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required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NOX

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller-reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer	X	Smaller Reporting Company
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NOX

The number of shares of the registrant's common stock, no par value per share, outstanding as of September 30, 2008 was 59,133,323.

DOCUMENTS

INCORPORATED BY REFERENCE: None.

ATLAS MINING COMPANY AND SUBSIDIARIES

THIRD QUARTER 2008 REPORT ON FORM 10-Q

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Signatures

Certification Under Sarbanes-Oxley Act of 2002

PREFATORY NOTE

This Quarterly Report of Form 10-Q for the quarter ended September 30, 2008 was required to be filed on November 14, 2007. On January 11, 2008, a Special Committee of the Board of Directors was appointed to review and investigate the conduct of our prior management and any issues arising therefrom. The Special Committee has reported its findings to the staff of the Securities and Exchange Commission (“SEC”) in July 2008 and issued a press release summarizing its findings in August 2008.

Generally speaking, the narrative portions of this 10-Q speak as of September 30, 2008, unless otherwise noted.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

ATLAS MINING COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets

	September 30, 2008 (Unaudited)	December 31, 2007
Current Assets		
Cash and cash equivalents	\$1,173,930	\$1,210,621
Accounts receivable	17,881	911,710
Accounts receivable – related party	- 0 -	1,618
Investments – available for sale	5,426	4,886
Advances	173	1,054
Mining supplies	40,544	40,544
Deposits and prepaids	177,867	396,217
Total Current Assets	1,415,821	2,566,650
Property, Plant and Equipment		
Land and tunnels	1,062,499	1,062,499
Land improvements	91,835	91,835
Buildings	551,383	551,383
Mining equipment	1,563,043	1,485,936
Milling equipment	805,757	886,982
Laboratory equipment	75,968	75,968
Office furniture and equipment	38,171	37,962
Vehicles	196,870	236,530
Less: Accumulated depreciation	(994,031)	(724,102)
Total Property, Plant and Equipment	3,391,495	3,704,993
TOTAL ASSETS	\$4,807,316	\$6,271,643

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

ATLAS MINING COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets

	September 30, 2008 (Unaudited)	December 31, 2007
Current Liabilities		
Accounts payable and accrued liabilities	\$748,096	\$803,752
Stock awards payable	164,500	280,000
Current portion of notes payable	44,163	111,571
Current portion of capital leases payable	119,599	153,064
Total Current Liabilities	911,858	1,348,387
Long-Term Liabilities		
Long-term portion of notes payable	- 0 -	9,481
Long-term portion of capital leases payable	199,779	344,356
Total Long-Term Liabilities	364,279	353,837
TOTAL LIABILITIES	1,276,137	1,702,224
Commitments & Contingencies	- 0 -	- 0 -
Minority Interest	52,415	52,415
Stockholders' Equity		
Preferred stock, \$1.00 par value, 10,000,000 shares authorized, non-cumulative, non-voting, non-convertible, none issued or outstanding	- 0 -	- 0 -
Common stock, no par value, 60,000,000 shares authorized, 59,133,323 and 54,173,594 shares issued and outstanding, respectively	22,088,754	19,108,111
Accumulated deficit	(18,608,524)	(14,589,101)
Accumulated other comprehensive loss	(1,466)	(2,006)
Total Stockholders' Equity	3,478,764	4,517,004
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$4,807,316	\$6,271,643

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

ATLAS MINING COMPANY AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

	For the Three Months		For the Nine Months Ended	
	Ended September 30, 2008	2007	September 30, 2008	2007
Revenues				
Contract mining	\$212,099	\$1,829,996	\$3,205,566	\$5,990,516
Total Revenues	212,099	1,829,996	3,205,566	5,990,516
Cost of Sales				
Contract mining	316,215	1,090,263	2,243,294	3,405,626
Total Cost of Sales	316,215	1,090,263	2,243,294	3,405,626
GROSS PROFIT (LOSS)	(104,116)	739,733	962,272	2,584,890
Operating (Income) Expenses:				
Exploration & development costs	129,992	401,863	257,522	1,324,133
Mining production costs	170,978	243,075	810,944	824,680
Loss on abandonment of equipment	- 0 -	2,024	- 0 -	2,024
Bad debt, accounts receivable	- 0 -	- 0 -	281,163	- 0 -
Gain on sale of equipment	- 0 -	(24,095)	(8,220)	(24,095)
Loss on disposal of equipment	5,173	- 0 -	5,173	- 0 -
General & administrative	923,783	1,427,302	2,339,424	1,940,754
Total Operating Expenses	1,229,926	2,050,169	3,686,006	4,067,496
Net Operating Loss	(1,334,042)	(1,310,436)	(2,723,734)	(1,482,606)
Other Income (Expenses)				
Interest income	523	12,436	25,626	48,817
Interest expense	- 0 -	(1,323)	(85)	(29,677)
Realized gain (loss) on securities available for sale	- 0 -	(666)	- 0 -	(223)
Special investigation fees and expenses	(441,804)	- 0 -	(1,436,605)	- 0 -
Bad debt expense, notes receivable	- 0 -	(150,000)	- 0 -	(170,000)
Gain on revaluation of stock awards	63,000	331,000	115,500	331,000
Total Other Income (Expense)	(378,281)	191,447	(1,295,564)	179,917
LOSS BEFORE INCOME TAXES	(1,712,323)	(1,118,989)	(4,019,298)	(1,300,817)
Provision (Benefit) for Income Taxes	- 0 -	- 0 -	- 0 -	- 0 -
Minority Interest	- 0 -	- 0 -	- 0 -	-0-
NET LOSS	\$(1,712,323)	\$(1,118,989)	\$(4,019,298)	\$(1,302,690)
Net Loss Per Share (Basic and Diluted)	\$(0.03)	\$(0.02)	\$(0.07)	\$(0.02)

Weighted Average Shares Outstanding	57,178,672	54,002,902	55,351,503	53,278,625
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The accompanying notes are an integral part of these consolidated financial statements.

