



COMPANY

UNITED STATES ANTIMONY CORP. (UAMY)

United States Antimony (AMEX: UAMY or "the Company") is a former penny stock on the bulletin board that is promoted as a must own commodity stock in short supply. In reality, demand for antimony remains constrained, and the company has shown no earnings leverage to rising prices. Furthermore, investors are significantly overvaluing their ability to produce antimony in Mexico given they have no SEC complaint proven or probable reserves. **Conclusion:** UAMY is worth no more than \$0.50 cents given the speculative nature of their Mexico operations, and inability to generate profits.

Conclusion:	Strong Sell
Price Target:	\$0.50
Downside:	80%
Ticker:	UAMY
Exchange:	AMEX
2M Avg. Price:	\$3.00
52wk High:	\$4.95
52wk Low:	\$1.48
Avg. Volume:	250,000
Diluted Shares:	64.0m
Market Cap:	\$192m
Cash:	\$3.6m
Debt:	\$1.4m
Ent. Value:	\$190m

Fiscal Year Ended December 31,

<u>Financials</u>	<u>2011</u>	<u>LTM</u>
Sales	\$13.1	\$13.3
EBITDA	\$1.3	\$1.2
EPS	\$0.01	\$0.00
<u>Valuation</u>	<u>2011</u>	<u>LTM</u>
EV/Sales	23x	13x
EV/EBITDA	161x	125x
P/ LTM EPS	300x	300x
P/ Tang. Book	31x	16x

UAMY is Being Promoted as a Play on a Scarce Commodity

- A little over a year ago, UAMY was an obscure \$0.50 cent stock on the bulletin board until a promotional campaign began touting them as an incredible play on antimony
- Antimony prices have already adjusted higher from 2008 -2011 in the post-crash commodity cycle. Prices have since stagnated, and continue to soften; there are plenty of global exploration projects underway to increase supply
- There are limited organic demand drivers to push prices higher, as global consumption of this commodity is tied to GDP growth, with no known new application drivers to spur added demand. Multiple substitutes of this commodity also exist, which will also suppress further price increases

UAMY's Financials Are Suspect: They Have Never Made a Profit

- UAMY is primarily a processor of the commodity, and just earns a spread. Higher antimony prices have never provided earnings leverage to the company; UAMY has never made more than a penny per share in the last decade
- UAMY discloses two material weaknesses affecting their disclosure controls and financial reporting, both of which have not been remedied as of June 30, 2012

Numerous Holes and Risks in the Mexico Growth Story

- UAMY's growth case is to expand into antimony mining, but has no SEC compliant proven/probable reserves, and previously wrote off the mining operation at \$0 a few years back. Since 2006, the company has only invested \$5.5m in Mexican capex
- The company's filings contain numerous lapses in risk disclosures around their growth operations, which leave the door open for many lawsuits

Weak Capital Structure with Significant Dilutive Instruments

- Numerous convertible preferred and warrant securities in the capital structure to dilute existing shareholders. UAMY is not shy about diluting, and quickly raised \$2.8 million in June 2012 at a 28% discount to the closing price
- UAMY has a weak shareholder base that includes no institutional support; the stock is held ~63% by a retail base led by overly promotional promises

Share Price Appears Significantly Overvalued and Likely to Fall

- UAMY's stock price is overvalued by at least 500 -600%; there are numerous publicly traded global peers across the value chain in the industry to determine relative value
- Global M&A transaction values also support significant over-valuation

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Introduction

United States Antimony Corp (Amex: UAMY) made its graduation from the bulletin board to the AMEX on May 21st at approximately \$4.00 share, giving the company a \$275 million valuation. The company was incorporated in Montana on January 1970 to mine and produce antimony products. In December 1983, the company suspended antimony mining operations but continued to produce antimony products from domestic and foreign sources. In April 1998, the company formed United States Antimony SA de CV or USAMSA, to mine and smelt antimony in Mexico. On August 19, 2005, UAMY formed Antimonio de Mexico, S. A. de C. V. to explore and develop antimony and silver deposits in Mexico, which is presently being merged into USAMSA. Today, the company's principal business remains the production and sale of antimony products, along with zeolite products mined in Idaho.

So what took UAMY multiple decades to achieve its listing status and a valuation more than a quarter billion dollars, as compared with it being a bulletin board stock with just a \$30 million dollar valuation about a year ago? In our opinion, the answer is a lot of promotion aimed at retail investors, with attempts to draw a specious parallel between antimony and the rare earth investment story. In our opinion, the company's recent AMEX listing is not a celebrated milestone of their corporate growth, but rather a catalyst and platform to sell their overvalued stock to new investors. Our analysis will show exactly what new investors are buying into – a company with material operational and financial weaknesses that do not justify even a fraction of the current stock price. We'll start with a quick primer to demystify the antimony market, and then illustrate why we believe the odds are in favor of UAMY's share price declining significantly from current levels.

