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UNITED STATES ANTIMONY CORP
Form 10QSB
November 14, 2001

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 September 30, 2001

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 59873
(Address of principal executive offices) (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

At October 10, 2001, the registrant had outstanding 19,329,564 shares of par value \$.01 common stock.

PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

United States Antimony Corporation and Subsidiaries
Consolidated Balance Sheets

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	(Unaudited) September 30,	December 31,
	2001	2000
ASSETS		
Current assets:		
Restricted cash	\$ 11,224	\$ 8,518
Inventories	133,409	221,457
Accounts receivable, less allowance for doubtful accounts of \$30,000	75,074	119,568
	-----	-----
Total current assets	219,707	349,543
Investment in USAMSA, net	90,814	111,088
Properties, plants and equipment, net	284,342	246,250
Restricted cash for reclamation bonds	102,550	123,250
Deferred financing charges, net	32,850	63,789
	-----	-----
Total assets	\$ 730,263	\$ 893,920
	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Checks issued and payable	\$ 67,543	\$ 107,133
Accounts payable	611,562	429,654
Accrued payroll and property taxes	192,902	241,588
Accrued payroll and other liabilities	156,090	89,680
Judgment payable	45,763	43,480
Accrued debenture interest payable	124,049	47,324
Due to related parties	85,084	10,307
Notes payable to bank, current	256,150	150,625
Accrued reclamation costs, current	80,000	80,000
	-----	-----
Total current liabilities	1,619,143	1,199,791
Debentures payable, net of discount	1,006,932	997,449
Notes payable to bank, noncurrent	181,609	205,377
Accrued reclamation costs, noncurrent	157,725	199,388
	-----	-----
Total liabilities	2,965,409	2,602,005
	-----	-----
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, \$.01 par value, 10,000,000 shares authorized:		
Series A: 4,500 shares issued and outstanding	45	45
Series B: 750,000 shares issued and outstanding	7,500	7,500
Series C: 177,904 shares issued and outstanding	1,779	1,779
Common stock, \$.01 par value, 30,000,000 shares authorized; 19,329,564 and 18,375,564 shares issued and outstanding	193,295	183,755
Additional paid-in capital	15,533,646	15,352,386
Accumulated deficit	(17,971,411)	(17,253,550)
	-----	-----
Total stockholders' deficit	(2,235,146)	(1,708,085)
	-----	-----
Total liabilities and stockholders' deficit	\$ 730,263	\$ 893,920
	=====	=====

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

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United States Antimony Corporation and Subsidiaries
Consolidated Statements of Operations (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2001	2000	2001	2000
Revenues:				
Sales of antimony products and other	\$ 778,533	\$ 1,094,721	\$ 2,816,573	\$ 3,458,184
Sales of zeolite products	4,080		6,735	
	-----	-----	-----	-----
	782,613	1,094,721	2,823,308	3,458,184
Cost of antimony production				
Freight and delivery	573,661	989,111	2,197,430	2,833,154
	85,517	93,718	308,052	337,695
	-----	-----	-----	-----
	659,178	1,082,829	2,505,482	3,170,849
Gross profit				
	-----	-----	-----	-----
	123,435	11,892	317,826	287,335
Other operating expenses:				
Bear River Zeolite	87,915		253,583	
Care, maintenance, and reclamation-Yellow Jacket	1,813	80,018	4,673	157,924
General and administrative	153,768	130,042	484,376	474,237
Sales expenses	33,367	58,931	106,205	253,282
	-----	-----	-----	-----
	276,863	268,991	848,837	885,443
Other (income) expense:				
Interest expense	37,999	36,725	119,599	117,964
Factoring expense	24,312	22,077	71,487	71,365
Interest income and other	(1,267)	(1,880)	(4,236)	(6,527)
	-----	-----	-----	-----
	61,044	56,922	186,850	182,802
Net loss before extraordinary item				
	(214,472)	(314,021)	(717,861)	(780,910)
Extraordinary gain on conversion of debts				
		917,726		917,726
	-----	-----	-----	-----
Net income (loss)				
	\$ (214,472)	\$ 603,705	\$ (717,861)	\$ 136,816
	=====	=====	=====	=====
Basic net income (loss) per share of common stock				
	\$ (0.01)	\$ 0.03	\$ (0.04)	\$ 0.01
	=====	=====	=====	=====
Basic weighted average shares outstanding				
	19,259,510	18,289,263	18,827,720	17,600,199
	=====	=====	=====	=====