ATLAS MINING COMPANY AND SUBSIDIARIES
 Consolidated Statements of Operations and Comprehensive Loss
 (Unaudited)

For the Nine Months
 Ended
 September 30,
 2008 2007

Net Loss	\$(4,019,298)	\$(1,302,690)
Other Comprehensive Loss:		
Change in market value of investments	540	1,504
Net Comprehensive Loss	\$(4,018,758)	\$(1,301,186)

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

ATLAS MINING COMPANY AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

For the Nine Months
Ended
September 30,
2008 2007

Cash Flows From Operating Activities:		
Net Loss	\$(4,019,298)	\$(1,032,690)
Adjustments to Reconcile Net Loss to Net Cash Used by Operations:		
Depreciation	329,441	266,777
Non-cash exercise of warrants for bonus	- 0 -	35,000
Non-cash exercise of options for compensation	- 0 -	45,257
Stock issued for directors fees	80,000	- 0 -
Valuation of options for compensation	400,519	660,002
Valuation of other non-cash compensation expense	- 0 -	926,000
Gain on revaluation of stock awards	(115,500)	(331,000)
Gain on sale of equipment	(8,220)	(24,095)
Loss on disposition of equipment	5,173	2,024
Realized loss on securities available for sale	- 0 -	223
Uncollectible notes receivable	281,163	-0-
Change in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Notes receivable	- 0 -	(91,645)
Accounts receivable	612,666	(282,893)
Accounts receivable – related party	1,618	9,521
Deposits and prepaids	218,350	(121,026)
Advances	881	341
Mining supplies	- 0 -	(65,075)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(55,656)	10,437
Net Cash Used by Operating Activities	(2,268,863)	(262,842)
Cash Flows from Investing Activities:		
Purchases of equipment	(77,316)	(884,257)
Disposition of equipment	64,418	108,550
Issuance of notes receivable	- 0 -	(2,000)
Net Cash Used by Investing Activities	(12,898)	(777,707)
Cash Flows from Financing Activities:		
Payments on notes payable	(126,389)	(127,391)
Payments on leases payable	(178,041)	(160,728)
Proceeds from notes payable	49,500	125,948
Proceeds from issuance of common stock	2,500,000	2,265,859
Net Cash Provided by Financing Activities	2,245,070	2,103,688
Increase (Decrease) in Cash	(36,691)	1,063,139

Cash and Cash Equivalents, Beginning of Period	1,210,621	217,102
Cash and Cash Equivalents, End of Period	\$1,173,930	\$1,280,241

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

ATLAS MINING COMPANY AND SUBSIDIARIES
 Consolidated Statements of Cash Flows
 (Unaudited)
 (continued)

For the Nine Months
 Ended
 September 30,
 2008 2007

Cash Paid For:

Interest	\$57,346	\$29,677
Income Taxes	\$- 0 -	\$- 0 -

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

Equipment financed through leasing	\$16,908	\$468,219
Shares issued for settlement of debt	\$- 0 -	\$8,633

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

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statements
September 30, 2007 and 2008

NOTE 1 – BASIS OF PRESENTATION

The foregoing unaudited interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles in the United States of America for complete financial statements. These unaudited interim financial statements should be read in conjunction with the audited financial statements and the notes thereto included on Form 10-K for the period ended December 31, 2007. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented.

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumption are inherent in the preparation of the Company's financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions that could have a material effect on the reported amounts of the Company's financial position and results of operations.

Operating results for the nine months period ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

On January 11, 2008, a Special Committee of the Board of Directors was appointed to review and investigate the conduct of our prior management and any issues arising therefrom. The Special Committee has reported its findings to the staff of the Securities and Exchange Commission ("SEC") in July 2008 and issued a press release summarizing its findings in August 2008. The Special Committee concluded that it was necessary to restate the financial statements, and to file an amended Annual Report of Form 10-K for the year ended December 31, 2006. These financial statements should be read in conjunction with the Form 10-K for the year ended December 31, 2007 and 2006.

NOTE 2 – ORGANIZATION AND DESCRIPTION OF BUSINESS

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 the 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 again. During the years ended December 31, 2007 and 2006, the Company provided shaft sinking, underground mine development and mine labor primarily to companies in the mining and civil industries. Historically, the Company's contract mining operation has been its sole source of revenue and income.

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 Park Copper holds mining claims in northern Idaho.

In July 2001, the Company began leasing the Dragon Mine from Conjecture Silver Mines, Inc. of Spokane, Washington. The Company issued 100,000 shares of stock for each year of the lease for the years 2002 – 2005 and

exercised the right to purchase the mine on August 18, 2005 for \$500,000 in cash. The property consists of 38 patented mining claims on approximately 230 acres.

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statements
September 30, 2008 and 2007

NOTE 2 – ORGANIZATION AND DESCRIPTION OF BUSINESS (CONTINUED)

NanoClay and Technologies, Inc. is a wholly owned subsidiary dedicated to the marketing of the Dragon Mine's clay resource for use in, but not limited to, specialty ceramic, controlled release and polymer applications. In December 2008, the Nano Clay & Technologies subsidiary was administratively dissolved.

The Company operated a contract mining business under the trade name Atlas Fausett Contracting ("AFC"). AFC was engaged in exploration and mine development as well as preparatory work such as site evaluation, feasibility studies, trouble-shooting and consultation. AFC's projects include all types of underground mine development, rehabilitation and diamond drilling. At December 31, 2008, the Company discontinued its contract mining efforts due to economic conditions and the desire to concentrate efforts on commercializing the halloysite clay deposit at the Dragon Mine. There are no plans to resume the contract mining business.