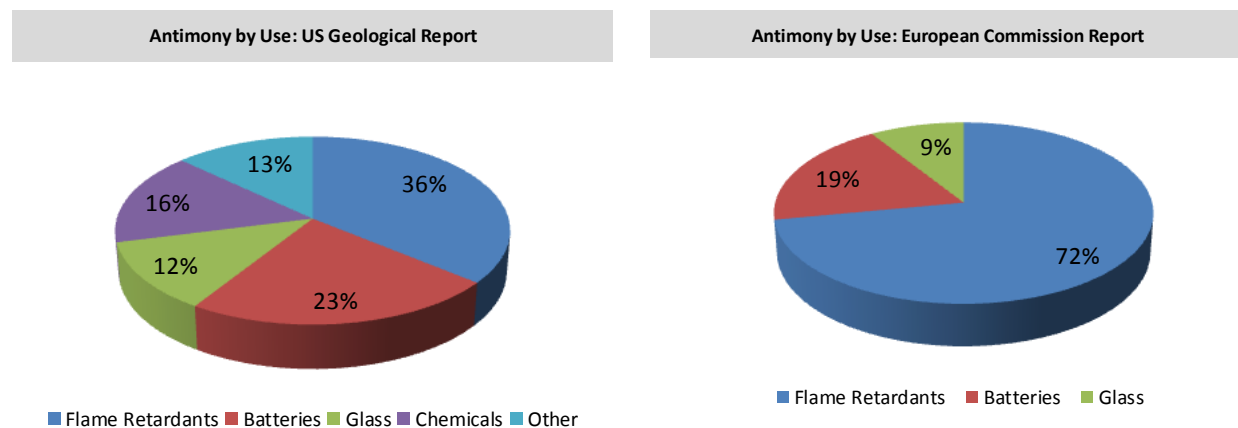


The Reality of Antimony – Limited Supply but even More Limited Demand Drivers

Antimony (Sb) is a silvery-white, shining, soft and brittle metal. It is a semiconductor and has thermal conductivity lower than most metals. Due to its poor mechanical properties, pure antimony is only used in very small quantities; larger amounts are used for alloys and in antimony compounds. Antimony's abundance in the earth's crust is 0.2 ppm, making the element about as scarce as some of the heavier Rare Earth Elements (REEs) and a little above silver (Ag). Scarcity and supply origins in China are about the only thing antimony has in common with REEs.

Few Demand Drivers with Declining Growth

According to the US Geological Survey (USGS) and European Commission, the largest end market for antimony is flame retardant products that find their way into electronics and clothes. Antimony's 2nd biggest end market is in lead-acid batteries, which is a declining due to the shift to newer battery technologies.¹

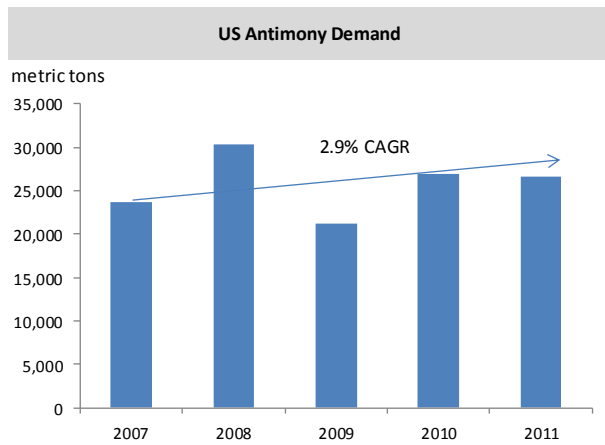


Source: USGS, 2012

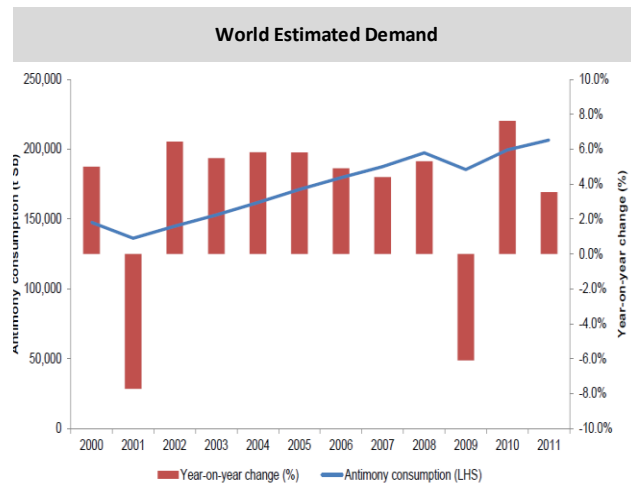
Source: EC, 2010

Whereas REEs are necessary for many of the next generation batteries in hybrid electric vehicles, antimony will not play any role in this future growth. Historical demand for antimony has exhibited a GDP-like 2.9% CAGR from 2007-2011 in the US, and a similar long-term rate for world consumption as estimated by Roskill in an April 2012 report entitled "[Antimony: Changes in the Pattern of Supply and Demand.](#)" However, the growth rate may actually decline going forward warns the EU Commission report. It's easy to understand why the EU report made this prediction given the anemic world growth rate and potential for displacement of lead acid batteries. Furthermore, there are few if any future technology applications that depend on antimony as a critical element.

