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UNITED STATES ANTIMONY CORP
Form 10QSB
August 15, 2002

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

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended June 30, 2002

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

(State or other jurisdiction of
incorporation or organization)

81-0305822

(I.R.S. Employer
Identification No.)

P.O. BOX 643, THOMPSON FALLS, MONTANA

(Address of principal executive offices)

59873

(Zip code)

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

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
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At August 9, 2002, the registrant had outstanding 27,027,959 shares of par value \$0.01 common stock.

UNITED STATES ANTIMONY CORPORATION

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QUARTERLY REPORT ON FORM 10-QSB
FOR THE QUARTERLY PERIOD
ENDED JUNE 30, 2002

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PART I-FINANCIAL INFORMATION

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

(UNAUDITED)

JUNE 30,

DECEMBER

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	2002	2001
ASSETS		
Current assets:		
Restricted cash	\$ 106,092	\$ 3,000
Accounts receivable, less allowance for doubtful accounts of \$30,000	73,857	105,000
Inventories	120,393	126,000
Total current assets	300,342	234,000
Investment in USAMSA, net	83,503	95,000
Properties, plants and equipment, net	464,749	307,000
Restricted cash for reclamation bonds	87,550	87,000
Total assets	\$ 936,144	\$ 725,000
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Checks issued and payable	\$ 72,650	\$ 61,000
Accounts payable	659,675	624,000
Accrued payroll and property taxes	292,134	256,000
Accrued payroll	24,379	26,000
Other current liabilities	55,316	56,000
Judgment payable	48,224	46,000
Accrued interest payable	14,640	14,000
Payable to related parties	164,864	121,000
Notes payable to bank, current	336,507	119,000
Accrued reclamation costs, current	133,080	137,000
Total current liabilities	1,801,469	1,464,000
Notes payable to bank, noncurrent	164,491	341,000
Accrued reclamation costs, noncurrent	87,524	87,000
Total liabilities	2,053,484	1,893,000
Commitments and contingencies (Note 3)		
Stockholders' deficit:		
Preferred stock, \$.01 par value, 10,000,000 shares authorized:		
Series A: 4,500 shares issued and outstanding	45	7,000
Series B: 750,000 shares issued and outstanding	7,500	1,000
Series C: 177,904 shares issued and outstanding	1,779	1,000
Common stock, \$.01 par value, 30,000,000 shares		
authorized; 27,027,959 issued and outstanding at June 30, 2002		
and 26,156,959 shares issued and outstanding at December 31, 2001.	270,279	261,000
Additional paid-in capital	16,954,970	16,791,000
Accumulated deficit	(18,351,913)	(18,230,000)
Total stockholders' deficit	(1,117,340)	(1,167,000)
Total liabilities and stockholders' deficit	\$ 936,144	\$ 725,000

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

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

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED
	JUNE 30, 2002	JUNE 30, 2001	JUNE 30, 2002
Revenues:			
Sales of antimony products and other	\$ 975,283	\$ 1,076,909	\$ 1,626,372
Sales of zeolite products.	44,593	2,655	105,907
	<u>1,019,876</u>	<u>1,079,564</u>	<u>1,732,279</u>
Costs of production-antimony	728,666	821,401	1,293,214
Costs of production-zeolite.	73,391		112,702
Freight and delivery-antimony.	114,333	118,921	194,142
	<u>916,390</u>	<u>940,322</u>	<u>1,600,058</u>
Gross profit	<u>103,486</u>	<u>139,242</u>	<u>132,221</u>
Other operating expenses:			
Bear River Zeolite sales, development and general and administrative	50,396	119,425	112,681
General and administrative	67,522	159,421	165,418
Sales expense.	17,533	34,342	44,398
	<u>135,451</u>	<u>313,188</u>	<u>322,497</u>
Other (income) expense:			
Interest expense	19,921	41,714	37,373
Factoring expense.	26,001	23,911	45,327
Interest income.	(696)	(1,488)	(1,450)
Sale of Bear River Zeolite royalty	(150,000)		(150,000)
	<u>(104,774)</u>	<u>64,137</u>	<u>(68,750)</u>
Net income (loss).	<u>\$ 72,809</u>	<u>\$ (238,083)</u>	<u>\$ (121,526)</u>
Basic net income (loss) per share of common stock.	<u>\$ Nil</u>	<u>\$ (0.01)</u>	<u>\$ Nil</u>
Basic weighted average shares outstanding.	<u>26,979,048</u>	<u>18,948,294</u>	<u>26,783,559</u>