In October 2007, management announced its intention to cease development activities at the mine until both a resource survey and an appropriate system to processing system could be obtained. During the year ended December 31, 2008, the Company hired a geological consulting firm it believes is capable of conducting the necessary resource survey and identifying an appropriate processing system.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying condensed, consolidated financial statements represent the consolidation of Atlas Mining Company ("the Company") and all companies that the Company directly controls either through majority ownership or otherwise. See Note 2 to the consolidated financial statements in the Company's annual report on Form 10-K for the year ended December 31, 2007, which discusses our consolidation and financial statement presentation.

The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Accounting Method

The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Specific reserves are estimated by management based on certain assumptions and variables, including the customer's financial condition, age of the customer's receivables, and changes in payment histories. As of September 30, 2008 and December 31, 2007, no allowance for doubtful accounts was considered necessary. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Available for Sale Investments

In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the shares are evaluated quarterly using the specific identification method. Any unrealized holding gains or losses are reported as Other Comprehensive Income and as a separate component of stockholder's equity. Realized gains and losses are included in earnings.

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statements
September 30, 2008 and 2007

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Certain employees of the Company at the management level are paid vacation pay. At September 30, 2008 and December 31, 2007, the Company accrued compensated absences of \$0 and \$7,500, respectively. The balance of unpaid, accrued compensation absences at September 30, 2008 and December 31, 2007 were \$0 and \$15,000, respectively.

Concentration of Risk

The Company maintains cash balances in two checking accounts at two separate financial institutions. At September 30, 2008 and December 31, 2007, total cash balances were \$507,996 and \$1,210,621, respectively. Such funds exceed Federal Deposit Insurance Corporation limits, and amounts exceeding \$100,000 were not insured.

For the nine months ended September 30, 2008 and 2007, the Company received 84% and 86%, respectively, of contract service revenue from three of its major customers noted as follows:

2008 Customers	% of Revenues	% of Receivables
Customer A	55%	0%
Customer B	29%	100%
2007 Customers	% of Revenues	% of Receivables
Customer A	47%	6%
Customer B	39%	59%

Environmental Expenditures

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

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

Based upon management's current assessment of its environmental responsibilities, the Company cannot reasonably estimate any reclamation or remediation liability that may occur in the future, if any.

Impairment of Assets

In August 2001, Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144") established a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations. SFAS No. 144 requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. At September 30, 2008 and 2007 no impairments were recognized.

ATLAS MINING COMPANY AND SUBSIDIARIES
 Condensed Notes to the Consolidated Financial Statements
 September 30, 2008 and 2007

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2008 and 2007, all costs associated with the Company's mines have been expensed.

Mining Supplies

Mining supplies, consisting primarily of bits, steel, and other mining related equipment, are recorded as mining supplies and charged to cost of goods sold when used. In addition, equipment repair parts and maintenance items are also included at cost. The amount held in mining supplies at September 30, 2008, is \$40,544.

Minority Interest

Minority interest represents the 47% minority share interest in Park Copper and Gold, held by several shareholders.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company, one wholly owned subsidiary, and a majority owned subsidiary. All significant intercompany accounts and transactions have been eliminated.

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	30 years
Mining equipment	2 – 7 years
Office and shop furniture and equipment	5 – 7 years
Vehicles	5 years

During the nine months ended September 30, 2008, the Company acquired mining equipment and office equipment totaling \$77,107 and \$209, respectively. Depreciation expense for the periods ended September 30, 2008 and 2007 totaled \$329,441 and \$266,777, respectively.

Provision for Income Taxes

Income taxes are calculated based upon the liability method of accounting in accordance with the Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). In accordance with SFAS No. 109, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow for recognition of such an asset.

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statements
September 30, 2008 and 2007

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Company recognizes revenue in the period that the related services are performed and collectability is reasonably assured. For the nine months ended September 30, 2008 and 2007, the Company derived substantially all of its revenues from leasing equipment and employees for mine development, site evaluation, and preparatory work. Services contracts generally took the form of fixed-price contracts. Under fixed-price contracts, revenue is recognized as services are performed; with performance generally assessed using output measures, such as feet excavated. Changes in the scope of work generally result in a renegotiation of contract pricing terms or a contract amendment. Renegotiated amounts are not included in net revenues until earned and realization is assured. Historically, costs are expensed as incurred. All out-of-pocket costs are included in expenses.

Stock-Based Compensation

On January 1, 2006, the Company adopted SFAS 123 (revised 2004), Share-Based Payment (“SFAS 123(R)”), which requires the measurement and recognition of compensation expense for all share-based awards made to employees and directors, including employee stock options and shares issued through its employee stock purchase plan, based on estimated fair values. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletins No. 107 and 110 (“SAB 107” and “SAB 110”) relating to SFAS 123(R). The Company has applied the provisions of SAB 107 and SAB 110 in its adoption of SFAS 123(R). The Company adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of the beginning in 2006. The Company’s financial statements as of and for the year ended December 31, 2007 and 2006 reflect the impact of SFAS 123(R). In accordance with the modified prospective transition method, The Company’s financial statements for prior periods include the impact of SFAS 123(R).

The estimated fair value of grants of stock options and warrants to nonemployees of the Company is charged to expense, if applicable, in the financial statements.

Accordingly, compensation expense of \$400,519 and \$377,076 has been recognized for vesting of options to employees and directors in the accompanying statements of operations for the periods ended September 30, 2008 and 2007, respectively.

