

NEW JERSEY MINING CO  
Form 10-Q  
August 14, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 30, 2017

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-28837

**NEW JERSEY MINING COMPANY**

(Exact name of registrant as specified in its charter)

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**Idaho**

(State or other jurisdiction of incorporation or organization)

**82-0490295**

(I.R.S. employer identification No.)

201 N. Third Street, Coeur d Alene, ID 83814

(Address of principal executive offices) (zip code)

(208) 625-9001

Registrant's telephone number, including area code

Indicate by check mark 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 as the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large Accelerated Filer  ..  
Non-Accelerated Filer  ..  
Emerging growth company

Accelerated Filer  ..  
Smaller reporting company  ..

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes  No

On August 1, 2017, 108,893,704 shares of the registrant's common stock were outstanding.



**NEW JERSEY MINING COMPANY**

**QUARTERLY REPORT ON FORM 10-Q**

**FOR THE QUARTERLY PERIOD**

**ENDED JUNE 30, 2017**

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**PART I-FINANCIAL INFORMATION****Item 1: CONSOLIDATED FINANCIAL STATEMENTS****New Jersey Mining Company****Consolidated Balance Sheets****June 30, 2017 and December 31, 2016****ASSETS**

	June 30, 2017	December 31,
	(Unaudited)	2016
Current assets:		
Cash and cash equivalents	\$ 320,075	\$ 154,833
Milling receivables	20,950	31,450
Gold sales receivable	237,555	54,319
Concentrate inventory	174,948	175,157
Joint venture receivables	7,606	2,888
Note receivable	58,386	58,386
Other current assets	50,389	52,717
Total current assets	869,909	529,750
Property, plant and equipment, net of accumulated depreciation	5,773,915	5,788,362
Mineral properties, net of accumulated amortization	2,088,638	2,046,900
Investment in joint venture	435,000	435,000
Reclamation bond	103,320	58,000
Total assets	\$ 9,270,782	\$ 8,858,012

**LIABILITIES AND STOCKHOLDERS EQUITY**

Current liabilities:		
Accounts payable	\$ 208,374	\$ 243,123
Accrued payroll and related payroll expenses	33,109	37,861
Notes and interest payable related parties, current portion	203,753	567,580
Notes payable, current portion, net of discount	396,282	623,185
Forward gold contracts, current portion	629,035	845,198
Total current liabilities	1,470,553	2,316,947

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Asset retirement obligation	91,088	72,218
Notes and interest payable related parties, long term	733,720	513,715
Notes payable, long term	125,143	268,158
Forward gold contracts, long term	565,074	541,030
Total long term liabilities	1,515,025	1,395,121
Total liabilities	2,985,578	3,712,068
Commitments (Note 2)		
Stockholders' equity:		
Preferred stock, no par value, 1,000,000 shares authorized; no shares issued	-	-
or outstanding		
Common stock, no par value, 200,000,000 shares authorized; June 30, 2017-108,893,704 shares and December 31, 2016-97,193,704 shares	15,507,242	14,293,105
issued and outstanding		
Accumulated deficit	(12,351,946)	(12,289,473)
Total New Jersey Mining Company stockholders' equity	3,155,296	2,003,632
Non-controlling interests	3,129,908	3,142,312
Total stockholders' equity	6,285,204	5,145,944
Total liabilities and stockholders' equity	\$ 9,270,782	\$ 8,858,012

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

## New Jersey Mining Company

## Consolidated Statements of Operations (Unaudited)

## For the Three and Six Month Periods Ended June 30, 2017 and 2016

	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	Three Months	Six Months	Three Months	Six Months
<b>Revenue:</b>				
Gold Sales	\$ 1,262,690	1,952,008	\$ 48,312	77,663
Milling income				14,614
Total revenue	1,262,690	1,952,008	48,312	92,277
<b>Costs and expenses:</b>				
Production	803,949	1,304,353	43,337	95,187
Pre-development expenses	59,928	99,334		
Exploration	17,328	35,980	38,634	80,057
Depreciation and amortization	32,711	59,991	1,116	3,214
Management	37,550	92,639	21,102	56,151
Accounting and legal services	32,889	98,522	4,340	55,026
General and administrative expenses	61,722	141,481	25,718	56,842
Total operating expenses	1,046,077	1,832,300	134,247	346,477
Operating income (loss)	216,613	119,708	(85,935)	(254,200)
<b>Other (income) expense:</b>				
Royalties and other income				(200)
Timber income			(42,011)	(42,011)
Timber expense	5,231	5,304		500
Interest income	(102)	(859)	(1,325)	(3,049)
Interest expense	16,948	37,173	28,868	40,077
Change in fair value of forward gold contracts	(1,618)	141,596		
Amortization of discount on note payable	11,756	26,274	12,454	24,908
Total other (income) expense	32,215	209,488	(2,014)	20,225
<b>Net income (loss)</b>	184,398	(89,780)	(83,921)	(274,425)
Net income (loss) attributable to non-controlling interest	(16,274)	(27,307)	13,633	13,609
Net income (loss) attributable to New Jersey Mining Company	\$ 200,672	\$ (62,473)	\$ (97,554)	\$ (288,034)
Net income (loss) per common share-basic and diluted	\$ Nil	Nil	\$ Nil	\$ Nil
Weighted average common shares outstanding-basic	108,893,704	104,893,704	94,760,148	94,298,610
Weighted average common shares outstanding-diluted	109,698,060	104,893,704	\$ 94,760,148	94,298,610