¹ USGS Report: <http://minerals.usgs.gov/minerals/pubs/commodity/antimony/mcs-2012-antim.pdf>
EC Report: http://ec.europa.eu/enterprise/policies/raw-materials/files/docs/annex-v-b_en.pdf



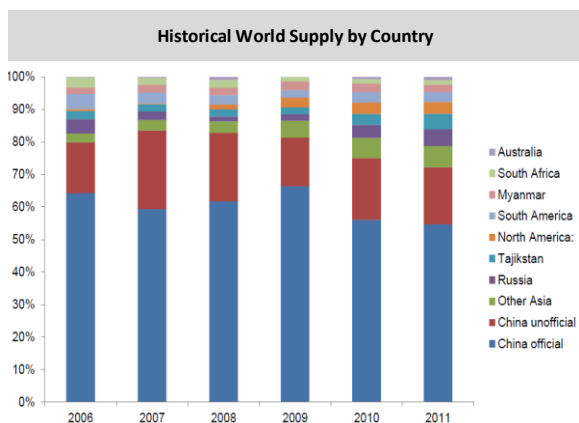
Source: USGS



Source: Roskill, April 2012

Supply Contracted in 2011, Set to Increase in the Future

Focusing on the supply aspects of antimony, there is no question that China has historically played a major role. China's Hunan Province hosts the world's largest known deposits and is believed to account for ~60% of world supply, with another 20% coming from other Chinese locations. As we've seen in many critical commodities such as rare earth and graphite, China has taken measures to more closely control their resources from mine to value added production, and reduce export quotas. The Chinese government took measures to shut down certain antimony mines and smelters in 2011 in an effort to control environmental issues and resolve safety problems. The tables below show the global locations of current antimony supplies and reserves. At the current production rate, there are safely 10 years of antimony reserves, and that doesn't account for additional exploration efforts that are currently underway to expand supplies.



Source: USGS, Antaika, Roskill

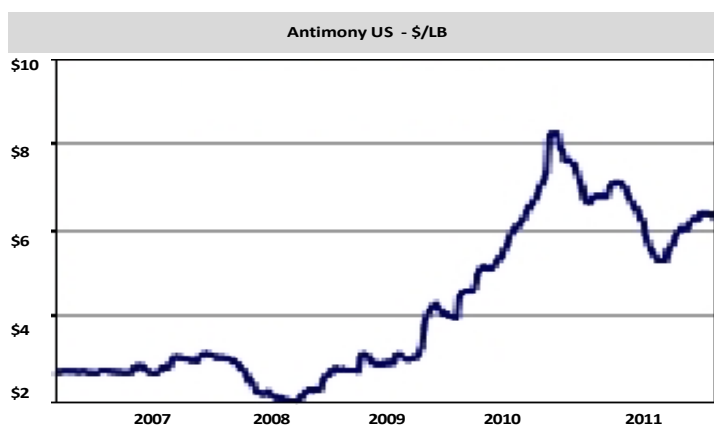
metric tons	Production		Reserves	
	2010	2011	Total	Total
China	150,000	150,000	89%	950,000
Bolivia	5,000	5,000	3%	310,000
Russia	3,000	3,000	2%	350,000
South Africa	3,000	3,000	2%	21,000
Tajikistan	2,000	2,000	1%	50,000
Other Countries	4,000	6,000	4%	150,000
World	167,000	169,000	100%	1,831,000

Source: USGS

Including UAMY's efforts to expand production in Mexico, there are numerous other companies advancing antimony projects around the world. It should be noted that the USGS doesn't even recognize Mexico as having any reserves. Many of these projects include bringing on past producing mines. For example, Anchor Resources is advancing the Wild Cattle Creek project in Australia, while Adroit Resources is working to advance past producing mines in Italy. The Hillgrove mine in Australia is another example of a formerly producing mine that could quickly come into production if the right buyer can finance the reported \$60m purchase price that the owner Straits Resources Ltd is seeking.²

Prices Have Already Adjusted Higher, Few Catalyst for Higher Prices

The price of antimony has adjusted to reflect the actual and perceived supply shrinkage from China. Like many of the scarcer commodities tied to China, antimony prices peaked in 2011 at \$8/lb (\$17,600/mt) and have softened considerably since. In the absence of additional supply shrinkage, a material pick-up in global demand, or new uses for the material, antimony prices are likely to stay range bound for a while or continue to soften as market reports already indicate.³



Source: MetalPages.com

Plenty of Substitutes for Antimony Will also Suppress Demand and Higher Prices

The USGS lists plenty of substitutes for antimony. For example, compounds of chromium, titanium, zinc, and zirconium substitute for antimony chemicals in paints, pigments and enamels. Combinations of cadmium, calcium, copper, selenium, strontium, sulfur and tin can be used as substitutes for hardening lead. Selected organic compounds and hydrated aluminum oxide are widely accepted substitutes for flame retardants. The higher price of antimony also incentivizes additional substitution effects to take place. For example, phosphorus can be a substitute for antimony metal when it comes to production of flame retardants. Phosphorus has been one of the materials subject to a WTO ruling against China when it comes to their current export restrictions - which according to the ruling is unfair. A recent order by the WTO all but assures China will remove their current export barriers for this material.⁴ Phosphorus will then become an even more attractive substitute to antimony metal based flame retardants. The result is that we will probably see many producers in the flame retardant business investing in new technology able to handle this material, making antimony metal less attractive.