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statements
September 30, 2008 and 2007

NOTE 4 – STOCK AWARD PAYABLE

Under the requirements of SFAS 123(R), the Company reviews the value of stock award payable and adjusts the carrying value to market based on the closing price of the Company's common stock on the last day of the quarter. Any adjustment made to the carrying value of the stock award is recorded as a gain or loss on revaluation of stock awards. For the period ended September 30, 2008, the Company realized a gain on the revaluation of stock awards totaling \$115,500. At September 30, 2008, the value of Mr. Dumont's stock award payable was \$117,500, and value of Mr. Gaensbauer's stock award payable was \$47,000 for a total of \$164,500.

NOTE 5 – NOTES AND LEASES PAYABLE

NOTES

Notes payable are detailed in the following schedules as of September 30, 2008:

Note payable to an insurance company due in monthly installments including interest at 8.60%. The note matures in May 2009.	\$ 44,163
Total Notes Payable	44,163
Less: Current Portion	(44,163)
Total Long-Term Liabilities	\$ - 0 -

CAPITAL LEASES

The Company is a lessee of certain equipment under capital leases that expire on various dates through March 2012. Terms of the leases call for monthly payments ranging from \$688 to \$15,573 at implicit interest rate of 9.34% per annum (the incremental borrowing rate). The assets and liabilities under capital leases are recorded at lease inception at the lower of the present value of the minimum lease payments or the fair market value of the related assets. The assets are depreciated over their estimated useful lives.

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of September 30, 2008:

2008	\$ 28,527
2009	163,669
2010	122,511
2011	63,415
2012	11,932
Total Minimum Lease Payments	390,054
Less: Amount Representing Interest	(70,676)
Present Value of Net Minimum Lease Payments	319,378

Current Net Minimum Lease Payments	(119,599)
Long-Term Net Minimum Lease Payments	\$ 199,779

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statements
September 30, 2008 and 2007

NOTE 5 – NOTES AND LEASES PAYABLE (CONTINUED)

OPERATING LEASES

At the end of December 2007, the Company entered into a rental lease agreement for its office space with an unrelated third party. The lease was a one-year, non-terminable lease through the end of 2008 with an option to purchase the property. The monthly rent during the first year was \$2,250 per month. For the nine months ended September 30, 2008, the Company recognized rent expense of \$20,250 with regards to this lease agreement.

NOTE 6 – COMMON STOCK

Preferred Stock

The Company is authorized to issue 10,000,000 shares of noncumulative, non-voting, nonconvertible preferred stock, \$1.00 par value per share. At September 30, 2008 and December 31, 2007, no shares of preferred stock were outstanding.

The Company is authorized to issue 60,000,000 shares of common stock, no par value per share. At the periods ended September 30, 2008 and December 31, 2007, 59,133,323 and 54,173,594 shares were issued and outstanding, respectively.

At December 31, 2008, the Company did not have sufficient authorized unissued common stock available for conversion of all common stock equivalents.

During the nine months ended September 30, 2008, the Company issued 60,185 of restricted stock at a price ranging between \$0.59 and \$0.71 per share for director and special investigation committee fees for \$40,124. The Company sold 833,333 shares of common stock at \$0.60 per share to three purchasers in transactions that were exempt from registration under Section 4(2) of the Securities Act of 1933. A total of 583,333 shares were sold to two funds managed by Mr. David Taft, a current director of the Company. In addition, the Company sold 3,700,000 shares of common stock for \$0.50 per share to two funds managed by Mr. David Taft, a current director of the Company. The transactions were exempt from registration under Section 4(2) of the Securities Act of 1933.

NOTE 7 – OPTIONS TO PURCHASE COMMON STOCK

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 common 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 options for the nine months ended September 30, 2008 is as follows:

	2008
Dividend Yield	0%
Expected Life	3 - 5 years
Expected Volatility	39.65% - 86.91%
Risk-Free Interest Rate	3.44%

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statements
September 30, 2008 and 2007

NOTE 7 – OPTIONS TO PURCHASE COMMON STOCK (CONTINUED)

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, 2008 and the year ended December 31, 2007 are as follows:

	September 30, 2008		December 31, 2007	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	2,688,577	\$ 0.66	3,773,333	\$ 0.49
Granted	75,000	0.65	4,000,000	2.61
Exercised	- 0 -	- 0 -	(1,084,759)	0.18
Forfeited	(1,688,577)	0.18	(4,000,000)	2.61
Expired	- 0 -	- 0 -	- 0 -	- 0 -
Outstanding at end of period	1,075,000	\$ 1.43	2,688,574	\$ 0.66
Exercisable at end of period	1,045,832	\$ 1.46	1,441,074	\$ 1.01

A summary of the status of the options outstanding at September 30, 2008 is presented below:

Range of Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Contractual Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 0.65 - \$ 0.71	75,000	4.75 years	\$ 0.67	45,832	\$ 0.67
\$ 0.54 - \$ 2.32	1,000,000	0.75 years	1.47	1,000,000	1.47
	1,075,000			1,045,832	

At September 30, 2008 the Company had 29,168 non-vested options with a weighted average grant date exercise price of \$0.67 per share. The unexercised options expire between July 15, 2009 and July 1, 2013.

At September 30, 2008, the total compensation cost of \$8,055 for unvested shares is expected to be recognized over the next 0.25 years on a weighted average basis. The fair value of the options issued and vested for the period ended September 30, 2008, was \$21,768.

ATLAS MINING COMPANY AND SUBSIDIARIES
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NOTE 8 – EARNINGS (LOSS) PER SHARE INFORMATION

The Company has adopted SFAS No. 128, “Earnings Per Share,” which provides for calculation of “basic” and “diluted” earnings per share. The computation of earnings (loss) per share of common stock is based on the weighted average number of shares outstanding at the date of the financial statements. The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the year plus the common stock equivalents that would arise from the exercise of stock options and warrants outstanding under the treasury method and the average market price per share during the year. Common stock equivalents at September 30, 2008 and 2007 consisted of 1,075,000 and 3,773,333, respectively, in options. Common stock equivalents at September 30, 2008 and 2007 were considered but were not included in the computation of loss per share at September 30, 2008 and 2007 because they would have been anti-dilutive.