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

## New Jersey Mining Company

## Consolidated Statements of Cash Flows (Unaudited)

For the Six Month Periods Ended June 30, 2017 and 2016

	2017	June 30,	2016
Cash flows from operating activities:			
Net loss	\$ (89,780)		\$ (274,425)
Adjustments to reconcile net loss to net cash (used) by operating activities:			
Depreciation and amortization	59,991		3,214
Amortization of discount on note payable	26,274		24,908
Accretion of asset retirement obligation	3,988		2,646
Stock based compensation	73,137		42,039
Change in fair value of forward gold contracts	141,596		
Change in:			
Milling receivables	10,500		9,127
Joint venture receivables	(4,718)		(2,282)
Gold sales receivables	(183,236)		
Concentrate inventory	209		
Other current assets	2,328		(1,945)
Accounts payable	(34,749)		118,045
Accrued payroll and related payroll expense	(4,752)		(13,351)
Interest payable related parties	9,835		27,001
Net cash provided (used) by operating activities	10,623		(65,023)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(67,275)		(42,272)
Purchase of mineral property	(5,125)		(79,651)
Purchase of reclamation bond	(45,320)		
Purchase of investment in joint venture			(225,000)
Net cash (used) by investing activities	(117,720)		(346,923)
Cash flows from financing activities:			
Sales of common stock and warrants, net of issuance costs	1,041,000		
Borrowings on notes payable, related parties			475,000
Borrowings under line of credit			31,865
Payments on forward gold contracts in cash	(175,828)		
Gold purchased for payments on forward gold contracts	(157,887)		
Principal payments on notes payable	(396,192)		(143,512)
Principal payments on note payables, related parties	(53,657)		(7,095)
Contributions from non-controlling interest	14,903		4,448
Net cash provided (used) by financing activities	272,339		360,706
Net change in cash and cash equivalents	165,242		(51,240)
Cash and cash equivalents, beginning of period	154,833		62,275

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Cash and cash equivalents, end of period	\$	320,075	\$	11,035
Non-cash investing and financing activities				
Shares of common stock and warrants issued for payment of note and interest payable, related party				
Shares of common stock issued for investment in joint venture	\$	100,000	\$	210,000

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

**New Jersey Mining Company**

**Notes to Consolidated Financial Statements (Unaudited)**

**1.**

**The Company and Significant Accounting Policies:**

These unaudited interim consolidated financial statements have been prepared by the management of New Jersey Mining Company (the Company) in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of the Company's management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation of the interim consolidated financial statements have been included.

The preparation of financial statements in accordance with accounting principles generally accepted 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 assumptions 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, which could have a material effect on the reported amounts of the Company's financial position and results of operations. Operating results for the three and six month periods ended June 30, 2017 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2017.

For further information refer to the financial statements and footnotes thereto in the Company's audited financial statements for the year ended December 31, 2016 as filed with the Securities and Exchange Commission.

**Principles of Consolidation**

At June 30, 2017 and December 31, 2016, the consolidated balance sheet includes the accounts of the Company and its majority-owned subsidiary, the New Jersey Mill Joint Venture ( NJMJV ). The consolidated statements of operations and cash flows for the period ended June 30, 2017 includes the same companies. The consolidated statements of operations and cash flows for the period ended June 30, 2016 also includes the Company's majority-owned subsidiary, GF&H Company. The Company acquired the remaining outstanding shares of GF&H Company in the third quarter 2016 and subsequently dissolved the company.

Intercompany accounts and transactions are eliminated. The portion of entities owned by other investors is presented as non-controlling interests on the consolidated balance sheets and statements of operations.

**Revenue Recognition**

Revenue is recognized when title and risk of ownership of metals or metal bearing concentrate have passed and collection is reasonably assured. Revenue from the sale of metals may be subject to adjustment upon final settlement of estimated metal prices, weights and assays, and are recorded as adjustments to revenue in the period of final settlement of prices, weights and assays; such adjustments are typically not material in relation to the initial invoice amounts. Revenues from mill operations and custom milling are recognized in the period in which the milling is completed, concentrates are shipped, and collection of payment is deemed probable.

**Pre-Development Activities**

Pre-development activities involve cost incurred that may ultimately benefit production, such as underground ramp development, pumping, and open pit development, which are expensed due to the lack of evidence of economic development, which is necessary to demonstrate future recoverability of these expenses. These cost are charged to operations as incurred.

**Inventory**

Inventory is stated at the lower of full cost of production or estimated net realizable value based on current metal prices. Costs consist of mining, transportation, and milling costs including applicable overhead, depreciation, depletion and amortization relating to the operations. Costs are allocated based on the stage at which the ore is in the production process.

**Fair Value Measurements**

When required to measure assets or liabilities at fair value, the Company uses a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used. The Company determines the level within the fair value hierarchy in which the fair value measurements in their entirety fall. The categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Level 1 uses quoted prices in active markets for identical assets or liabilities, Level 2 uses significant other observable inputs, and Level 3 uses significant unobservable inputs. The amount of the total gains or losses for the period are included in earnings that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date.

