UNITED STATES ANTIMONY CORP
Form 10QSB
May 22, 2006

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

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2006

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

Commission file number 33-00215

UNITED STATES ANTIMONY CORPORATION
(Name of small business issuer in its charter)

MONTANA	81-0305822
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

P.O. BOX 643, THOMPSON FALLS, MONTANA 59873
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (406) 827-3523

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer ____ Accelerated filer ____ Non-accelerated filer ____

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

Indicate by check mark whether the registrant is a shell company as defined by Rule 12b-2 of the Exchange act. YES [_] No [X]

Transitional Small Business Disclosure Format YES [_] No [X]

At May 15, 2006, the registrant had outstanding 35,020,668 shares of par value $0.01 common stock.

UNITED STATES ANTIMONY CORPORATION
QUARTERLY REPORT ON FORM 10-QSB
FOR THE PERIOD
ENDED MARCH 31, 2006

TABLE OF CONTENTS

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PART I-FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
UNITED STATES ANTIMONY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(UNAUDITED) MARCH 31, 2006	DECEMBER 31, 2005
ASSETS		
Current assets:		
Cash	$ 53,314	$ 287,841
Accounts receivable, less allowance for doubtful accounts of $30,000	161,053	109,314
Inventories	204,920	189,743
Total current assets	419,287	586,898
Properties, plants and equipment, net	1,066,780	930,555
Restricted cash for reclamation bonds	86,917	86,917
Deferred financing costs, net amortization	15,000	15,000
Total assets	$ 1,587,984	$ 1,619,370
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Checks issued and payable	$ 53,434	$ 61,366
Accounts payable	608,082	561,381
Accrued payroll and related taxes	97,933	104,040
Other accrued liabilities	73,780	78,674
Deferred revenue	62,590	70,000
Accrued interest payable	63,743	53,582
Payable to related parties	267,524	276,356
Long-term debt, current	154,276	130,801
Accrued reclamation costs, current	71,250	75,000
Total current liabilities	1,452,612	1,411,200
Convertible notes payable	350,000	350,000
Long-term debt, noncurrent	560,584	508,503
Accrued reclamations costs, noncurrent	71,250	67,500
Total liabilities	2,434,446	2,337,203
Commitments and contingencies (Note 3) Stockholders' deficit:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized:		
Series B: 750,000 shares issued and outstanding	7,500	7,500
Series C: 177,904 shares issued and outstanding	1,779	1,779
Series D: 1,909,672 and 2,013,672 shares issued and outstanding	20,136	20,136
Common stock, $0.01 par value, 50,000,000 shares authorized;		

35,020,668 and 34,445,666 issued and outstanding	350,207	344,457
Additional paid-in capital	19,133,385	18,966,635
Accumulated deficit	(20,359,469)	(20,058,340
Total stockholders' deficit	(846,462)	(717,833
Total liabilities and stockholders' deficit	$ 1,587,984	$ 1,619,370

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

1

UNITED STATES ANTIMONY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	MARCH 31, 2006	MARCH 31, 2005
ANTIMONY DIVISION		
Revenues	$ 761,738	$ 722,535
Cost of sales:		
Production costs	544,574	483,704
Depreciation	6,080	10,300
Freight and delivery	51,148	50,384
General and administrative	9,640	6,233
Direct sales expense	16,021	13,766
	627,463	564,387
Income from operations - antimony	134,275	158,148
ZEOLITE DIVISION		
Revenues	210,020	309,989
Cost of sales:		
Production costs	266,808	258,395
Depreciation	27,257	18,200
Freight and delivery	10,895	22,562
General and administrative	21,512	31,771
Royalties	27,085	39,528
Direct sales expense	13,170	19,469
	366,727	389,925
Loss from operations - zeolite	(156,707)	(79,936
Income from operations - combined	(22,432)	78,212
Other (income) expense:		
Corporate general and administrative	102,985	81,437
Exploration expense	133,650	0
USAMSA investment adjustment	0	882