	Net Loss (Numerator)	Shares (Denominator)	Per-Share Amount
For the three months ended September 30, 2008:			
Basic EPS			
Net loss to common shareholders	\$ (1,712,323)	57,178,672	\$ (0.03)
For the nine months ended September 30, 2008:			
Basic EPS			
Net loss to common shareholders	\$ (4,019,298)	55,351,503	\$ (0.07)
For the three months ended September 30, 2007:			
Basic EPS			
Net loss to common shareholders	\$ (1,118,989)	54,002,902	\$ (0.02)
For the nine months ended September 30, 2007:			
Basic EPS			
Net loss to common shareholders	\$ (1,302,690)	53,278,625	\$ (0.03)

ATLAS MINING COMPANY AND SUBSIDIARIES
Condensed Notes to the Consolidated Financial Statements
September 30, 2008 and 2007

NOTE 9 – COMMITMENTS AND CONTINGENCIES

LITIGATION

Various lawsuits, claims, proceedings and investigations are pending involving us as described below in this section. In accordance with SFAS No. 5, "Accounting for Contingencies," when applicable, the Company records accruals for contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. In addition to the matters described herein, the Company is involved in or subject to, or may become involved in or subject to, routine litigation, claims, disputes, proceedings and investigations in the ordinary course of business, which in management's opinion will not have a material adverse effect on the financial condition, cash flows or results of operations.

NOTE 10 – SUBSEQUENT EVENTS

Andre Zeitoun

On December 30, 2008, the Board of Directors appointed Andre Zeitoun as President and Chief Executive Officer and as a director of Company effective January 1, 2009. Mr. Zeitoun will be compensated by Material Advisors LLC.

Christopher Carney

On February 17, 2009, the Board of Directors appointed Christopher Carney as interim Chief Financial Officer effective February 17, 2009. Mr. Carney will be compensated by Material Advisors LLC.

Securities and Exchange Commission

On March 9, 2009, the Company released a Form 8-K announcing that the SEC issued a formal order of investigation of facts with respect to possible violations of the securities laws by the Company, its officers, directors, and affiliates for the period of August 2002 through 2006. The Special Committee of the Board of Directors investigated issuances of equity securities and reported all findings to the SEC during 2008. The Company intends to cooperate fully with the SEC investigation.

Convertible Notes December 2008

On December 30, 2008, the Company sold to accredited investors \$1,000,000 principal amount of Series 10% PIK-Election Convertible Notes due 2018 (the "Notes") at a conversion price of \$0.35 per share (the "Conversion Price") and entered into a Registration Rights Agreement in connection with the shares of common stock to be issued upon conversion of the Notes. The principal under the Notes is due December 15, 2018 subject to earlier acceleration or conversion of the Notes as described below. The Notes bear interest at the rate of 10% per annum payable (including by issuance of additional in kind notes) semi-annually in arrears on June 15th and December 15th of each year, commencing June 15, 2009.

The Notes per above may be converted at the option of the Noteholder at any time there is sufficient authorized unissued common stock of the Company available for conversion. The Notes will be mandatorily converted when (i) sufficient common stock is available for conversion all notes in the Series, (ii) the average closing bid price or market price of the Company's common stock for the preceding five (5) trading days is above the Conversion Price and (iii) a registration statement is effective and available for resale of all of the converted shares or the Noteholders may sell such shares under Rule 144 under the Securities Act.

Convertible Notes April 2009

Between April 7, and April 9, 2009, the Company sold to accredited investors \$1,500,000 principal amount of Series 10% PIK-Election Convertible Notes due 2018 (the “Notes”) at a conversion price of \$0.35 per share (the “Conversion Price”) and entered into a Registration Rights Agreement in connection with the shares of common stock to be issued upon conversion of the Notes. The principal under the Notes is due December 15, 2018 subject to earlier acceleration or conversion of the Notes as described below. The Notes bear interest at the rate of 10% per annum payable (including by issuance of additional in kind notes) semi-annually in arrears on June 15th and December 15th of each year commencing June 15, 2009.

ATLAS MINING COMPANY AND SUBSIDIARIES
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NOTE 10 – SUBSEQUENT EVENTS (CONTINUED)

Convertible Notes May 2009

On May 1, 2009, the Company entered into agreements to sell to accredited investors \$1,350,000 principal amount of Series 10% PIK-Election Convertible Notes due 2018 (the “Notes”) at a conversion price of \$0.35 per share (the “Conversion Price”) and entered into a Registration Rights Agreement in connection with the shares of common stock to be issued upon conversion of the Notes. The principal under the Notes is due December 15, 2018 subject to earlier acceleration or conversion of the Notes as described below. The Notes bear interest at the rate of 10% per annum payable (including by issuance of additional in kind notes) semi-annually in arrears on June 15th and December 15th of each year commencing June 15, 2009.

The Notes (April and May 2009) may be converted at the option of the Noteholder at any time there is sufficient authorized unissued common stock of the Company available for conversion. The Notes will be mandatorily converted when (i) sufficient common stock is available for conversion all notes in the Series, (ii) the average closing bid price or market price of the Company’s common stock for the preceding five (5) trading days is above the Conversion Price and (iii) a registration statement is effective and available for resale of all of the converted shares or the Noteholders may sell such shares under Rule 144 under the Securities Act.