At June 30, 2017 and December 31, 2016, the Company determined fair value on a recurring basis as follows:

	June 30, 2017	December 31, 2016	Fair Value Hierarchy
Forward gold contracts-liability (Note 11)	\$ 1,194,109	\$ 1,386,228	2

**Concentration**

During the fourth quarter 2016 and through the six months ended June 30, 2017, the Company has sold all of its gold production to a concentrate broker, H&H Metal.

**Reclassifications**

Certain prior period amounts have been reclassified to conform to the 2017 financial statement presentation. Reclassifications had no effect on net loss, stockholders' equity, or cash flows as previously reported.

**New Jersey Mining Company**

**Notes to Consolidated Financial Statements (Unaudited)**

**2.**

**Going Concern**

The Company's cash flow is directly related to revenues generated from production and milling activities. The Company has experienced operating losses and negative operating cash flows prior to and during the ramp up of production activities at the Golden Chest Mine. In addition to cash flow from operations, ongoing operations are dependent on the Company's ability to obtain public equity financing by the issuance of capital and to generate profitable operations in the future.

The Company is currently producing from the open-pit at the Golden Chest Mine and preparing to begin production underground, which is expected in the second half of 2017. In addition, during the first half of 2017, production has generated positive cash flow of \$10,623 and planned production for the next 18 months indicates the trend to improve. The Company has also been successful in raising required capital to commence production and fund ongoing operations, completing a forward gold sale of \$1.2 million in 2016 and closing private placements of \$1.4 million in the first quarter of 2017. A debt restructuring to longer term is also being considered for the mineral property note payable on which \$375,000 is payable in the next twelve months.

As a result of its planned production, equity sales and ability to restructure debt, management believes cash flows from operations and existing cash are sufficient to conduct planned operations and meet contractual obligations for the next 12 months.

**3.**

**Related Party Notes Payable**

At June 30, 2017 and December 31, 2016, the Company had the following notes and interest payable to related parties:

	June 30,	December 31,
--	----------	--------------

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	2017	2016
Mine Systems Design ( MSD ), a company in which our Company's Vice President owns 10.4%, 12% interest, monthly payments of \$4,910 through October 2018	\$ 92,793	\$ 115,868
John Swallow, Company president, 5% interest, monthly payments of \$5,834 with balloon payment of \$416,295 in February 2019	489,428	520,010
John Swallow, Company president, 5% interest, principal and interest due February 2019	245,516	341,250
Margaret Bathgate, shareholder, 5% interest, principal and interest due January 2018	100,000	100,000
	927,737	1,077,128
Accrued interest payable	9,736	4,167
Total	937,473	1,081,295
Current portion	203,753	567,580
Long term portion	\$ 733,720	\$ 513,715

Related Party interest expense for the three and six month periods ending June 30, 2017 and 2016 is as follows:

June 30, 2017		June 30, 2016	
3 months	6 months	3 months	6 months
\$ 13,636	\$ 28,969	\$ 16,791	\$ 30,682

During the quarter ended March 31, 2017 in conjunction with a private placement (Note 9), the Company issued 1,000,000 units of its common stock and warrants with a value of \$100,000 in exchange for \$95,734 in principal and \$4,266 in accrued interest on a note payable due to John Swallow, the Company's president.

Subsequent to June 30, 2017, notes with Mr. Swallow were amended to extend the balloon payments on both notes to February 2019.

#### 4.

#### Joint Ventures

For joint ventures in which the Company holds more than 50% of the voting interest and has significant influence, the joint venture is consolidated with the presentation of non-controlling interest. For joint ventures in which the Company does not have joint control or significant influence, the cost method is used. For those joint ventures in which there is joint control between the parties, and the Company has significant influence, the equity method is utilized.



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At June 30, 2017 and December 31, 2016, the Company's percentage ownership and method of accounting for each joint venture is as follows:

<b>Joint Venture</b>	<b>June 30, 2017</b>			<b>December 31, 2016</b>		
	<b>% Ownership</b>	<b>Significant Influence?</b>	<b>Accounting Method</b>	<b>% Ownership</b>	<b>Significant Influence?</b>	<b>Accounting Method</b>
New Jersey Mill Joint Venture( NJMJV )	65%	Yes	Consolidated	65%	Yes	Consolidated
Butte Highlands Joint Venture ( BHJV )	50%	No	Cost	50%	No	Cost

**New Jersey Mining Company****Notes to Consolidated Financial Statements (Unaudited)****New Jersey Mill Joint Venture Agreement**

At June 30, 2017 and December 31, 2016, an account receivable existed with Crescent for \$7,606 and \$2,888, respectively, for shared operating costs as defined in the JV agreement.