² http://www.straits.com.au/files/News/2012/12_05/Hillgrove%20Sale%20Update.pdf

³ <http://www.metalbulletin.com/Article/3066253/Antimony-prices-drop-again-as-summer-selloff-continues.html>

⁴ <http://www.nytimes.com/2012/01/31/business/wto-orders-china-to-stop-export-taxes-on-minerals.html?pagewanted=all>

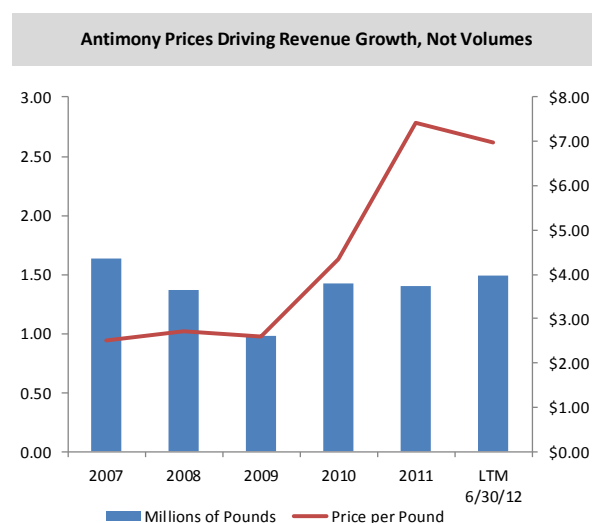
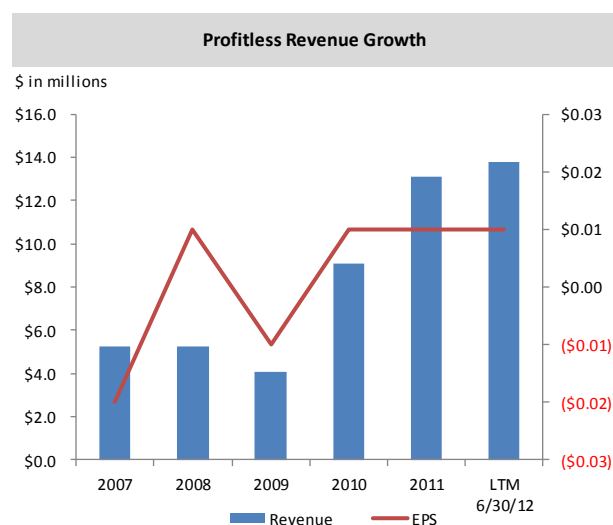
United States Antimony – Profitless Market Position

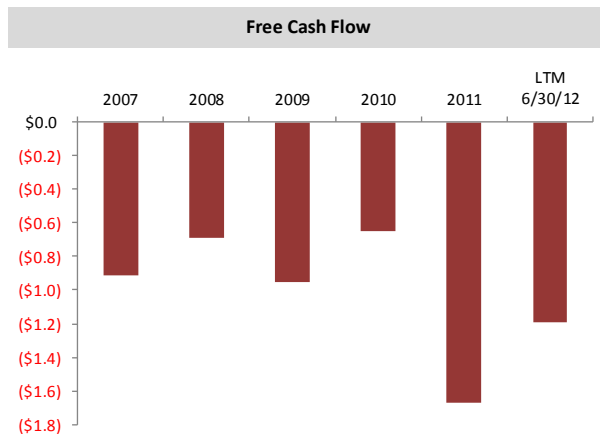
No company on the planet has ridden the illusion of the extraordinary profit potential of the antimony market than UAMY. No one can dispute that there is currently no antimony mine production in the U.S., and that UAMY owns the only smelter in Montana. However, given the magnitude of the company's share price move and its \$200 million valuation, are investors completely understanding what they are purchasing and appropriately valuing the company's earnings potential?

Limited Profitability, No Recent Cash Flow

UAMY sells both antimony and zeolite products, with ~80% of revenues coming from antimony. While they are the only producer of antimony products, there are at least 10 companies in the U.S. that produce and sell zeolites, which are used in the animal feed, odor control, pet litter, water and waste purification, fungicide or pesticide carrier, and horticulture markets. The rise in antimony prices have been the greatest driver of UAMY's revenue growth in the past few years. The company has seen stagnant antimony volumes since 2007, so the growth in their revenue is primarily a function of antimony price inflation.