Interest income and other	0	(332
Interest expense, net	23,066	35,486
Factoring expense	18,996	28,259
Net other expense	278,697	145,732
Net loss	$ (301,129)	$ (67,520
Net loss per share of common stock - basic	$ (0.01)	$ Nil
Basic weighted average shares outstanding	34,610,907	31,542,593

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

UNITED STATES ANTIMONY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	FOR THE THREE MONTHS END	
	MARCH 31, 2006	MARCH 3 2005
Cash flows from operating activities:		
Net loss	$ (301,129)	$ (67,
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	33,338	31,
Change in:		
Restricted cash	0	2,
Accounts receivable	(51,739)	4,
Inventories	(15,177)	(1,
Accounts payable	46,701	(13,
Accrued payroll and related taxes	(6,107)	23,
Other accrued liabilities	(4,894)	(5,
Deferred revenue	(7,410)	(4,
Accrued interest payable	10,161	5,
Payable to related parties	(8,832)	3,
Net cash used by operating activities	(305,088)	(20,
Cash flows from investing activities:		
Purchase of properties, plants and equipment	(31,063)	(108,
Net cash used by investing activities	(31,063)	(108,
Cash flows from financing activities:		
Proceeds from issuance of common stock	104,000	
Proceeds from exercise of common stock warrants	25,000	28,
Principal payments on notes payable to bank	(19,444)	

Proceeds from notes payable to bank	0	7,
Change in checks issued and payable	(7,932)	82,
Net cash provided by financing activities	101,624	118,
Net change in cash	(234,527)	(11,
Cash, beginning of period	287,841	
Cash, end of period	$ 53,314	$

Supplemental disclosures:

Non cash investing and financing activities:

Common stock issued for acquisition of property, plant & equipment	$ 43,500
Property, plant & equipment acquired with payable	$ 95,000

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

3

PART I - FINANCIAL INFORMATION, CONTINUED:

UNITED STATES ANTIMONY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION:

The unaudited consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, as well as the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of the Company's management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation of the interim financial statements have been included. Operating results for the three month period ended March 31, 2006 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2005. Certain consolidated financial statement amounts for the three month period ended March 31, 2005 have been reclassified to conform to the 2006 presentation. These reclassifications had no effect on the net loss or accumulated deficit as previously reported.

At December 31, 2006, the Company owned 50% of United States Antimony, Mexico S.A. de C.V. ("USAMSA"). The Company accounted for this investment interest using the equity method. In March, 2006, the Company acquired the other 50% of USAMSA. USAMSA is included in the consolidated financial information at March 31, 2006 and intercompany balances and transactions have been eliminated in consolidation.

For further information refer to the financial statements and footnotes thereto in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005.

2. LOSS PER COMMON SHARE:

The Company accounts for its income (loss) per common share according to the Statement of Financial Accounting Standards No. 128 "Earnings Per Share" ("SFAS No. 128"). Under the provisions of SFAS No. 128, primary and fully diluted earnings per share are replaced with basic and diluted earnings per share. Basic earnings per share is arrived at by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding, and does not include the impact of any potentially dilutive common stock equivalents. Common stock equivalents, including warrants to purchase the Company's common stock (approximately 8,400,000 at March 31, 2006) and common stock issuable upon the conversion of debentures (approximately 1,750,000 at March 31, 2006) are excluded from the calculations when their effect is antidilutive.

3. COMMITMENTS AND CONTINGENCIES:

Until 1989, the Company mined, milled and leached gold and silver in the Yankee Fork Mining District in Custer County, Idaho. In 1994, the U.S. Forest Service, under the provisions of the Comprehensive Environmental Response Liability Act of 1980 ("CERCLA"), designated the cyanide leach plant as a contaminated site. In 1996, the Idaho Department of Environmental Quality requested that the Company sign a consent decree related to completing the reclamation and remediation at the Preachers Cove mill. The Company believes its reclamation is substantially complete.