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

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United States Antimony Corporation and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)

	For the nine months ended	
	September 30, 2001	September 30, 2000
Cash flows from operating activities:		
Net income (loss)	\$ (717,861)	\$ 136,816
Adjustments to reconcile net income (loss) to net cash used by operations:		
Depreciation and amortization	132,696	108,375
Accrued reclamation costs	7,500	
Extraordinary gain on conversion of debts to common stock		(917,726)
Provision for doubtful accounts		(20,000)
Issuance of common stock for consulting services		153,000
Change in:		
Restricted cash	(2,706)	(4)
Accounts receivable	44,494	(1,302)
Inventories	88,048	53,827
Restricted cash for reclamation bonds	20,700	24,828
Deferred financing charges		(82,500)
Prepaid expenses		(437)
Accounts payable	181,908	(5,352)
Accrued payroll and property taxes	(48,686)	49,565
Accrued payroll and other liabilities	66,410	(42,966)
Judgment payable	2,283	2,133
Accrued debenture interest payable	76,725	13,767
Payable to related parties	(20,118)	7,755
Accrued reclamation costs	(49,163)	(35,298)
	-----	-----
Net cash used by operating activities	(217,770)	(555,519)
	-----	-----
Cash flows from investing activities:		
Purchase of properties, plants and equipment	(107,592)	(37,396)
	-----	-----
Net cash used in investing activities	(107,592)	(37,396)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of common stock and warrants	188,300	255,000
Proceeds from the sale of convertible debentures		675,000
Proceeds from related party advances	94,895	141,243
Proceeds from notes payable to bank, net	81,757	45,615
Change in checks issued and payable	(39,590)	16,087
Payments on note payable to Bobby C. Hamilton		(540,030)
	-----	-----
Net cash provided by financing activities	325,362	592,915
	-----	-----
Net change in cash	0	0
Cash, beginning of period	0	0
	-----	-----
Cash, end of period	\$ 0	\$ 0
	=====	=====

Supplemental disclosures:

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Cash paid during the period for interest	\$ 25,809	\$ 97,721
	=====	=====
Non-cash investing activities:		
Common stock and warrants issued for plant construction	\$ 2,500	
	=====	
Non-cash financing activities:		
Common stock issued as settlement of debt		\$ 80,625
		=====

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 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 generally accepted accounting principles 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 generally accepted accounting principles 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 nine and three-month period ended September 30, 2001 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2001. Certain consolidated financial statement amounts for the nine and three-month period ended September 30, 2000, have been reclassified to conform to the 2001 presentation. These reclassifications had no effect on the net income 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, 2000.

2. Income (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. The metals were recovered by a 150-ton per day gravity and flotation mill, and the concentrates were leached with cyanide to produce a bullion product at the Preachers Cove mill, which is located nine miles north of Sunbeam, Idaho on the Yankee Fork of the

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Salmon River. 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. In 1996, the Company signed a consent decree with the Idaho Department of Environmental Quality relating to completing the reclamation and remediation at the Preachers Cove mill.

The Company's management believes that USAC is currently in substantial compliance with environmental regulatory agencies and that its accrued environmental reclamation costs are representative of management's estimate of costs required to fulfill its reclamation obligations. 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. Such costs are accrued at the time the expenditure becomes probable and the costs can reasonably be estimated.