Crescent's non-controlling interest in the JV changed from December 31, 2016 to June 30, 2017 as follows:

Balance December 31, 2016	\$	3,142,312
Contribution from non-controlling interest		14,903
Net loss attributable to non-controlling interest		(27,307)
Balance June 30, 2017	\$	3,129,908

**Butte Highlands JV, LLC ( BHJV )**

On January 29, 2016, the Company purchased a 50% interest in Butte Highlands JV, LLC ( BHJV ) from Timberline Resources Corporation for \$225,000 in cash and 3,000,000 restricted shares of the Company's common stock valued at \$210,000 for a total consideration of \$435,000. Highland Mining, LLC ( Highland ) is the other 50% owner and manager of the joint venture. Under the agreement, Highland will fund all future project exploration and mine development costs. The agreement stipulates that Highland is manager of BHJV and will manage BHJV until such time as all mine development costs, less \$2 million are distributed to Highland out of the proceeds from future mine production. The Company has determined that because it does not currently have significant influence over the joint venture's activities, it accounts for its investment on a cost basis. The Company purchased the interest in the BHJV to provide additional opportunities for exploration and development and expand the Company's mineral property portfolio.

**5.****Earnings per Share**

For the six month period ending June 30, 2017 and the three month and six month periods ending June 30, 2016, all outstanding options and warrants were excluded from the computation of diluted loss per share, as net losses for those periods would cause their conversion and exercise to have no effect on the calculation of loss per share. For the three month period ended June 30, 2017, 3,250,000 options and 1,200,000 warrants are included in the calculation of diluted income per share.

6.

**Property, Plant, and Equipment**

Property, plant and equipment at June 30, 2017 and December 31, 2016 consisted of the following:

	June 30, 2017	December 31, 2016
Mill		
Land	\$ 225,289	\$ 225,289
Building	536,193	536,193
Equipment	4,192,940	4,192,940
	4,954,422	4,954,422
Less accumulated depreciation	(359,699)	(307,302)
Total mill	4,594,723	4,647,120
Building and equipment at cost	477,472	434,897
Less accumulated depreciation	(227,889)	(223,264)
Total building and equipment	249,583	211,633
Land		
Bear Creek	266,934	266,934
Little Baldy	62,139	62,139
BOW	230,449	230,449
Eastern Star	250,817	250,817
Gillig	79,137	79,137
Highwater	40,133	40,133
Total land	929,609	929,609
Total	\$ 5,773,915	\$ 5,788,362

7.

**Mineral Properties**

Mineral properties at June 30, 2017 and December 31, 2016 consisted of the following:

	June 30, 2017	December 31, 2016
New Jersey	\$ 215,127	\$ 215,127
McKinley	250,000	250,000

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Golden Chest		1,631,031		1,586,324
Toboggan		5,000		5,000
Less accumulated amortization		(12,520)		(9,551)
Total	\$	2,088,638	\$	2,046,900

## New Jersey Mining Company

## Notes to Consolidated Financial Statements (Unaudited)

## 8.

## Notes Payable

At June 30, 2017 and December 31, 2016, notes payable are as follows:

	June 30, 2017	December 31, 2016
Property with shop 36 month note payable, 4.91% interest rate payable monthly, remaining principal of note due in one payment at end of term in June 2019, monthly payments of \$474	\$ 37,399	\$ 39,021
Property 120 month note payable, 11.0% interest rate payable monthly, remaining principal of note due in one payment at end of term in March 2021, collateralized by property, monthly payments of \$1,122	94,959	98,559
Tailings pump, 35 month note payable, 17.5% interest rate payable monthly through May of 2018, monthly payments of \$3,268, collateralized by equipment	32,064	48,035
Mineral property, 10 quarterly payments, 0.0% interest rate discounted at 10%, collateralized by property, quarterly payments of \$125,000 through May of 2018	375,000	750,000
Total notes payable	539,422	935,615
Due within one year	414,279	664,787
Due after one year	\$ 125,143	\$ 270,828

Future principal payments of debt and related discount amortization at June 30, 2017 are as follows:

	Note	Discount	Net
1 year	\$ 414,279	\$ (17,997)	\$ 396,282
2 years	36,965		36,965
3 years	3,990		3,990
4 years	84,188		84,188
Total	\$ 539,422	\$ (17,997)	\$ 521,425

## 9.

**Stockholders Equity**

The Company began a private placement in the fourth quarter 2016 which ran through the first quarter of 2017. Each unit consisted of two shares of the Company's common stock and one stock purchase warrant with each warrant exercisable for one share of the Company's stock at \$0.20 through February 2020. As of December 31, 2016, 537,500 units were sold consisting of 1,075,000 shares and 537,500 warrants for net proceeds of \$92,500 after deducting the 10% commission and other related placement fees. In the first quarter of 2017 an additional 3,200,000 shares and 1,600,000 warrants were sold for net proceeds in 2017 of \$291,000 after deducting the 10% commission. At closing of the private placement in March 2017, the total units for the private placement were 2,137,500 units consisting of 4,275,000 shares and 2,137,500 warrants, net proceeds of the private placement in total were \$383,500.

The Company offered an additional private placement in March of 2017. The private placement was for 4,250,000 units, each unit consisting of two shares of the Company's stock and one stock purchase warrant with each warrant exercisable for one share of the Company's stock at \$0.20 through April 2020. No commission was paid with this private placement. Proceeds were \$850,000 which included an exchange of \$100,000 in private placement participation in exchange for \$100,000 payment on a note and interest payable to the Company's president, John Swallow. The Company's concentrate broker, H&H Metals Corp., who purchases all of the Company's gold production, participated in this private placement purchasing 1,250,000 units for \$250,000.

