produce a sellable product with minimal environmental consequences using proper containment and processing techniques. The intended processing will be the crushing, drying, separating, and packaging of the product for shipment. In 2003 and 2004 we completed diamond drilling programs to verify location of clay beds at the Dragon Mine. In 2006 we continued our diamond drilling program. With that information we have been able to formulate development and mining plans. During 2005 and 2006 we have worked to develop and bring the Dragon Mine into a production stage.

Our halloysite clay marketing efforts include contacting potential customers and distributors, which we have done. Each buyer may have different uses for the product and, therefore, the prices, qualities, and quantities will vary as a result. The sale of product cannot be formalized until we have verified our ability to provide the quality and quantities as required by the potential buyers. From results of the product samples distributed, we have numerous potential buyers. In March, 2006 we activated Nano Clay and Technologies, Inc., a wholly owned subsidiary, and hired Dr. Ron Price as its President and Chief Executive Officer, to pursue these activities. Dr. Price has developed and installed more efficient processing methods at the Dragon Mine and has established contacts with potential buyers for both micro-tubular encapsulation, as well as conventional users.

Until the Dragon mine is producing in a profitable manner we are not aggressively trying to develop other properties. However, it is our intent to look for other properties that can be acquired, developed and mined with minimal costs, and environmental concerns.

We have a mining plan and reclamation bond approved by the proper state authorities, have filed and received Mine Safety and Health Administration (MSHA) registration, and County permitting where applicable. In the future, we may pursue additional acquisitions and exploration of other properties for metals and industrial minerals, development of which will require submission of new mining and reclamation plans to the proper state and federal authorities.

TIMBER

Although we intend to continue to harvest timber on our property, we have not aggressively pursued any timber contracts due to our exploration efforts at the Dragon Mine. Timber harvesting is also dependent upon lumber prices and weather. We normally do not log much during the winter months.

RESULTS OF OPERATIONS

Total revenues for the nine month period ending September 30, 2006 were $2,246,591 and $392,926 for the same period ending September 30, 2005, or an increase of 472%. For the three month period ending September 30, 2006 revenues were $1,144,762 compared to $234,448 for the same period ending September 30, 2005 or an increase of 388%. In both first nine months of 2006 and 2005 all our income was received from contracting. Although we have concentrated predominately on the development of the Dragon Mine in 2006, contracting work did pick up in the second and third quarters of this year resulting in better revenues. We have three contracting projects at this time. In Idaho, we are working at the Lucky Friday Mine for Hecla Mining Company, and the Sunshine Mine for Sterling Mining. In Montana we are working for the Stillwater Mining Company. We intend to utilize the manpower resources from contracting to continue our efforts at the Dragon Mine as these projects are completed. We recognized no revenues from mining production for the first nine months of 2006 or 2005.

Gross profit (loss) for the nine month period ending September 30, 2006 was $853,602 compared to $41,088 for the same period ending September 30, 2005, a difference of $812,514. For the three month period ending September 30, 2006 gross profit (loss) was $454,018 compared to $74,366 for the same period ending September 30, 2005 a difference of $379,652. During both periods in 2006 and 2005 revenues were enough to cover costs of sales, although 2005 margins were not as good as 2006. For the nine month period ended September 30, 2006 gross profit on revenues was 38%, and was 10% for the same period in 2005. Increased revenues in 2006 reflected a larger gross profit margin.

Total operating expenses for the nine month period ending September 30, 2006 was $2,634,416 compared to $2,718,756 for the same period ending September 30, 2005 or a decrease of 3%. For the three month period ending September 30, 2006 operating expenses were $762,381 compared to $482,448 for the same period ending September 30, 2005 or an increase of 58%. Exploration and development expenses in the third quarter of 2006 were $458,129 compared to the $198,475 for the same period in 2005.

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Our net income (loss) for the nine month period ending September 30, 2006 was ($1,774,779) compared to ($2,686,729)for the same period ending September 30, 2005, or a decrease of 33.9%. The net profit (loss) for the three month period ending September 30, 2006 was ($321,995) compared to ($411,609) for the same period ending September 30, 2005, or a decrease of 21.8%. The company experienced substantial exploration and development costs in 2006 compared to 2005.