Sale of Non-Core Assets

Between April 1 and April 10, 2009, the Company sold certain equipment from its discontinued contract mining business. On April 15, 2009, the Company entered into an agreement for appointment of agent for the sale of assets with AAMCOR LLC (“the Agreement”). Under the Agreement, the Company agreed to (i) sell certain of the equipment of its discontinued contract mining business to AAMCOR for \$300,000 in cash plus a potential share in proceeds of resale of such items, and (ii) appointed AAMCOR exclusive agent to sell certain other non-core equipment deemed unnecessary for development of the Company’s Dragon Mine property.

Settlement Agreement

On July 2, 2009, the Company entered into a Settlement Agreement (“Class Action Settlement Agreement”) with the lead plaintiffs in the class action In Re Atlas Mining Company Securities Litigation pending in the United States District Court for the District of Idaho, Civil Action No. 07-428-N-EJL(D. Idaho).

Under the terms of the settlement agreement, the Company will pay plaintiffs \$1,250,000 (which includes fees to plaintiff’s counsel), to be funded by the proceeds of an insurance policy, in exchange for release of all claims against the Company, NanoClay & Technologies Inc., and the individual defendants William T. Jacobson, Robert Dumont, Ronald Price and Barbara Suveg. The Company will also fund up to \$75,000 to fund expenses in connection with notification to class members. The settlement agreement is the agreement contemplated by the memorandum of understanding entered into by the Company and the lead plaintiffs dated May 1, 2009 described in the 8-K filed by the Company on May 4, 2009 (“the MOU”) and the terms of it are consistent with such MOU.

Related to the Class Action Settlement, effective July 8, 2009, Atlas entered into a Settlement Agreement and Release with Navigators, RSUI Indemnity Company and RSUI Group, Alexander, Morford & Woo, Inc., and the individual defendants listed above in settlement of the insurance litigation Atlas Mining Co. v. Navigators Insurance Co. et al., No. 1:08-cv-00359-EJL (D. Idaho) and Navigators Insurance Co. v. Atlas Mining Co., et. al., Case No. 2:08-cv-00216-EJL (D.Idaho). Pursuant to this agreement (i) Navigators will deliver \$1,250,000 into a court registry, which will then be used upon final court approval of the Class Action Settlement to fund the \$1,250,000 payment to class action plaintiffs, (ii) Navigators will deliver \$750,000 to the Company for defense and investigative costs in

connection with the Class Action and related matters, which Atlas will use in part to pay the individual defendants their costs in the class action and (iii) all claims under the insurance litigation will be released upon final court approval of the Class Action Settlement.

Also, related to the class action settlement, the Company has entered into a settlement agreement with Robert Dumont, a former President, CEO and director of the Company, mutually releasing all claims related to Dumont's employment by the Company in consideration of the Company's payment to Dumont of up to \$258,000 for Dumont's attorneys' fees and expenses related to the class action (to be funded from the insurance proceeds described above), insurance litigation, and other matters which the Company will fund with monies it receives from Navigators in connection with the insurance litigation settlement.

NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based on our current expectations, assumptions, estimates and projections about our business and our industry. Words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may," and other similar expressions identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements.

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

OVERVIEW

We operate a contract mining business and are engaged in the development of a resource property, the Dragon Mine, located in the state of Utah.

Historically our primary source of revenue was generated by contract mining operations. At December 31, 2008 we discontinued our contract mining efforts due to economic conditions and the desire to concentrate our efforts on the commercialization of the halloysite clay deposit at the Dragon Mine.

Property Exploration

We intend to continue our exploration activities the Dragon Mine. We do not intend to seek out and acquire other properties.

In August 2001 we acquired the Dragon Mine in Juab, Utah and began our clay exploration. Our exploration and development expenses for the nine months ending September 30, 2008 and 2007 were \$257,522 and \$1,324,133, respectively, on the halloysite clay project.

The activities at our Dragon Mine property, located in Juab County, Utah, were suspended in October 2007 when previous management determined that both a resource survey and an appropriate processing facility were needed before the property could be successfully commercialized. In 2008, a geological consulting firm was hired by us to both carry out a detailed geological review of the property and develop an appropriate method by which to process the mineral resource. This work is ongoing as of the date of this report. Beginning in 2009, we began processing material from the mine and distributing samples to potential customers as part of a preliminary marketing program. The geological consulting firm referred to above has sub-contracted with a firm with expertise in the development of mineral processing to identify an appropriate processing system for the Company. Any subsequent reference to a geological consulting firm may be assumed to include the firm currently being contracted to identify the processing system.

Management believes that the clay resource found at the Dragon Mine property possesses, among other things, certain structural and mineralogical characteristics that may possibly add functionality to applications such as, but not limited to, the controlled release of biological and chemical agents, polymer-related strengtheners and fire retardants, oil field drilling minerals, catalyst carriers, filtration technologies, hydrogen storage for fuel cells and cosmetics. For certain of the aforementioned applications, management believes the Dragon Mine resource has the potential to serve as a more effective alternative to the materials upon which these current technologies are established. Other

above-mentioned applications are being developed to specifically utilize the structural characteristics of the clay resource.

The Dragon Mine property contains halloysite, kaolinite, alunite and other minerals located underground and in waste piles that are the result of previous mining operations. The geological resource survey being conducted on the Dragon Mine has involved the assessment of approximately 10,000 feet of borehole drill cores and the analysis of samples taken from the five waste piles located at the mine site. The survey has included X-ray diffraction analysis to determine the levels of halloysite, kaolinite and other minerals found in the resource. Initial studies have indicated that conventional processing may be used to separate the halloysite and kaolinite fractions from alunite and other minerals found in the Dragon Mine resource. The geology of the deposit shows alterations of feldspar identified alongside the presence of monzanite, halloysite and kaolinite. Purer halloysite found at the mine has been identified alongside the presence of iron ore. The morphology of the halloysite identified at the Dragon Mine, as determined by Scanning Electron Microscopy (“SEM”) analysis, demonstrates the existence of both lath-like and tubular formations. The kaolinite present at the Dragon Mine has been determined to possess a highly crystalline structure.