UAMY is purely a processor of antimony; they acquire the concentrates, and sell the final products at market prices to earn a low margin spread. An analysis of their costs indicate that, for the quarter ended March 31, 2012, raw materials were approximately 50% of cost of goods sold. Most of their production costs are fixed in nature, and cannot be decreased easily without decreasing production. While UAMY has managed to earn just 1 penny per share the past two years, a closer look at the company's free cash flow reveals a more perilous situation. The company has never generated a single dollar of free cash flow in the past 5 years, and is burning capital at an accelerated rate.





Source: UAMY financials

Riskless Investment or Skeletons in the Closet?

When we review prospective investments, we always pay close attention to the risk factors listed in a company's annual report or prospectus. What we found in UAMY's 10k risk disclosures shocked us. We found only 3 risk factors faced by the company, which made us wonder if UAMY was the least risky investment we had ever evaluated, or a company that was hiding skeletons in the closet? The very first risk factor blew our mind:

- 1) If we were liquidated, our common stockholders could lose part, or all, of their investment.

"In the event of our dissolution, the proceeds (if any) realized from the liquidation of our assets will be distributed to our stockholders, only after the satisfaction of the claims of our creditors and preferred stockholders. The ability of a purchaser of shares to recover all, or any, portion of the purchase price for the shares, in that event, will depend on the amount of funds realized and the claims to be satisfied by those funds."

On the surface, UAMY's balance sheet looks ok, with a positive book value of \$11.6 million, and no imminent debt obligations. The disclosure is a big red flag because we don't typically see companies warn investors so boldly upfront as a first risk factor that in liquidation they could lose all or part of their investment. Perhaps, the second risk factor is where investors should be paying closer attention:

- 2) We may have unasserted liabilities for environmental reclamation.

*"Our research, development, manufacturing and production processes involve the controlled use of hazardous materials, and we are subject to various environmental and occupational safety laws and regulations governing the use, manufacture, storage, handling, and disposal of hazardous materials and some waste products....**We do not have environmental liability insurance now, and we do not expect to be able to obtain insurance at a reasonable cost.**"*

This disclosure should make any prudent investor worry. UAMY is in the business of processing potentially hazardous materials and they can't afford to obtain insurance at a reasonable price? The only reasonable interpretation we can draw from this statement, is that UAMY is operating an extremely risky business, such that no insurer is even willing to cover them at any premium rate.

3) We have accruals for asset retirement obligations and environmental obligations

“We have accruals totaling \$241,500 on our balance sheet at December 31, 2011, for our environmental reclamation responsibilities and estimated asset retirement obligations. If we are not able to adequately perform these activities on a timely basis, we could be subject to fines and penalties from regulatory agencies.”

Of the three risk disclosure, this one appears to be the most innocuous. However, we are slightly skeptical that less than \$250,000 is all that’s necessary for environmental and reclamation activities for an operation such as UAMY’s that’s been around for decades.

Overall, we are concerned by the dearth of risk factor disclosures made available to investors. UAMY operates in an extremely cyclical, capital intensive, and competitive business, yet offers no explanations that cover the multitude of ways that investors can be harmed. The company’s international activities in Mexico, and possible dealings with China, also add another layer of risks not formally addressed to shareholders. These omissions may have real consequences for the company in the future at significant costs to shareholders through lawsuits if future results fail to materialize as expected.

Capital Structure Leaves Little Value for Common Shareholders

In the table below we detail UAMY’s capital structure. The major surprise for new shareholders should be the significant amount of preferred stock in the capital structure. The preferred stock has rights to earnings ahead of common shareholders, and offers cumulative dividends that are currently in arrears. The preferred stock liquidation value of \$5.7 million currently exceeds the amount of cash on hand, and is ~65% of the company’s current book value.

UAMY Capital Structure

\$ in millions, except per share amts

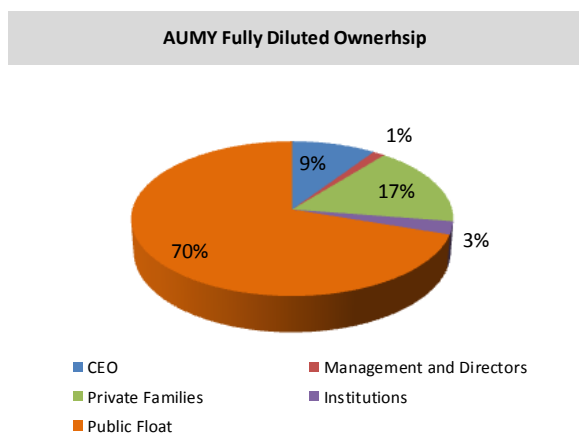
Stock Price	\$3.00							
Shares Out.	61.8							
			Warrants	Strike	Maturity (yrs)			
Preferred Converted	1.8		476,917	\$4.50	3			
Dilutive Warrants, Net	0.2		1,102,500	\$2.50	2			
Fully Diluted Shares	63.8		200,000	\$0.50	After 2012			
Market Capitalization	\$191.3		1,779,417	\$2.81	2			
(+) Liquidation Value of Preferred Stock	\$0.98							
(+) Debt	\$0.39							
(-) Cash	\$3.68							
Enterprise Value	\$189.0							