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

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

	FOR THE SIX MONTHS ENDED JUNE 30, 2002	JUNE 30, 2001
Cash flows from operating activities:		
Net loss	\$ (121,526)	\$ (503,389)
Adjustments to reconcile net loss to net cash used by operations:		
Depreciation and amortization	44,772	83,131
Accrued reclamation costs		7,500
Change in:		
Restricted cash	(102,290)	2,552
Accounts receivable	31,227	(32,950)
Inventories	5,682	67,769
Restricted cash for reclamation bonds		(7,500)
Accounts payable	35,087	194,510
Accrued payroll and property taxes	35,814	(94,966)
Accrued payroll and other	(3,095)	73,214
Judgments payable	1,701	1,522
Accrued debenture interest payable		51,150
Payable to related parties	5,826	(3,505)
Accrued reclamation costs	(4,559)	(12,431)
Net cash used by operating activities	(71,361)	(173,393)
Cash flows from investing activities:		
Purchase of properties, plants and equipment	(189,917)	(92,689)
Net cash used in investing activities	(189,917)	(92,689)
Cash flows from financing activities:		
Proceeds from issuance of common stock and warrants	172,070	149,300
Payments on notes payable to bank	(60,489)	
Proceeds from related party advances, net	37,957	40,000
Proceeds from notes payable to bank	100,211	68,770
Proceed from factoring company		34,691
Change in checks issued and payable	11,529	(26,679)
Net cash provided by financing activities	261,278	266,082
Net change in cash	0	0
Cash, beginning of period	0	0
Cash, end of period	\$ 0	\$ 0
Supplemental disclosures:		
Cash paid during the period for interest	\$ 28,758	\$ 19,068

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Non-cash investing activities:

Common stock and warrants issued for plant construction

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\$ 2,500

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

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PART I - FINANCIAL INFORMATION, CONTINUED:

UNITED STATES ANTIMONY CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION:

The unaudited consolidated financial statements have been prepared by United States Antimony Corporation ("USAC" or "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 six-month period ended June 30, 2002 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2002. Certain consolidated financial statement amounts for the three and six-month periods ended June 30, 2001, have been reclassified to conform to the 2002 presentation. These reclassifications had no effect on the net loss or accumulated deficit as previously reported.

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, 2001.

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 and common stock issuable upon the conversion of debentures 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 requiring cleanup of the cyanide solution. The Company has been reclaiming the property and, as of December 31, 2001, the cyanide solution cleanup was

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complete, the mill removed, and a majority of the cyanide leach residue disposed of. 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, which the Company signed in December 1996.

In November of 2001, the Environmental Protection Agency ("EPA") listed two by-products of the Company's antimony oxide manufacturing process as hazardous wastes. Antimony slag and antimony bag house filters are now subject to comprehensive management and treatment standards under subtitle C of the Resource Conservation and Recovery Act ("RCRA"), and emergency notification requirements for releases to the environment under CERCLA. During 2001, the Company adjusted its reclamation accrual at its antimony processing site based on an estimate of costs associated with disposing the Company's current antimony slag inventory according to EPA universal treatment standards. While it is reasonably probable that additional future costs will result from the EPA's listings, the additional costs are not estimable at December 31, 2001 and June 30, 2002, and accordingly have not been accrued for.

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UNITED STATES ANTIMONY CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED), CONTINUED:

3. COMMITMENTS AND CONTINGENCIES, CONTINUED:

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.

During 2001, the Company issued a number of shares in transactions that may not qualify for exemption from the Securities Act registration requirements and may be in violation of Section 5 of the Securities Act of 1933. As a result the Company may be subject to liabilities associated with the rescission rights of the purchasers of these shares and fines and penalties from securities regulators. At June 30, 2002 and December 31, 2001, the Company had not recorded any liability associated with the issuance of these shares, as management believes the likelihood of a claim, and the ultimate economic outcome if a claim is asserted, cannot be ascertained at this time.

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.