NaturalNano, Inc. (OTC: NNAN), in conjunction with Cascade Engineering and its subsidiary, Noble Polymers, has developed Pleximer™, a halloysite nanotube concentrate used to create stronger, lighter, environmentally friendlier and lower-cost polymer-based nanocomposites. According to NaturalNano’s 2008 annual report, Pleximer™ is being marketed to the global nanocomposites market that, in the estimation of BCC Research, is expected to grow from \$273 million in 2005 to \$4.0 billion by 2015. According to BCC Research, clay-based nanocomposites are expected to represent 47% of the nanocomposites market by 2010. The U.S. Department of the Navy, represented by the Naval Research Lab (NRL”), has patented a technology that provides for the controlled release of active agents using inorganic tubules such as halloysite clay. The U.S. Navy’s technology has been licensed by at least two companies that are developing controlled-release applications for the fields of electromagnetic shielding/strength enhancement, cosmetics, fragrances, agriculture, ink and paper, electronics, fabrics and textiles, local drug delivery and mold-resistant building products. The U.S. Navy has also patented a technology that permits a controlled release of an active agent as an anti-scaling treatment for environments such as oil wells.

As of the date of this report, a study is being conducted to identify the applications for which the Dragon Mine resource may provide functionality. Processed clay samples have been distributed to potential customers who have requested halloysite and/or halloysite-kaolinite mixtures. A number of advanced applications to which the Company plans to market its resource are currently using plate-like structured clays that must undergo expensive exfoliation process to achieve proper functionality. The tubular morphology of the Dragon Mine resource does not require such an exfoliation process to achieve similar or, in many instances, greater functionality. Management, therefore, believes that it may be able to deliver its processed mineral to market at price points lower than those of competing clays, without sacrificing performance.

In addition to certain advanced applications previously mentioned, we believe the Dragon Mine resource may also be marketed to certain established, low-tech applications such as, but not limited to, fine porcelain, bone china, high-performance advanced technical ceramics, paint fillers, suspension agents, animal feed, cement hardeners, and food and pharmaceutical additives. Markets, such as fine porcelain and bone china, would likely require the Dragon Mine clay resource be processed for increased brightness and reduced presence of titanium whereas applications, such as a cement hardener, would require a relatively unprocessed version of the Dragon Mine resource. Management, as part of its overall business strategy, will continually assess the economic feasibility of pursuing potential markets.

Management believes that both existing and potential applications that utilize the Dragon Mine resource will require varying grades of clay to satisfy the unique technical requirements of each application. Some applications may require pure halloysite, composed of tubular and/or lath-shaped particles while other applications may require a grade of clay consisting of a specific halloysite-kaolinite ratio. The determination of the appropriate grade of clay will likely require significant technical cooperation between the Company and the developer of the related application. As previously mentioned, the Company has hired a consulting firm to identify a processing system capable of producing the grades of clay required by potential applications. The identification of such a system is ongoing.

In 2009, the Company entered into a development agreement with Yuri M. Lvov, Ph.D., a professor of chemistry at Louisiana Tech University and the T.C. Pipes Eminent Endowed Chair on Micro and Nanosystems at the Institute for Micromanufacturing (LaTech). The scope of the agreement includes, among other things, the development of halloysite in an anti-corrosion paint application in addition to the development of other emerging applications.

RESULTS OF OPERATIONS

Revenues for the three-month period ended September 30, 2008 were \$212,099 and \$1,829,996 for the same period ending September 30, 2007, a decrease of 88%. Revenues for the nine-month period ended September 30, 2008 were \$3,205,566 and \$5,990,516 for the same period ended September 30, 2007, a decrease of 46%. The revenue decline during both periods was caused, primarily, by a lack of contract mining activity.

Gross profit (loss) for the three-month period ended September 30, 2008 was \$(104,116) compared to \$739,733 for the same period ended September 30, 2007, a difference of \$843,849. Gross profit (loss) for the nine-month period ended September 30, 2008 was \$962,272 compared to \$2,584,890 for the same period ended September 30, 2007, or a decrease of 63%. This was due to the decreased revenues for the periods ended September 30, 2008 over the same periods ended September 30, 2007.

Total operating expenses for the three month period ended September 30, 2008 were \$1,229,926 compared to \$2,050,169 for the same period ending September 30, 2007, or a decrease of 40%. Total operating expenses for the nine month period ended September 30, 2008 were \$3,686,006 compared to \$4,067,496 for the same period ended September 30, 2007. The decrease is from the suspension of active exploration at the Dragon Mine in 2007.

Our net profit (loss) for the three month period ended September 30, 2008 was \$(1,712,323) compared to \$(1,118,989) for the same period ended September 30, 2007, or a decrease of \$593,334. For the nine month period ended September 30, 2008, net profit (loss) was (\$4,019,298) compared to (\$1,302,690) for the same period ending September 30, 2007, or a decrease of \$2,716,608. The decrease realized the period ended September 30, 2008 is due to a significant decrease in contract mining revenues coupled with significant legal and special investigation expenses.

LIQUIDITY AND CAPITAL RESOURCES

To date our activities had been financed primarily through the sale of equity securities and borrowings, coupled with revenues from Contract Mining. For the three-month periods and the nine-month periods ended September 30, 2008 and 2007, Contract Mining accounted for 100% of revenue. Our current asset and debt structure is explained below.

Our total assets as of September 30, 2008 were \$4,807,316 compared to \$6,271,643 as of December 31, 2007, or a decrease of \$1,464,327. For the nine month period ended September 30, 2008, the Company has decreased its current assets by \$1,150,829, and increased its fixed assets by \$43,569 through acquisitions of additional mining equipment.