3. COMMITMENTS AND CONTINGENCIES, CONTINUED:

In November of 2001, the Environmental Protection Agency ("EPA") listed two by-products of the Company's antimony oxide manufacturing process as hazardous wastes under subtitle C of the Resource Conservation and Recovery Act ("RCRA"), and emergency notification requirements for releases to the environment under CERCLA. On November 26, 2002, the Company received a notice of violation related to a hazardous waste discharge that was discovered during a hazardous waste compliance evaluation inspection conducted at the Company's Thompson Falls antimony facility. In response to the notice, the Company removed certain antimony materials from its production area and agreed to ensure that future releases of hazardous waste would not occur.

The Company's management believes that USAC is currently in substantial compliance with environmental regulatory requirements and that its accrued environmental reclamation costs are representative of management's estimate of costs required to fulfill its reclamation obligations. Such costs are accrued at the time the expenditure becomes probable and the costs can reasonably be estimated. The Company recognizes, however, that in some cases future environmental expenditures cannot be reliably determined due to the uncertainty of specific remediation methods, conflicts between regulating agencies relating to remediation methods and environmental law interpretations, and changes in environmental laws and regulations. Any changes to the Company's reclamation plans as a result of these factors could have an adverse affect on the Company's operations. The range of possible losses in excess of the amounts accrued cannot be reasonably estimated at this time.

4. BUSINESS SEGMENTS

The Company has two operating segments, antimony and zeolite. Management reviews and evaluates the operating segments exclusive of interest and factoring expenses. Therefore, interest expense is not allocated to the segments. Selected information not presented elsewhere with respect to segments for the three month period ended March 31, 2006 and 2005 are as follows:

Capital expenditures:		
Antimony	$ 300,999	$ 0
Zeolite	19,063	108,812
	320,062	$ 108,812

5. RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform to the 2006 financial statement presentation. These reclassifications have no effect on net loss as previously reported.

6. ADOPTION OF NEW ACCOUNTING PRINCIPLE

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment," ("SFAS 123(R)") which requires the measurement of the cost of employee services received in exchange for an award of an equity instrument based on the grant-date fair value of the award. SFAS 123(R) supersedes previous accounting guidance under the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25").

The Company adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006. There was no impact on the financial statements as of and for the three months ended March 31, 2006 as a result of the adoption of SFAS 123(R). In accordance with the modified prospective transition method, the financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123(R).

5

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

GENERAL

This report contains both historical and prospective statements concerning the Company and its operations. Prospective statements (known as "forward-looking statements") may or may not prove true with the passage of time because of future risks and uncertainties. The Company cannot predict what factors might cause actual results to differ materially from those indicated by prospective statements.

RESULTS OF OPERATIONS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2006 COMPARED TO THE THREE MONTH PERIOD ENDED MARCH 31, 2005.

The Company's operations resulted in a net loss of $301,129 for the three-month period ended March 31, 2006, compared with a net loss of $67,520 for the same period ended March 31, 2005. The increase in the loss for the first quarter of

2006 compared to the similar period of 2005 is primarily due to an increase in expenses related to the exploration and development of the Mexican Project. In 2005, USAC formed a Mexican Company called Antimonio de Mexico, S. A. e C. V. ("ADM"). ADM then signed an exclusive contract to explore and exploit a 40 hectar concession in the State Queretaro, Mexico with an option to purchase. A Mexican Government Monograph (Consejo de Recursos Minerales Publicacio M-4e) reported a resource of 1,000,000 metric tons having a grade of 1.8% antimony and 8.1 ounces per ton silver. During the first quarter of 2006, ADM obtained 466 hectars nearby that represents a continuation of the mineralized zone. ADM then purchased the other 50% of the outstanding stock of United States Antimony de Mexico S. A. de C. V. ("USAMSA") giving USAC a 100% ownership in USAMSA through ADM. USAMSA operated an antimony smelting facility in the State of Coiahuila that has been shut down since 1996. ADM also purchased the real property consisting of 6 hectars and all the equipment at the smelter site. Although some of these purchases have been capitalized and others identified as expenses for the Mexican project, there are many of the organizational and travel expenses that have been adsorbed as USAC exploration expenses that adversely impact the profitability of the USAC Antimony Division.