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Results of Operations

For the three-month period ended June 30, 2002 compared to the three-month period ended June 30, 2001

On May 29, 2002, the Company, was assigned all rights, title and interest in any and all common stock of Bear River Zeolite Company ("Bear River Zeolite" or "BRZ") owned by George Desborough and Nick Raymond, holders of 25% of BRZ's outstanding shares of common stock. The assignment brought the Company's ownership in Bear River Zeolite to 100%. In connection with the assignment, the Company agreed to pay Mr. Desborough and Mr. Raymond a royalty on zeolite sales ranging from 1-3% based on per-ton zeolite sale prices. As additional consideration for the assignment, USAC also agreed to issue Mr. Desborough and Mr. Raymond a total of 50,000 restricted common stock purchase warrants exercisable at \$0.40 for a period of 3 years within 30 days of the signing of the agreement, providing common stock is authorized. At June 30, 2002, the Company didn't have authorized shares of common stock available to affect the warrant issue, and the warrants had not yet been issued.

On June 1, 2002, BRZ sold a production royalty to Delaware Royalty Corporation ("Delaware"), a company controlled by Al Dugan, a major shareholder that may be regarded as an affiliate. The sale granted Delaware a 2% royalty on all zeolite ore extracted and sold from BRZ's Webster Farm zeolite property. As consideration for the royalty the Company received \$150,000. The royalty is due at the end of each quarter and is calculated on the gross sales proceeds from zeolite shipped and sold during the preceding quarter.

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

The Company's operations resulted in net income of \$72,809 for the three-month period ended June 30, 2002, compared with a net loss of \$283,083 for the three-month period ended June 30, 2001. Net income during the second quarter of 2002 compared to the net loss during the similar quarter of 2001 is primarily due to the sale of a royalty in the Company's zeolite operations and decreased general and administrative expenses during the second quarter of 2002.

Total revenues from antimony product sales for the second quarter of 2002 were \$975,283 compared with \$1,076,909 during the comparable quarter of 2001, a decrease of \$101,626. During the three-month period ended June 30, 2002, 36.62% of the Company's revenues from antimony product sales were from sales to one customer and 10.8% were from sales to a second individual customer. Sales of antimony products during the second quarter of 2002 consisted of 1,188,019 pounds at an average sale price of \$0.82 per pound. During the second quarter of 2001 sales of antimony products consisted of 1,184,110 pounds at an average sale price of \$0.91 per pound. The decrease in sale prices of antimony products from the second quarter of 2001 to the second quarter of 2002 is the result of a corresponding decrease in antimony metal prices.

Sales of zeolite products during the second quarter of 2002 were \$44,593 compared to sales of \$2,655 during the second quarter of 2001. Gross profit from antimony and zeolite sales during the second three-month period of 2002 was \$103,486 compared with gross profit of \$139,242 during the second three-month period of 2001.

During the second quarter of 2002, the Company incurred expenses totaling \$50,396 associated with sales, development and general and administrative

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expenses of its wholly owned subsidiary, Bear River Zeolite, compared to \$119,425 of expenses in the comparable quarter of 2001. The decrease in BRZ expenses was principally due to the start-up costs incurred during the second quarter of 2001 that were not incurred during 2002.

General and administrative expenses were \$67,522 during the second quarter of 2002, compared to \$159,421 during the second quarter of 2001. The decrease in general and administrative expenses during the second quarter of 2002 compared to the same quarter of 2001 was partially due to the absence of legal and accounting expenses associated with the preparation of a registration statement during the second quarter of 2001.

Sales expenses were \$17,533 during the second quarter of 2002 compared with \$34,342 in the second quarter of 2001, the decrease was principally due to the allocation of a portion of USAC's sales and labor costs to BRZ.

Interest expense was \$19,921 during the second quarter of 2002, compared to interest expense of \$41,714 incurred during the second quarter of 2001; the decrease in interest expense was due to the conversion of outstanding debentures during the fourth quarter of 2001.

Accounts receivable factoring expense was \$26,001 during the second quarter of 2002 compared to \$23,911 of factoring expense incurred during the second quarter of 2001. The decrease was primarily due to an increase in accounts receivable factored during the second quarter of 2002 compared to 2001.

Interest income decreased from \$1,488 during the second quarter of 2001 to \$696 during the second quarter of 2002. The decrease was due to a corresponding decrease in interest bearing reclamation bonds.

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

For the six-month period ended June 30, 2002 compared to the six-month period ended June 30, 2001

The Company's operations resulted in a net loss of \$121,526 for the six-month period ended June 30, 2002, compared with a net loss of \$503,389 for the six-month period ended June 30, 2001. The decrease in net loss from the first six months of 2001 compared to the first six months of 2002 is primarily due to decreased general and administrative expenses during 2002 and the sale of a royalty in the Company's zeolite operations.