Preferred	Liquidation Price Per Share	Dividends in Arrears	Liquidation Amount	Common Stock Conversion Price	Shares Outstanding	Voting	Annual Dividend	Cumulative Dividends
Series B	\$1.00	\$127,500	\$877,500	--	750,000	No	\$0.0100	Yes
Series C	\$0.55	--	\$97,847	--	177,904	Yes	\$0.0000	No
Series D	\$2.50	\$336,920	\$4,714,413	\$0.20	1,751,005	Yes	\$0.0235	Yes
Total		\$464,420	\$5,689,760		2,678,909			

Source: Company financials

No "Smart Money" Institutional Shareholders Own UAMY

If we are to believe that UAMY is a major force in the antimony market with significant upside earnings potential, and undiscovered asset value, surely we would expect to find some of the savviest hedge funds, value investors, and smart money crowd owning large blocks of shares. To the contrary, the current shareholder base is one of mystery and intrigue. While we are pleased to see the CEO has a large ownership stake, the remainder of the shareholders appear to have no experience in the mining business. The current roster of shareholders includes a dermatologist, dentist, veterinarian, and oil wildcatter. The majority of shares in the float are held by the public. Institutions appear to refuse owning the shares and currently have ~1%.



AUMY Shareholder Base

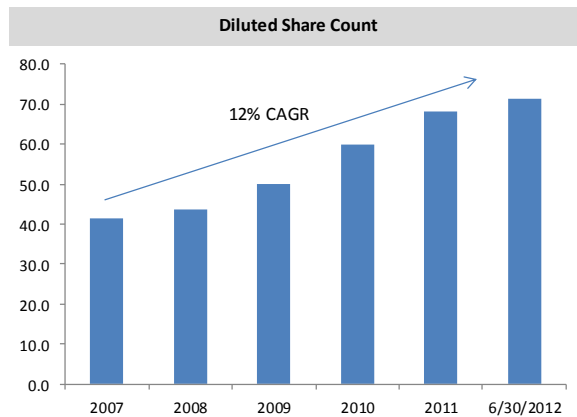
Class	Owner	Shares	% of Class
Common Stock	Dugan Family	6,362,927	11%
	John Lawrence (CEO)	4,103,653	7%
	Dr. Ken Reed	3,918,335	7%
Series C	Dr. Richard Woods	48,305	27%
	Dr. Warren Evans	48,305	27%
	Ed Robinson	32,203	18%
Series D	John Lawrence (CEO)	1,590,672	91%
	Leo Jackson (Board)	102,000	5%

Source: 2011 Annual Report

Significant Dilution Appears to be Coming

Why did UAMY wait decades to establish its listing on the AMEX? We believe that the listing was timed precisely to maximize its chances of selling its shares to new investors, and to capitalize on the misperception that antimony is the latest must own commodity. We are not just speculating that this is the reason, we have proof it is already happening. On June 25th the company announced a quick capital raise of \$2.8 million by issuing 953k of shares at \$3.00 and nearly a half million warrants struck at \$4.50.⁵ The company wasn't shy about sticking it hard to its existing investors through punitive dilution. The stock had closed the previous day at \$4.20/share, so the issuance came at a whopping 28% discount to the closing price. This discount is 2x larger than the discount used for a \$2 million capital raise earlier this year on Jan 13, 2012.

⁵ <http://finance.yahoo.com/news/united-states-antimony-corp-closes-154100666.html>



The most concerning aspect of UAMY's potential dilution is the overhang of the Series D preferred stock. The 1.75 million shares have a liquidation value of \$4.7 million. It makes perfect sense to convert them and slowly sell them into the open market. We believe this major overhang could cause UAMY's share price to deflate sharply when the Series D preferred is converted. An additional 1.8 million warrants outstanding also mature in the next few years, with some in-the-money.

There are also reasons why UAMY's largest shareholder, the Dugan family, could begin selling large blocks of their 6.3 million shares. According to public record, family patriarch Al Dugan recently passed away in October 2011.⁶ The oil and real estate business appeared to have been his core holdings; therefore, it would not be surprising to see his family holdings diversified away from riskier holdings such as UAMY stock.

UAMY's Growth Plans Hinge on a Once Worthless Asset with No Proof of Any Reserves

If there ever were a case to be made that UAMY's share price offered compelling value at a \$200 million valuation, there would have to be significant tangible evidence that the company owned vast antimony holdings, and had a clear path to production and earnings leverage. Investors are currently being lured by the prospect that UAMY will be realizing potential upside from their Los Juarez mining properties in Mexico. UAMY also owns the Puerto Blanco mill, and a smelter at Madero. Combined, UAMY is telling investors that these operations are expected to begin producing a significant portion of their raw materials in Q2'2012. The production of concentrated smelter feed from their Mexico operations shipped to the Montana smelter for refining is expected to allow UAMY to produce more products for sale during the ensuing reporting periods. They expect to have a lower production cost and a greater recovery of precious metals due to the increased smelter feed from Mexico.