**Stock Purchase Warrants Outstanding**

The activity in stock purchase warrants is as follows:

	Number of Warrants	Exercise Prices
Balance December 31, 2015	10,200,000	\$ 0.10-0.20
Issued in connection with private placement	537,500	0.20
Balance December 31, 2016	10,737,500	
Expired	(3,000,000)	(0.15)
Issued in connection with private placement	5,850,000	0.20
Balance June 30, 2017	13,587,500	0.10-0.20

These warrants expire as follows:

Shares	Exercise Price	Expiration Date
6,000,000	\$0.20	August 11, 2017
1,200,000	\$0.10	August 11, 2019
2,137,500	\$0.20	February 28, 2020
4,250,000	\$0.20	April 30, 2020



## New Jersey Mining Company

## Notes to Consolidated Financial Statements (Unaudited)

## 10.

## Stock Options

In the fourth quarter of 2016, the Company granted 2,750,000 options to management, directors, consultants, and employees of the Company. Of these options 1,225,000 vested in the fourth quarter of 2016 and the remaining 1,525,000 vest in 2017. The options had a fair value of \$268,032 which is being recognized ratably over the vesting period. Compensation costs of \$151,143 was recognized as a general and administrative expense in the fourth quarter of 2016 and \$33,504 was recognized in each of the first two quarters of 2017. The remaining unrecognized compensation cost of \$49,881 is expected to be recognized in the remainder of 2017.

In the second quarter of 2017, the Company granted 400,000 options to consultants and employees of the Company. These options vest in the second quarter of 2018. The options had a fair value of \$36,777 which is being recognized ratably over the vesting period. Compensation cost of \$6,129 was recognized as a production cost in the second quarter of 2017 and the remaining unrecognized compensation cost of \$30,648 is expected to be recognized in the remainder of 2017 and the first half of 2018.

	Number of Options	Exercise Prices
Balance January 1, 2016	5,750,000	\$ 0.10-0.15
Exercised	(500,000)	0.10
Issued	2,750,000	0.15
Expired	(500,000)	0.11
Balance December 31, 2016	7,500,000	\$ 0.10-0.15
Expired	(500,000)	0.10
Issued	400,000	0.15
Balance June 30, 2017	7,400,000	\$ 0.10-0.15
Exercisable at June 30, 2017	5,475,000	\$ 0.10-0.15

At June 30, 2017, the stock options have an intrinsic value of approximately \$82,500 and have a weighted average remaining term of 2.7 years.



## 11.

**Forward Gold Contracts**

On July 13, 2016, the Company entered into a forward gold contract with Ophir Holdings LLC ("Ophir"), a company owned by three of the Company's officers, for net proceeds of \$467,500 to fund startup costs at the Golden Chest. The contract calls for the Company to deliver a total of 500 ounces of gold to the purchasers with quarterly payments equivalent to \$25,000 in ounces starting February 1, 2017 until all other investors in forward gold contracts are paid in full at which time the quarterly payments will increase to the equivalent of \$75,000 in ounces until the remaining balance is paid in full as gold is produced from the Golden Chest Mine and New Jersey Mill. During the first two quarters of 2017, the Company paid the equivalent of 40.5 gold ounces to Ophir. At June 30, 2017, future gold deliveries are 459.5 ounces due.

On July 29, 2016, the Company entered into forward gold contracts through GVC Capital LLC ( "GVC" ) for net proceeds of \$772,806 to fund startup costs at the Golden Chest. The agreement calls for the Company to deliver a total of 904 ounces of gold to the purchasers in quarterly payments starting December 1, 2016 for a period of two years as gold is produced from the Golden Chest Mine and New Jersey Mill. During the first two quarters of 2017, the Company paid the equivalent of 227.5 gold ounces to GVC. At June 30, 2017, future gold deliveries are 224.5 ounces due in the remainder of 2017 and 339 ounces due in 2018.

The gold to be delivered does not need to be produced from the Golden Chest property. In addition, the counterparties can request cash payment instead of gold ounces for each quarterly payment. The cash payments are based on average gold prices for the applicable quarter. The contracts are accounted for as derivatives requiring their value to be adjusted to fair value each period end. The change in balance for the forward gold contracts for the quarter ended June 30, 2017 is as follows:

Balance January 1, 2017	\$	1,386,228
Payments:		
In cash		(175,828)
In gold purchased by the Company		(157,887)
Change in fair value		141,596
Balance June 30, 2017		1,194,109
Current		629,035
Long term	\$	565,074

The fair value was calculated using the market approach with Level 2 inputs for forward gold contract rates and a discount rate of 10%.



## New Jersey Mining Company

## Notes to Consolidated Financial Statements (Unaudited)

## 12.

## Asset Retirement Obligation

The Company has established asset retirement obligations associated with the ultimate closing of its mineral properties where there has been or currently is operations. Activity for the six month ended June 30, 2017 and the year ended December 31, 2016 is as follows:

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
Balance at beginning of period	\$ 72,218	\$ 28,656
Accretion expense	3,988	5,291
Incurred on Golden Chest mining operations	14,882	38,271
Balance at end of period	\$ 91,088	\$ 72,218

During 2017 and 2016, the Company established an asset requirement obligation for its Golden Chest mine. At June 30, 2017, management estimated that the cost to reclaim the property based upon disturbance to be \$60,215. The estimated reclamation costs were discounted using credit adjusted, risk-free interest rate of 5.0% from the time the obligation was incurred to the time management expects to pay the retirement obligation.