Antimony Division

Total revenues from antimony product sales for the first quarter of 2006 were $761,738 compared with $722,535 for the comparable quarter of 2005, an increase of $39,203. During the three-month period ended March 31, 2006, 72% of the Company's revenues from antimony product sales were from sales to one customer. Sales of antimony products during the first quarter of 2006 consisted of 396,300 pounds at an average sale price of $1.85 per pound. During the first quarter of 2005 sales of antimony products consisted of 528,376 pounds at an average sale price of $1.37 per pound.

The cost of antimony production was $544,574, or $1.37 per pound sold, during the first quarter of 2006 compared to $483,704 or $0.92 per pound sold, during the first quarter of 2005. The increase in price per pound was due to the increased costs of raw material, electricity and fuel.

Antimony depreciation for the first quarter of 2006 was $6,080 compared to $10,300 for the first quarter of 2005. The decrease in depreciation directly related to equipment being fully depreciated.

Antimony freight and delivery for the first quarter of 2006 was $51,148 compared to $50,384 of freight and delivery expense during the first quarter of 2005.

General and administrative expenses in the antimony division were $9,640 during the first quarter of 2006 compared to $6,233 during the same quarter of 2005. The increase is directly related to the increased travel expense related to researching new raw material sources.

6

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

Antimony sales expenses were $16,021 in the first quarter of 2006 and were comparable with $13,766 during the first quarter of 2005.

Zeolite Division

Sales of zeolite products during the first quarter of 2006 were $210,020 compared with the same quarter sales in 2005 of $309,989. The decrease in sales for the first quarter of 2006 compared to the same quarter of 2005 was due to the loss of one customer's business.

The cost of zeolite production was $266,808 for the first quarter of 2006 compared to $258,395 during the first quarter of 2005. The increase was principally due to the increased cost of production and supplies.

Zeolite depreciation for the first quarter of 2006 was $27,258 compared to $18,200 for the first quarter of 2005. The increase in depreciation is due to the continued purchase of capital assets associated with zeolite production.

Zeolite freight and delivery for the first quarter of 2006 was $10,895 compared to $22,562 for the first quarter of 2005. The decrease is due to customers using their own trucking.

During the first quarter of 2006, the Company incurred costs totaling $21,512 associated with zeolite general and administrative expenses compared to $31,771 of such expenses in the comparable quarter of 2005.

Zeolite sales expenses were $13,170 during the first quarter of 2006 compared to $19,469 during the first quarter of 2005. The decrease is directly related to the loss of one customers business.

Administrative Operations

Interest expense of $23,066 was incurred during the first quarter of 2006 compared to $35,486 during the first quarter of 2005.

Accounts receivable factoring expense was $18,996 during the first quarter of 2006 compared to $28,259 during the first quarter of 2005. The decrease was primarily due to a decrease in zeolite sales.

General and administrative expenses for the corporation were $102,985 during the first quarter of 2006 compared to $81,437 for the same quarter in 2005. The increase is primarily due to the increase in general and administrative activities associated with the Mexican Project.

FINANCIAL CONDITION AND LIQUIDITY

At March 31, 2006, Company assets totaled $1,587,984, and there was a stockholders' deficit of $846,462. The stockholders' deficit increased $128,629 from December 31, 2005, primarily due to the operating loss during the three months ended March 31, 2006. At March 31, 2006 the Company's total current liabilities exceeded its total current assets by $1,033,325. Due to the Company's operating losses, negative working capital, and stockholders' deficit, the Company's independent accountants included a paragraph in the Company's 2005 financial statements relating to a going concern uncertainty. To continue as a going concern the Company must generate profits from its antimony and zeolite sales and to acquire additional capital resources through the sale of its securities or from short and long-term debt financing. Without financing and profitable operations, the Company may not be able to meet its obligations, fund operations and continue in existence. While management is optimistic that the Company will be able to sustain profitable operations and meet its financial obligations, there can be no assurance of such. The Company's management is confident, however, that it will be able to generate cash from operations and financing sources that will enable it to meet its obligations over the next twelve months.