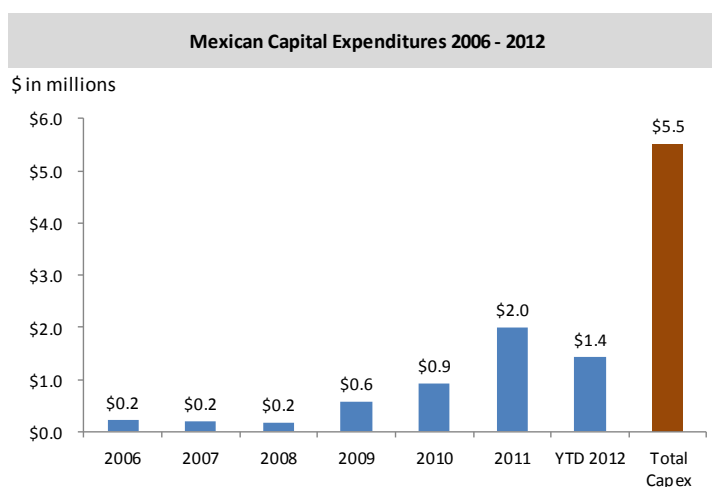
There is one very BIG problem with this business plan that investors must take a leap of faith on that UAMY bluntly discloses:

We have no "proven reserves" or "probable reserves" of antimony or zeolite, as these terms are defined by the Securities and Exchange Commission.

⁶ <http://chronicle.augusta.com/obituaries/2011-10-19/albert-al-dugan-houston-texas>

In other words, there are zero assurances that UAMY will produce any antimony quantities of sufficient quality and duration to cover any of its capital and operating costs. UAMY offers some explanation, which also leads more to hope than actual proof their Mexican assets have any value. They claim that their Mexican properties, including San Miguel I, II and part of San Juan III, were originally drilled by Penoles (Mexico's 2nd largest mining company) in 1970, when antimony metal prices were high. They did not proceed with the property, due to the complex metallurgy of antimony. Subsequently, the Mexican Government did additional work and reported a reserve of 1,000,000 metric tons (mt) grading 1.8% antimony and 8.1 ounces of silver per metric ton (opmt) in Consejo de Recursos Minerales (Publicacion M-4e). However, the Securities and Exchange Commission does not recognize this report, and the Company claims no reserves. **We believe that if the metallurgy was difficult and uneconomic to develop 30 years ago, chances are these assets are still difficult and uneconomic.**

An even closer look into UAMY's history in Mexico corroborates our suspicion. UAMY has two Mexican subsidiaries: ADM and USAMSA. Antimonio de Mexico SA de Cv "ADM" was incorporated in 2005 under the laws of Mexico and the State of Jalisco. On December 16, 2005, ADM signed a contract and option agreement that gives ADM the exclusive right to explore and exploit the San Miguel I and San Miguel II concessions for an annual payment of \$50,000, and an option to purchase payment of \$100,000 annually. Total payments would not exceed \$1,430,344, reduced by IVA taxes paid. During the years ended December 31, 2011, 2010 and 2009, \$186,956, \$186,956 and \$86,956 was paid or accrued and capitalized as mineral rights towards ADM. ADM is presently being merged into United States Antimony, Mexico S.A. de C.V. "USAMSA," which was formed in 1998 through a 50% interest. UAMY had written off its 50% stake as entirely worthless (aka \$0) on December 31, 2005 due to volatile antimony prices and the lack of operating and development capital. During 2006, UAMY acquired the 50% interest in the stock of USAMSA for just \$165,000 in the form of \$48,500 of cash, \$61,000 of UAMY common stock, and a \$55,000 note payable. **The company has spent \$5.5 million since 2006 to prepare its Mexican operations for this supposed ramp in production, so we believe its shareholders shouldn't be terribly surprised if future results fail to meet expectations.**



Source: Company filings

UAMY Has Material Financial Weaknesses and Financial Control Issues

As of June 30, 2012, UAMY reported material weaknesses affecting their disclosure controls and procedures and, as a result of those weaknesses, their disclosure controls and procedures were not effective. These material weaknesses are as follows:

- The Company lacks proper segregation of duties. The president authorizes the majority of the expenditures and signs checks
- During its year-end audit, the company's independent registered accountants discovered material misstatements in our financial statements that required audit adjustments

We reviewed these material weaknesses and found that the company has had them listed since 2007. In other words, the company has failed to address these issues for over 5 years and has repeatedly had financial misstatements. Key Takeaway: Investors should approach the company's financials with extreme caution.