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United States Antimony Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

3. Commitments and Contingencies, Continued:

During 2000, the Company issued 150,000 shares of its common stock to Thomson Kernaghan & Co., Ltd., and 150,000 shares of its common stock to Blue Water Partners, Inc. as compensation for fiscal advisory and consulting services to be provided the Company. The shares were issued pursuant to the Company's 2000 Stock Plan, and were believed by the Company to be registered under a Form S-8 registration statement filed in connection with the 2000 Stock Plan. The stock certificates issued to the two companies therefore did not bear a restrictive legend. Subsequent to the issuance of the shares, management was informed by its legal counsel that Form S-8 cannot be used to register stock issued to consultants whose services involve promotion of the Company's stock. In response to this information, management immediately contacted both companies and requested that the unlegended shares of common stock be returned to the Company in exchange for a certificate bearing a restrictive legend. In March of 2001, Thomson Kernaghan & Co., Ltd. returned 150,000 shares to the Company in exchange for 150,000 restricted shares, that the Company agreed to register in conjunction with a Form SB-2 registration statement it is preparing. No response has been received from Blue Water Partners, Inc. As a result of the issuance, the Company may be subject to civil liabilities, including fines and other penalties imposed by federal and state securities agencies. The Company has also 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 September 30, 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 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

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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

During the third quarter of 2001 the Company's sales of antimony products continued to be depressed due to a general slowdown of economic conditions being experienced by a majority of the Company's customers. During the first nine months of 2001, approximately 34% of the Company's sales of antimony products were made to one customer and approximately 13% of sales of antimony products were to a second customer, compared with approximately 21% of the Company's sales of antimony products to one customer and 12% of sales of antimony products to a second customer during the nine-month period ended September 30, 2000. During the second and third quarters of 2001, the Company's 75% owned subsidiary, Bear River Zeolite Company ("BRZ"), delivered its first sales of crushed zeolite material. To date, significant interest in BRZ's zeolite products has been expressed by several potential users. During the third quarter of 2001, the Company continued pursuing the preparation and filing of a registration statement to register shares of common stock and warrants for resale by selling security holders pursuant to a financing arrangement entered into with Thomson Kernaghan & Co., Ltd. during 2000. During the second and third quarters of 2001, reclamation work at the Company's Yellow Jacket mine site commenced and substantial progress was made in reclamation of the property. As a result of the reclamation work performed, the Company received funds from the release of reclamation bonds held by regulating agencies during the third quarter of 2001.

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ITEM 2. Management's Discussion and Analysis of Results of Operations and Financial Condition, Continued:

For the three-month period ended September 30, 2001 compared to the three-month period ended September 30, 2000

The Company's operations resulted in a net loss of \$214,472, or \$0.01 per basic weighted average share outstanding, for the three-month period ended September 30, 2001 compared with net income of \$603,705 or \$0.03 per basic weighted average share outstanding for the three-month period ended September 30, 2000. The increase in loss for the third quarter of 2001 compared to the third quarter of 2000 is primarily due to decreased antimony product sales during the third quarter of 2001 and the absence of any extraordinary gain on the conversion of debts that were recorded during the third quarter of 2000.

Total revenues from antimony product sales for the third quarter of 2001 were \$778,533 compared with \$1,094,721 for the comparable quarter of 2000, a decrease of \$316,188. Sales of antimony products during the third quarter of 2001 consisted of 904,048 pounds at an average sale price of \$0.86 per pound. During the third quarter of 2000 sales of antimony products consisted of 1,086,618 pounds at an average sale price of \$1.01 per pound. Costs of antimony production and costs of freight and delivery were \$573,661 and \$85,517, or \$0.63 and \$0.09 per pound sold, respectively, for the three-month period ended September 30, 2001 as compared to costs of antimony production and costs of freight and delivery of \$989,111 and \$93,718, or \$0.91 and \$0.09

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per pound sold, respectively, for the three-month period ended September 30, 2000. The decrease in cost of antimony production per pound during the third quarter of 2001 as compared to the third quarter of 2000 resulted from more efficient raw material purchasing during the third quarter of 2001.

During the third quarter of 2001, the Company incurred expenses totaling \$87,915 associated with its newly formed 75% owned subsidiary, Bear River Zeolite Company ("Bear River Zeolite" or "BRZ"). Sales of zeolite products totaled \$4,080 during the third quarter of 2001. No such costs or sales were incurred during the third quarter of 2000, as the subsidiary did not yet exist.