7

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

Cash used by operating activities during the first three months of 2006 was

$305,088, and resulted from net loss of $301,129 during the first three months of 2006 as adjusted by increasing accounts payable, increasing inventories and the non-cash affects of depreciation expenses.

Cash used by investing activities during the first three months of 2006 was $31,063 and primarily related to purchase of property, plant & equipment at Bear River Zeolite and the Mexican Project.

Net cash provided by financing activities was $101,624 during the first three months of 2006 was primarily generated from proceeds from the sale of common stock and warrants.

ITEM 3. CONTROLS AND PROCEDURES

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the Exchange Act. This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission.

In connection with the review of the Company's consolidated financial statements for the three month period ended March 31, 2005, the Company's independent registered public accounting firm advised the Board of Directors and management of certain significant internal control deficiencies that they considered to be, in the aggregate, a material weakness. In particular, our independent registered public accounting firm identified the following weaknesses in our internal control systems: (1) lack of segregation of duties and (2) lack of formal procedures relating to all areas of financial reporting including a lack of review by management. The independent registered public accounting firm indicated that they considered these deficiencies to be reportable conditions as that term is defined under standards established by the American Institute of Certified Public Accountants. A material weakness is a significant deficiency in one or more of the internal control components that alone or in the aggregate precludes our internal controls from reducing to an appropriately low level of risk that material misstatements in our financial statements will not be prevented or detected on a timely basis. The Company considered these matters in connection with the period-end closing of accounts and preparation of related consolidated financial statements and determined that no prior period financial statements were materially affected by such matters. We believe that the material weakness began in 2003 and existed at the end of the period covered by this report.

The size of the Company has prevented us from being able to employ sufficient resources at this time to enable us to have an adequate level of supervision and segregation of duties within our internal control system. We will continue to monitor and assess the costs and benefits of additional staffing within the Company. However, we have not taken any formal steps at this time to correct the material weaknesses identified by our independent registered public accounting firm. If we are unable to correct these material weaknesses, there is more than a remote likelihood that a material misstatement to our SEC reports will not be prevented or detected, in which case investors could lose confidence in the accuracy and completeness of our financial reports. This could have an adverse effect on our ability to raise additional capital and could also have an adverse effect on our stock price.

8

ITEM 3. CONTROLS AND PROCEDURES, CONTINUED:

As required by the SEC rules, we have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this Quarterly Report. This evaluation was performed under the supervision and with the participation of the Company's management, including the President and Chief Executive Officer and Vice President Finance, Secretary and Treasurer. Based upon that evaluation, our President and Chief Executive Officer and Vice President Finance, Secretary and Treasurer have concluded that the Company's controls and procedures were not effective as of the end of the period covered by this Quarterly Report due to inadequate supervision and segregation of duties.

There has been no change in the Company's internal controls over financial reporting during the quarter ended March 31, 2006, that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

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

During the three month period ended March 31, 2006 the Company sold 346,668 shares of its restricted common stock for $0.30 per share or $104,000 and issued 83,334 shares of its restricted common stock to exercising warrant holders for approximately $0.30 per share or $25,000.

In addition, during the three month period ended March 31, 2006, the Company exchanged 145,000 shares of its restricted common stock for land and equipment in relation to the Mexican Project of $43,500 ($0.30 per share).

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The registrant has no outstanding senior securities.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

None

Reports on Form 8-K None

SIGNATURE

Pursuant to the requirements of Section 13 or 15(b) 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.

UNITED STATES ANTIMONY CORPORATION
(Registrant)

By /s/ John C. Lawrence Date: May 19, 2006

John C. Lawrence, Director and President
(Principal Executive, Financial and Accounting Officer)