LIQUIDITY AND CAPITAL RESOURCES

To date our activities have been financed primarily through the sale of equity securities, borrowings, and revenues from Atlas Fausett Contracting and logging operations. We intend to continue pursuing contract mining work and logging of our timber properties to help pay for our operations. For the three month periods ended September 30, 2006 and 2005 contract mining accounted for 100% of the revenue. We also sold equity securities to help finance our activities.

Our total assets as of September 30, 2006 were $3,797,333, compared to $4,030,045 as of December 31, 2005. The company has decreased its current assets by $1,364,105, and increased its property and equipment by $1,130,973. Total liabilities were $786,395 as of September 30, 2006, compared to $151,193 as of December 31, 2005.

We currently have equipment leases and loans of $487,276 and accounts payable and accrued expenses of $299,119 resulting from contracting and work at the Dragon Mine. All other debts have been paid.

If we do not incur any additional debts we will be obligated to pay an average of $5,104 per month or $61,248 for the next fiscal year in debt repayment.

We do not believe we will need to obtain additional funding to pursue our business strategy during the next fiscal year. At the present time, we anticipate bringing the Dragon Mine into a positive revenue generating position. Our inability to do this may require additional capital, however, we do not foresee that this will be a problem for the next fiscal year. Although we do not have any specific plans or agreements for additional funding, should we anticipate seeking additional funding we will consider additional private placements, joint venture agreements, production financing, and/or pre-sale loans.

Our principal sources of revenue during the third quarter 2006 was from contracting activities which provided an average of $381,587 per month for the three month period ended September 30, 2006, and averaged $78,149 per month for the same period in 2005. For the nine month period ending September 30, 2006 our average monthly cash flow from contracting was $249,621, compared to $43,658 for the same period in 2005. We did not recognize any logging revenues or production sales during the third quarter 2006 or 2005. In addition, we rely on our credit facilities and any public or private sales of equity for additional cash flow.

Cash flow from financing activities for the nine month period ended September 30, 2006 was $1,093,911 compared to $4,180,737 for the same period in 2005, a difference of $3,086,825. The major factor for the difference was receipt of proceeds from issuance of common stock in 2005.

The Company spent $1,148,532 from investing activities for the nine month period ended September 30, 2006, compared to $627,141 in the same period in 2005, a difference of $521,391. The major factor for the difference was additional purchases of equipment in 2006.

Cash flow used by operating activities for the nine month period ended September 30, 2006, was ($1,882,931) compared to ($1,075,650) for the same period in 2005, a difference of $807,281. In the nine month period in 2006, although we experienced a decrease in net losses, we had an increase in accounts receivable, deposits and prepaid.

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ITEM 3. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

The Company's Chief Executive Officer and its Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a 14(c) and 15d 14(c) as of a date within 90 days of the filing date of this quarterly report on Form 10-QSB (the "Evaluation Date"), have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to it would be made known to it by others within the Company, particularly during the period in which this quarterly report on Form 10-QSB was being prepared.

(b) Changes in Internal Controls.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's disclosure controls and procedures subsequent to the Evaluation Date, nor any significant deficiencies or material weaknesses in such disclosure controls and procedures requiring corrective actions.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On August 23, 2006, we issued 11,000 shares of common stock to an accredited investor for exercised warrants for $5,250.

On September 22, 2006, we issued 40,000 shares of common stock to an accredited investor for exercised warrants for $20,000.

On September 27, 2006, we issued 2,000 shares of common stock to an accredited investor for an exercised warrant for $500.

On October 27, 2006, we issued 40,000 shares of common stock to an accredited investor for an exercised warrant for $20,000.

On November 3, 2006, we issued 750,000 shares of common stock to an accredited investor for an exercised warrant for $300,000.

Unless otherwise noted, the sales set forth above involved no underwriter's discounts or commissions and are claimed to be exempt from registration with the Securities and Exchange Commission pursuant to Section 4 (2) of the Securities Act of 1933, as amended, as transactions by an issuer not involving a public offering, the issuance and sale by the company of its securities to financially sophisticated individuals who are fully aware of the company's activities, as well as its business and financial condition, and who acquired said securities for investment purposes and understood the ramifications of same.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits

(a) EXHIBITS

The following exhibits are included in this Report:

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
31.1	Certification pursuant to Rule 13a-14 of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer and Principal Financial Officer
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer and Principal Financial Officer

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SIGNATURES

In accordance with the requirements 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.

ATLAS MINING COMPANY

Dated: November 14, 2006

/s/ William Jacobson

By: William Jacobson
Chief Executive Officer, Chief Financial Officer