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

When we use the terms "New Jersey Mining Company," the "Company," "we," "us," or "our," we are referring to New Jersey Mining Company (the Company) and its subsidiaries, unless the context otherwise requires.

**Cautionary Statement about Forward-Looking Statements**

This Quarterly Report on Form 10-Q and the exhibits attached hereto contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Such forward-looking statements concern the Company's anticipated results and developments in the Company's operations in future periods, planned exploration and development of its properties, plans related to its business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. These statements include, but are not limited to, comments regarding:

·  
the establishment and estimates of mineralization;

·  
the grade of mineralization;

·  
anticipated expenditures and costs in our operations;

·  
planned exploration activities and the anticipated outcome of such exploration activities;

·  
plans and anticipated timing for obtaining permits and licenses for our properties;

·  
expected future financing and its anticipated outcome;

·  
anticipated liquidity to meet expected operating costs and capital requirements;

·  
our ability to obtain joint ventures partners and maintain working relationships with our current joint venture partners;

·  
our ability to obtain financing to fund our estimated expenditure and capital requirements; and

·  
factors expected to impact our results of operations.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as *expects* or *does not expect*, *is expected*, *anticipates* or *does not anticipate*, *plans*, *estimates* or *intends* or stating that certain actions, events or results *may*, *could*, *would*, *might* or *will* be taken, occur or be achieved) are statements of historical fact and may be forward-looking statements. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties, and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation:

·  
risks related to our limited operating history;

·  
risks related to our history of losses and our expectation of continued losses;

·  
risks related to our properties being in the exploration or development stage;

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risks related our mineral operations being subject to government regulation;

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risks related to future legislation and administrative changes to mining laws;

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risks related to future legislation regarding climate change;

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risks related to our ability to obtain additional capital or joint venture partners;

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risks related to land reclamation requirements and costs;

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risks related to mineral exploration and development activities being inherently dangerous;

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risks related to our insurance coverage for operating risks;

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risks related to cost increases for our exploration and development projects;

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risks related to a shortage of equipment and supplies adversely affecting our ability to operate;

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risks related to mineral estimates;

risks related to the fluctuation of prices for precious and base metals, such as gold and silver;

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risks related to the competitive industry of mineral exploration;

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risks related to our title and rights in our mineral properties and mill;

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risks related to joint venture partners and our contractual obligations therewith;

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risks related to potential conflicts of interest with our management;

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risks related to our dependence on key management;

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risks related to the New Jersey Mill operations, management, and milling capacity;

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risks related to our business model;

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risks related to evolving corporate governance standards for public companies; and

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risks related to our shares of common stock.

This list is not exhaustive of the factors that may affect our forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the sections titled

Description of Business and Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed on March 28, 2016.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated, or expected. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date



made. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events, except as required by law.

### **Plan of Operation**

The Company is utilizing its business experience and operational capabilities to advance its diversified cash flow plan.

The Company's plan of operation is to generate cash flow primarily from current and future mine operations (as they are developed) with a view toward building an asset base focused on cash flow and/or production, thus reducing reliance on the capital markets. The Company has leveraged its property and mineral processing assets into joint ventures that brought exploration or development funding from partners. This strategy includes finding, evaluating, and developing potential mineral deposits of significant quality and quantity to justify investment in mining and/or mineral processing facilities, preferably following considerable prior investment and advancement (de-risking) by others. The Company's primary focus is on gold with silver and base metals of secondary emphasis.

The Company has a portfolio of mineral properties including: the Golden Chest Mine (placed in production in the 4<sup>th</sup> quarter of 2016), the Butte Highlands Mine (50% carried interest acquired during the first quarter of 2016), the New Jersey Mine (historic mine adjacent to the New Jersey Mill), and several exploration prospects including the McKinley, Eastern Star, and Toboggan projects. The Company is also the manager and majority-owner of the New Jersey Mill Joint Venture, which when in operation, is capable of processing both silver and gold ores through a 360 tonne per day (tpd) flotation plant. The New Jersey Mill is currently processing ore from the Golden Chest.

### **Highlights during the first half of 2017 include:**

Approximately 13,525 tonnes of ore from the open pit have been processed through the New Jersey Mill. Approximately 7,425 tonnes of ore from the open pit were processed in the second quarter at an average head grade of 5.29 grams per tonne (gpt) gold with average recoveries of 87.7%. 1,319 ounces were sold in the second quarter of 2017.

Dewatering of the underground mine and installation of permanent mining equipment and ventilation is complete.

Identified expansion potential of open pit are at the Golden Chest Mine.

Closed private placements of \$1.14 million with participation from management and strategic shareholders including the Company's concentrate broker H&H Metals Corp.

Total liabilities reduced \$726,491 as compared to December 31, 2016.