Total liabilities were \$1,276,137 as of September 30, 2008, compared to \$1,702,224 as of December 31, 2007. The following debts are still outstanding:

- A lease payable for equipment due in monthly installments of \$3,518, including interest of 18.05% with a balance of \$99,789.
- A lease payable for equipment due in monthly installments of \$1,075, including interest of 0%, with a balance of \$19,357.
- A lease payable for equipment due in monthly installments of \$1,632, including interest of 3%, with a balance of \$66,462.
- A capital lease payable for equipment due in monthly installments of \$6,323, including interest of 8.5% with a balance of \$133,771.
- A note payable to an insurance company for insurance premiums with a balance of \$44,163, including interest at 8.60%.
- Current liabilities including accounts payable and accrued expenses due as of September 30, 2008 were \$748,096 and are the result of daily operations and accrued taxes. We also carry a liability of \$52,415 to the minority interest

in a subsidiary.

Our principal sources of cash flow during the first nine months of 2008 was from Contract Mining activities which provided an average of \$356,174 per month for the nine month period ended September 30, 2008, and averaged \$665,613 per month for the same period in 2007. In addition, we rely on our credit facilities and public or private sales of equity for additional cash flow.

Cash flow from financing activities for the nine month period ended September 30, 2008 was \$2,245,070 compared to \$2,103,688 for the same period in 2007, a difference of \$141,382. The major reason for the difference is the difference in the funds raised through private placement in 2008 versus 2007.

The Company used \$12,017 from investing activities for the nine month period ended September 30, 2008, compared to using \$777,707 in the same period in 2007, a difference of \$765,690. This was attributed to fewer purchases of equipment in the period ended September 30, 2008 compared to the same period in 2007.

Cash flows used by operating activities for the nine month period ended September 30, 2008 was \$2,268,863 compared to \$262,842 for the same period in 2008, a difference of \$2,006,021.

OFF-BALANCE SHEET ARRANGEMENTS

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

RESTATEMENT OF PRIOR FINANCIAL INFORMATION

On October 9, 2007 we filed a report on Form 8-K with the Securities and Exchange Commission for the purpose of making certain disclosures and attaching a press release. The 8-K and the press release indicated that the chief executive officer and chief financial officer determined that it would be necessary to restate our audited consolidated financial statements and other financial information.

We have adjusted prior period balances for corrections of errors to properly reflect accounting for the valuation for stock options, related party transactions, impairment of securities available for sales, and valuation of common stock issued by us for services.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have no exposure to fluctuations in interest rates, foreign currencies, or other market factors.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We have performed an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of September 30, 2008 to provide reasonable assurance that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and was accumulated and communicated to our management, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

We believe that the condensed consolidated financial statements in this quarterly report on Form 10-Q fairly present, in all material respects, our financial condition as of September 30, 2008 and December 31, 2007, and results of its operations and cash flows for the quarters ended September 30, 2008 and 2007, in conformity with United States generally accepted accounting principles (GAAP).

(b) Changes in Internal Controls.

No significant changes were implemented in our internal controls over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Various lawsuits, claims, proceedings and investigations are pending involving us as described below in this section. In accordance with SFAS No. 5, Accounting for Contingencies, when applicable, we record accruals for contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. In addition to the matters described herein, we are involved in or subject to, or may become involved in or subject to, routine litigation, claims, disputes, proceedings and investigations in the ordinary course of business, which in our opinion will not have a material adverse effect on our financial condition, cash flows or results of operations.

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

During the nine months ended September 30, 2008, we sold stock in several transactions not registered under the Securities Act as listed below. Management at the time deemed such sales to be exempt under Section 4(2) of the Securities Act and indicated that all sales were made to accredited investors. With the exception of the sales of 1,481,482 made on January 9, 2007 and throughout year 2008, current management has not verified that the purchasers were accredited investors or whether the conditions of the 4(2) exemption were satisfied

On January 3, 2007, we issued 40,000 shares of common stock for \$20,000 for the redemption of outstanding warrants.

On January 9, 2007, we issued 1,481,482 shares of common stock to an accredited investor for \$2,000,001 for exercise of a subscription agreement.

Also on January 9, 2007, we issued 230,000 shares of common stock for \$115,000 for the redemption of outstanding warrants.

On January 12, 2007, we issued 3,430 shares of common stock for \$858 for the redemption of an outstanding warrant.

On January 29, 2007, we issued 30,570 shares of common stock for \$15,000 for the redemption of an outstanding warrant. An additional 19,430 shares were issued for cash at \$.50.

On July 11, 2007, we issued 833,330 shares of common stock for \$150,000 for the exercise of stock options.

On July 26, 2007, we issued 251,426 shares of common stock for \$45,257 for the exercise of stock options.

On May 23, 2008, we issued 583,333 shares of common stock to an accredited investor for \$350,000 for exercise of a subscription agreement.

On May 30, 2008, we issued 250,000 shares of common stock to an accredited investor for \$150,000 for exercise of a subscription agreement.

On June 27, 2008, we issued 2,000,000 shares of common stock to an accredited investor for \$1,000,000 for exercise of a subscription agreement.

On September 29, 2008, we issued 2,000,000 shares of common stock to two accredited investors for \$1,000,000 for exercise of subscription agreements.

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 the Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer
31.2	Certification pursuant to Rule 13a-14 of the Securities Exchange Act, as adopted pursuant to the Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief 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
32.2	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 Financial Officer

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: July 27, 2009

/s/ ANDRE ZEITOUN
By: Andre Zeitoun
Chief Executive Officer

Dated: July 27, 2009

/s/ CHRISTOPHER T. CARNEY
By: Christopher T. Carney
Interim Chief Financial Officer