Total revenues from antimony product sales for the first six months of 2002 were \$1,626,372 compared with \$2,038,040 for the comparable period of 2001, a decrease of \$411,668. During the six-month period ended June 30, 2002, 38.49% of the Company's revenues from antimony products sales were from sales to one customer and 10.7% were from sales to a second individual customer. Sales of antimony products during the first six months of 2002 consisted of 1,940,068 pounds at an average sale price of \$0.84 per pound. During the first six months of 2001 sales of antimony products consisted of 2,129,434 pounds at an average sale price of \$0.96 per pound. The decrease in sale prices of antimony products from the first six months of 2001 to the first six months of 2002 is the result of a corresponding decrease in antimony metal prices.

Sales of zeolite products during the first six months of 2002 were \$105,907 compared to sales of \$2,655 during the comparable period of 2001. Gross profit from antimony and zeolite sales during the first six-month period of 2002 was \$132,221 compared with gross profit of \$194,391 during the same six-month period of 2001.

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During the first six months of 2002, the Company incurred expenses totaling \$112,681 associated with sales, development and general and administrative expenses of its wholly owned subsidiary, Bear River Zeolite, compared to \$165,668 of expenses during the comparable period of 2001. The decrease in BRZ expenses was principally due to the start-up costs associated with zeolite operations incurred during the first six months of 2001 that were not incurred during 2002.

General and administrative expenses were \$165,418 during the first six months of 2002, compared to \$333,468 during the first six months of 2001. The decrease in general and administrative expenses during the first six months of 2002 compared to the same period of 2001 was partially due to decreased legal and accounting expenses associated with the preparation of a registration statement during 2001 and the allocation of a portion of USAC's general and administrative costs to BRZ.

Sales expenses were \$44,398 during the first six months of 2002 compared with \$72,838 in the first six months of 2001, the decrease was principally due to the allocation of a portion of the Company's sales costs to BRZ.

Interest expense was \$37,373 during the first six months of 2002, compared to interest expense of \$81,600 incurred during the first six months of 2001; the decrease in interest expense was due to the conversion of outstanding debentures during the fourth quarter of 2001.

Accounts receivable factoring expense was \$45,327 during the first six months of 2002 and was comparable to \$47,175 of factoring expense incurred during the first six months of 2001.

Interest income decreased from \$2,969 during the first six months of 2001 to \$1,450 during the first six months of 2002. The decrease was due to a corresponding decrease in interest bearing reclamation bonds.

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

Financial Condition and Liquidity

At June 30, 2002, Company assets totaled \$936,144, and there was a stockholders' deficit of \$1,117,340. The stockholders' deficit decreased \$50,544 from December 31, 2001, primarily due to sales of restricted common stock during the first two quarters of 2002. At June 30, 2002, the Company's total current liabilities exceeded its total current assets by \$1,501,127. 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 2001 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 acquire additional capital resources from alternative financing resources. 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 its operations and meet its financial obligations, there can be no assurance of such.

Cash used by operating activities during the first six months of 2002 was \$71,361, and resulted primarily from the six-month net loss of \$121,526.

Cash used in investing activities during the first six months of 2002 was \$189,917 and was almost entirely related to the construction of capital assets

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at the Bear River Zeolite facility.

Cash provided by financing activities was \$261,278 during the first six months of 2002, and was principally generated by sales of 871,000 shares of unregistered common stock for \$172,070. At June 30, 2002, the Company had no unencumbered authorized common stock available for sale or issue.

During the second quarter of 2002, the Company negotiated an additional borrowing with the First State Bank of Thompson Falls, Montana, through an Assignment of Deposit Account Agreement. The borrowing provides up to \$150,100, is collateralized by the Company's assignment of a \$100,000 certificate of deposit, and matures together with accrued interest on June 10, 2003. Proceeds from the borrowing were used to finance the Company's inventory purchases.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

Neither the constituent instruments defining the rights of the registrant's securities filers nor the rights evidenced by the registrant's outstanding common stock have been modified, limited or qualified. The Company sold 871,000 shares of its common stock for a total of \$172,070, during the first six months of 2002 pursuant to exemptions from registration under Section 4(2) of the Securities Act of 1933 as amended.

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

Exhibits

- 10.47 Bear River Zeolite Company Royalty Agreement, dated May 29, 2002
- 10.48 Grant of Production Royalty, dated June 1, 2002
- 10.49 Assignment of Common Stock of Bear River Zeolite Company, dated May 29, 2002
- 10.50 Agreement to Issue Warrants of USA, dated May 29, 2002

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: August 14, 2002

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