### **Results of Operations**

There was \$1,262,690 and \$1,952,008 in revenue in the three and six-month periods respectively ending June 30, 2017 compared to \$48,312 and \$92,277 for the comparable periods in 2016. The revenue in 2017 was from mining and milling of ore from the Golden Chest Mine whereas minimal activity occurred in the first half of 2016. The net income (loss) attributable to the Company of \$200,672 and (\$62,473) for the three and six month period ending June 30, 2017 compared to the net loss of (\$97,554) and (\$288,034) in the comparable period of 2016 are a result of operations at the Golden Chest property and New Jersey mill in the half of 2017. Net income (loss) for the six months ending June 30, 2017 also includes a charge of \$141,596 for the change in fair value of forward gold contracts that did not exist in the first half of 2016.

The Company began ramp up, production, and milling of ore from the Golden Chest property open pit in the fourth quarter of 2016 and continued production throughout the first half of 2017. The Company plans to expand the open pit and add production from the underground workings in the third quarter of 2017.

### ***Gold Sales***

Gold sales income increased in 2017 compared to 2016 as a result processing ore from the Golden Chest

### ***Milling Income***

Milling income decreased in 2017 compared to 2016 as a result of termination of the Skookum lease in September 2015.

***Production***

Production costs increased in 2017 compared to 2016 as a result of production at the Golden Chest and the associated milling.

***Predevelopment expenses***

Predevelopment expenses are a new item in 2017 related to pumping and other activities being done in preparation for underground mining which is to commence in the third quarter.

***Exploration***

Exploration cost decreased in 2017 compared to 2016 as a result the Company's focus on ramp up of production at the Golden Chest.

***Depreciation***

Depreciation increased in 2017 compared to 2016 as a result of units of production depreciation calculations as the mill and Golden Chest as production of ore proceeds in 2017.

***Management***

Management expenses were higher 2017 compared to the comparable period of 2016 as a result of 1,150,000 non cash stock option awards being granted to management in the later part of 2016 some of which are being expensed through 2017 as they become vested.

***Accounting and Legal Services***

Accounting and legal services expenses were higher in 2017 compared to the comparable period of 2017 as a result of increased activity including seeking a listing on the Canadian Stock Exchange and services related to collection of debt owed the company by Premium Exploration.

***General and Administrative Expenses***

General and administrative expenses were higher in 2017 compared to the comparable period of 2016 as a result of increased activity.

***Change in Fair Value of Forward Gold Contracts***

Change in fair value of forward gold contracts is a new item in 2017 compared to the first half of 2016 and is based upon the fair value of the gold ounces to be delivered to investors who participated in forward gold contracts with the Company in the third quarter of 2016.

**Financial Condition and Liquidity**

**For the Periods Ended**

**June 30**

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Net cash provided (used) by:	<b>2017</b>	<b>2016</b>
Operating activities	\$ 10,623	\$ (65,023)
Investing activities	(117,720)	(346,923)
Financing activities	272,339	360,706
Net change in cash and cash equivalents	165,242	(51,240)
Cash and cash equivalents, beginning of period	154,833	62,275
Cash and cash equivalents, end of period	<b>\$ 320,075</b>	<b>\$ 11,035</b>

The Company's cash flow is directly related to revenues generated from production and milling activities. The Company has experienced operating losses and negative operating cash flows prior to and during the ramp up of production activities at the Golden Chest Mine. In addition to cash flow from operations, ongoing operations are dependent on the Company's ability to obtain public equity financing by the issuance of capital and to generate profitable operations in the future.

The Company is currently producing from the open-pit at the Golden Chest Mine and preparing to begin production underground, which is expected in the second half of 2017. In addition, during the first half of 2017, production has generated positive cash flow of \$10,623 and planned production for the next 18 months indicates the trend to improve. The Company has also been successful in raising required capital to commence production and fund ongoing operations, completing a forward gold sale of \$1.2 million in 2016 and closing private placements of \$1.4 million in the first quarter of 2017. A debt restructuring to longer term is also being considered for the mineral property note payable on which \$375,000 is payable in the next twelve months.

As a result of its planned production, equity sales and ability to restructure debt, management believes cash flows from operations and existing cash are sufficient to conduct planned operations and meet contractual obligations for the next 12 months.

### **Changes in Financial Condition**

The Company maintains an adequate cash balance by increasing or decreasing its discretionary expenditures as limited by availability of cash from operations or from financing activities. The cash balance at June 30, 2017 was \$320,075 compared to \$154,833 at the end of 2016.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents increased as of June 30, 2017 compared to December 31, 2016 as a result of cash flows from production as well as equity financing in the first quarter of 2017

#### ***Gold Sales Receivable***

Gold sales receivable increased as of June 30, 2017 compared to December 31, 2016 as a result of an increase in gold sales.

***Reclamation Bond***

The reclamation bond balance increased as of June 30, 2017 compared to December 31, 2016 because an additional reclamation bond was posted with the Idaho Department of Lands for expansion of the Golden Chest open pit reclamation.

***Notes and Interest Payable Related Parties***

Notes and interest payable related parties have decreased overall as of June 30, 2017 compared to December 31, 2016 as scheduled payments have been made. Additionally, two notes have been amended resulting in reclassification of current debt to long term.

***Forward Gold Contracts***

Forward gold contracts have decreased overall as of June 30, 2017 compared to December 31, 2016 as scheduled payments have been made. Additionally, Ophir Holdings, a related party, has agreed to delay the delivery of gold ounces due to it resulting in reclassification some of the current portion of gold forward contracts to long term.