Care, maintenance, and reclamation costs at the Company's Yellow Jacket property decreased from \$80,018 during the third quarter of 2000 to \$1,813 during the third quarter of 2001. The decrease was primarily due to the decrease of accrued reclamation cost adjustments during the third quarter of 2001, and the property nearing its final reclamation.

General and administrative expenses were \$153,768 during the third quarter of 2001, compared to \$130,042 during the third quarter of 2000. The increase in general and administrative costs during the third quarter of 2001 compared to the same quarter of 2000 was principally due to a product warranty expense of \$45,175 incurred during the third quarter of 2001 that was not incurred during 2000 and costs associated with the preparation and filing of a registration statement.

Sales expenses were \$33,367 during the third quarter of 2001 compared with \$58,931 in the third quarter of 2000. The decrease was due to management's restructuring of its sales staff with less costly and fewer employees.

Interest expense was \$37,999 during the third quarter of 2001, and was comparable to interest expense of \$36,725 incurred during the third quarter of 2000. Included in interest expense during the third quarter of 2001 was \$25,575 accrued on debentures payable and amortization of debenture discounts totaling \$3,161.

Accounts receivable factoring expense was \$24,312 during the third quarter of 2001 and was comparable to \$22,077 of factoring expense incurred during the third quarter of 2000. Interest income decreased from \$1,880 during the third quarter of 2000 to \$1,267 during the third quarter of 2001 due to a corresponding decrease in reclamation bonds held during 2001.

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ITEM 2. Management's Discussion and Analysis of Results of Operations and Financial Condition, Continued:

For the nine-month period ended September 30, 2001 compared to the nine-month period ended September 30, 2000

The Company's operations resulted in a net loss of \$717,861, or \$0.04 per basic weighted average share outstanding, for the nine-month period ended September 30, 2001 compared with net income of \$136,816 or \$0.01 per basic weighted average share outstanding for the nine-month period ended September 30, 2000. The increase in loss for the third quarter of 2001 compared to the similar quarter of 2000 is primarily due to decreased antimony product sales and the absence of any extraordinary gain on the conversion of debts during the third quarter of 2001.

Total revenues from antimony product sales for the nine-month period ended September 30, 2001 were \$2,816,573 compared with \$3,458,184 for the comparable

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period of 2000, a decrease of \$641,611. The major factor in the decrease in sales of antimony products during the nine-month period ended September 30, 2001, compared to the same period of 2000, is decreased sales volume experienced in 2001. Sales of antimony products during the nine-month period ended September 30, 2001, consisted of 3,033,482 pounds at an average sale price of \$0.93 per pound. During the nine-month period ended September 30, 2000, sales of antimony products consisted of 3,646,579 pounds at an average sale price of \$0.95 per pound. Costs of antimony production and costs of freight and delivery were \$2,197,430 and \$308,052, or \$0.72 and \$0.10 per pound sold, respectively, for the nine-month period ended September 30, 2001, as compared to costs of antimony production and costs of freight and delivery of \$2,833,154 and \$337,695, or \$0.78 and \$0.09 per pound sold, respectively, for the nine-month period ended September 30, 2000. The decrease in cost of antimony production per pound during the nine months ended September 30, 2001, is due to more efficient raw material purchasing during 2001.

During the nine-month period ended September 30, 2001, the Company incurred expenses totaling \$253,583 associated with Bear River Zeolite. Sales of zeolite products totaled \$6,735 during the second and third quarters of 2001. No such costs or sales were incurred during the third quarter of 2000, as the subsidiary did not yet exist.

Care, maintenance, and reclamation costs at the Company's Yellow Jacket property decreased from \$157,924 during the nine-month period ended September 30, 2000 to \$4,673 during the nine-month period ended September 30, 2001. The decrease was primarily due to the decrease of accrued reclamation cost adjustments during the nine-month period ended September 30, 2001, and the property nearing its final reclamation.