***Accounts Payable***

Cash outflows from accounts payable have leveled off as of June 30, 2017 compared to December 31, 2016 as a result of more consistent operating activity as the Company continues operations.

***Reclamation Bond***

The cash outflow for reclamation bond increased as of June 30, 2017 compared to December 31, 2016 because an additional reclamation bond was posted with the Idaho Department of Lands for the Golden Chest open pit reclamation. The reclamation bond purchase in 2016 occurred in the third quarter.

***Investment in Joint Venture***

Cash flow for purchase of investment in joint venture in the first quarter of 2016 were because of the acquisition of the 50% interest in the Butte Highlands JV.

***Sales of Common Stock and Warrants, Net of Issuance Costs***

The Company completed two private placements in the first quarter of 2017.

***Borrowings on Notes Payable, Related Parties***

In 2016 the Company received funding from related parties to fund the startup of the Golden Chest production.

***Borrowings under Line of Credit***

In 2016 the Company utilized an existing line of credit for short term cash requirements.

***Payments on Forward Gold Contracts in Cash and Gold Coins Purchased for Payments on Forward Gold Contracts***

Payments on forward gold contracts in cash and gold coins purchased for payments on forward gold contracts are new payments for the forward gold contracts entered into in the third quarter of 2016.

***Principal Payments on Notes Payable***

Cash outflow for principal payments on notes payable increased in 2017 compared to 2016 as a result of payments on a note payable for the Golden Chest.

***Principal Payments on Notes Payables Related Party***

Cash outflow for principal payments on notes payable related party increased in 2017 compared to 2016 as a result of payments on a note payables to the Company's related parties.

**Item 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not required for small reporting companies.

**Item 4:**

**CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**



At June 30, 2017, our President who also serves as our Chief Accounting Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) of the Securities Exchange Act of 1934 (the Exchange Act ), which disclosure controls and procedures are designed to insure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized, and reported within required time periods specified by the Securities & Exchange Commission rules and forms.

Based upon that evaluation, it was concluded that our disclosure controls were effective as of June 30, 2017, to ensure timely reporting with the Securities and Exchange Commission. Specifically, the Company's corporate governance and disclosure controls and procedures provided reasonable assurance that required reports were timely and accurately reported in our periodic reports filed with the Securities and Exchange Commission.

**Changes in internal control over financial reporting**

There was no material change in internal control over financial reporting in the quarter ended June 30, 2017.

## **PART II - OTHER INFORMATION**

### **Item 1.**

#### **LEGAL PROCEEDINGS**

None

### **Item 2.**

#### **UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

Neither the constituent instruments defining the rights of the Company's securities filers nor the rights evidenced by the Company's outstanding common stock have been modified, limited or qualified.

During the first quarter of 2017 the Company issued 11,700,000 shares of unregistered common stock at \$0.10 per share for net proceeds of \$850,000 net of commission and brokerage costs as a result of two private placement offerings. No additional shares were issued by the Company in the second quarter of 2017

During the first quarter of 2016 the Company issued 3,000,000 shares of unregistered common stock at \$0.07 per share for a total consideration of \$210,000 as a part of the Butte Highlands mineral property purchase. No additional shares were issued by the Company in the second quarter of 2016

The Company relied on the transaction exemption afforded by Section 4(a)(2) of the Securities Act of 1933, as amended, and Regulation D Rule 506(b). The common shares are restricted securities which may not be publicly sold unless registered for resale with the Securities and Exchange Commission or exempt from the registration requirements of the Securities Act of 1933, as amended.

**Item 3.**

**DEFAULTS UPON SENIOR SECURITIES**

The Company has no outstanding senior securities.

**Item 4.**

**MINE SAFETY DISCLOSURES**

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act ), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. During the quarter ended June 30, 2017, the Company had no citations for a violation of mandatory health or safety standards that could significantly and substantially (S&S citation) contribute to the cause and effect a mine safety or health hazard under section 104 of the Federal Mine Safety and Health Act of 1977. There were no legal actions, mining-related fatalities, or similar events in relation to the Company's United States operations requiring disclosure pursuant to Section 1503(a) of the Dodd-Frank Act.

**Item 5.**

**OTHER INFORMATION**

None

**Item 6.**

**EXHIBITS**

Number	Description
3.1	Articles of Incorporation. Filed as an exhibit to the registrant's registration statement on Form 10 (Commission File No. 000-28837) and incorporated by reference herein.

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- 3.2 Bylaws. Filed as an exhibit to the registrant's registration statement on Form 10 (Commission File No. 000-28837) and incorporated by reference herein.
- 10.1 Member Interest Purchase Agreement of 50% Interest in Butte Highlands Joint Venture, LLC, dated January 29, 2016
- 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley act of 2002.\*
- 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley act of 2002.\*
- 32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*
- 32.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

\* as filed herewith

**SIGNATURES**

Pursuant to 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.

**NEW JERSEY MINING COMPANY**

By: /s/ John Swallow

John Swallow,

its: President, Chief Executive Officer and Chief Financial Officer

Date August 14, 2017

By: /s/ Grant Brackebusch

Grant Brackebusch,

its: Vice President

Date: August 14, 2017