General and administrative expenses were \$484,376 during the nine-month period ended September 30, 2001, and were comparable to \$474,237 during the nine-month period ended September 30, 2000. Included in general and administrative expenses during the nine-month period ended September 30, 2000, were \$153,000 of expenses relating to financial consulting services provided the Company during the first quarter of 2000. General and administrative expenses during the nine-month period ended September 30, 2001, included legal costs relating primarily to the preparation of a registration statement of approximately \$94,000. Also included in general and administrative costs during the nine-month period ended September 30, 2001 was \$70,000 related to the accrual of late filing penalties associated with the registration statement and \$45,175 related to a product warranty settlement.

Sales expenses were \$106,205 during the nine-month period ended September 30, 2001, compared with \$253,282 during the nine-month period ended September 30, 2000. The decrease was due to management's restructuring of its sales staff, with less costly and fewer employees.

Interest expense was \$119,599 during the nine-month period ended September 30, 2001, and was comparable to interest expense of \$117,964 incurred during the nine-month period ended September 30, 2000. Included in interest expense during the nine-month period ended September 30, 2001 was \$76,725 accrued on debentures payable and amortization of debenture discounts totaling \$9,483.

ITEM 2. Management's Discussion and Analysis of Results of Operations and Financial Condition, Continued:

For the nine-month period ended September 30, 2001 compared to the

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nine-month period ended September 30, 2000, continued:

Accounts receivable factoring expense was \$71,487 during the nine-month period ended September 30, 2001 and was comparable to \$71,365 of factoring expense incurred during the nine-month period ended September 30, 2000. Interest income decreased from \$6,527 during the nine-month period ended September 30, 2000 to \$4,236 during the same period of 2001 due to a corresponding decrease in reclamation bonds held during 2001.

Financial Condition and Liquidity

At September 30, 2001, Company assets totaled \$730,263, and there was a stockholders' deficit of \$2,235,146. The stockholders' deficit increased \$527,061 from December 31, 2000, primarily due to the net loss incurred during 2001. At September 30, 2001, the Company's total current liabilities exceeded its total current assets by \$1,399,436. Due to the Company's operating losses, negative working capital, and stockholders' deficit, the Company's independent accountants included a paragraph in the 2000 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 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, there can be no assurance that the Company will be able to sustain profitable operations and meet its financial obligations.

Cash used by operating activities during the first nine months of 2001 was \$217,770, and resulted primarily from the nine-month loss of \$717,861 as adjusted by decreasing inventories, increasing accounts payable, the non-cash effects of depreciation and amortization, and changes in other current assets and liabilities.

During the second and third quarters of 2001 the Company performed substantial reclamation activities at its Yellow Jacket property. As a result \$46,357 was used in connection with Yellow Jacket reclamation and adjusted against the Yellow Jacket reclamation accrual. Management is confident that Yellow Jacket is in the final stages of its reclamation, and future cash outflows related to these reclamation activities will soon cease.

Cash used in investing activities during the first nine months of 2001 was \$107,592, of which \$87,083 related to construction of capital assets to be used at the Bear River Zeolite facility. The majority of the remaining expenditures related to improving the Company's propane fuel storage facilities.

The Company was able to fund its operating loss and its acquisition of plant and equipment for the nine-month period ended September 30, 2001, from net cash provided from financing activities of \$325,362. During the nine-month period ended September 30, 2001, \$188,300 was generated from sales of 941,500 shares of unregistered common stock and warrants (See Note 3). Net borrowings from a bank provided \$81,757 of cash during the first nine months of 2001. John C. Lawrence, the Company's president and a director, advanced the Company a net amount of \$94,895 during the nine-month period ended September 30, 2001.

PART II-OTHER INFORMATION

ITEMS 1, 2, 3, 4, and 5 are omitted from this report as inapplicable.

ITEM 6. Exhibits and Reports on Form 8-K

NONE

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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: November 13, 2001
John C. Lawrence, Director and President
(Principal Executive, Financial and Accounting
Officer)