UAMY is Excessively Overvalued, and Worth No More Than 50 Cents

We have used a couple common sense approaches to determine that UAMY is excessively overvalued. First, let's consider the company's market value in relation to the market opportunity for antimony products. According to the company's own 10k disclosure on page 5, they estimate their share of the domestic antimony products market is approximately 2%. This would imply a staggering \$10.5 billion dollar market value for the entire U.S. antimony market. However, as we've shown earlier in our analysis, the entire world market for antimony products is approximately 169,000 metric tons. The current price is approximately \$14,000 per metric ton, which equates to \$2.4 billion in annual world turnover. The U.S. consumes approximately 16% of world production, so we estimate a total revenue opportunity in the U.S. of approximately \$372 million. This figure is nearly as large as UAMY's entire market cap even though the company only has a 2% share of the market. The absurdity of UAMY's valuation in relation to the total world and US market opportunity for antimony is illustrated below.

\$ in millions				
UAMY Market Value		UAMY Share of US Market		Value of Entire US Antimony Market
\$210.3	/	2.0%	=	\$10,517
US Antimony Consumption (MT)		Total World Antimony Production (MT)		US Consumption as % of World Production
26,600	/	169,000	=	16%
Total World Antimony Production (MT)		Antimony Price \$/MT		World Sale Value of Antimony
169,000	x	\$14,000	=	\$2,366

Source: UAMY Annual Report, USGS

We have also evaluated UAMY's value in relation to known antimony players across the world and determined its shares to be exorbitantly overvalued. In the table below, we have listed a variety of companies engaged in antimony mine production, value added products, and exploration.

Valuation of Antimony Companies

\$ in millions except per share amounts

Company	Main Mine/Project	Location	Stage	Past Mine Production	Ticker	Stock Price	Enterprise Value	Market Cap	Enterprise Value		Price/ EPS	Price / Book
									Revenues	EBITDA		
Hunan NonFerrous	Hsiwangshan	China/Canada	Mine Production	--	HK: 2626	\$0.30	\$2,813.6	\$1,097.8	0.7x	12.9x	29.9x	1.2x
Mandalay Resources	Costerfeld	Australia	Mine Production	--	TSE: MND	\$0.64	\$247.2	\$249.0	2.1x	5.9x	8.0x	2.2x
Village Main Reef	Cons Murchinson	South Africa	Mine Production	--	JSE: VIL	\$0.21	\$170.0	\$208.3	0.6x	6.0x	10.3x	0.8x
Campine NV	--	Belgium	Products	--	BE: CAMB	\$20.67	\$67.3	\$31.0	0.3x	4.9x	5.9x	1.1x
Average:									0.9x	7.4x	13.5x	1.3x
Exploration												
Tri-star Resources	Goyluk	Turkey	Exploration	No	AIM: TSTR	\$0.01	\$44.4	\$45.6	--	--	--	32.6x
Northwest Resources	Nullagine	Australia	Exploration	No	ASX: NWR	\$0.18	\$20.4	\$22.9	--	--	--	2.2x
Anchor Resources	Wild Cattle Creek	Australia	Exploration	Yes	ASX: AHR	\$0.21	\$11.8	\$10.8	--	--	--	7.0x
Adroit Resources	Montauto	Italy	Exploration	Yes	TSXV: ADT	\$0.03	\$3.8	\$4.3	--	--	--	0.8x
Great Atlantic Res.	MacDougal Road	Canada	Exploration	No	TSXV: GR	\$0.10	\$2.6	\$3.1	--	--	--	1.7x
Pela Resources	Luke River	Macedonia	Exploration	Yes	ASX: PAA	\$0.01	\$4.9	\$5.0	--	--	--	1.0x
Portage Minerals	Bald Hill	Canada	Exploration	No	TSXV: RDX	\$0.02	\$4.2	\$3.7	--	--	--	0.4x
Average:									--	--	--	6.5x
US Antimony	USAMSA	US/Mexico	Products	Yes	UAMY	\$3.00	\$189.0	\$191.3	13.7x	125.6x	300.0x	16.2x

The largest world producer and smelter of antimony is Hunan Nonferrous Metals (HK: 2626), which produces 34,000 tons of antimony per year, and also produces zinc, tungsten, lead and other metals. The next largest producer of antimony products is Campine NV (EBR: CAMB) of Belgium. Lastly, Village Main Reef (JSE: VIL) in South Africa and Mandalay Resources (TSE: MDN) of Australia mine approximately 4,600 tons and 1,700 tons, respectively. Antimony is typically found near gold and silver deposits, so investors in these two companies also receive production ounces of these precious metals. At the bottom of the table is UAMY with a paltry 675 metric tons of antimony, and a de minimis amount of gold, silver and zeolite.

Last 12 Months Production

		Gold (oz)	Silver (oz)	Metric Tons of Production					Antimony
				Zinc	Zeolite	Tungsten	Lead		
Hunan Nonferrous	Mining/Products	--	--	533,700	--	8,700	78,600	34,000	
Campine	Products	--	--	--	--	--	42,117	9,748	
Village Reef	Mining	176,806	--	--	--	--	--	4,627	
Mandalay	Mining	23,631	1,906,569	--	--	--	--	1,748	
US Antimony	Products	179	23,630	--	12,979	--	--	675	

Source: Public Filings

We have also tabulated a list of every deal we could find in the past few years that included an antimony asset and was stunned that the average deal size was approximately \$40 million. The only operating mine in North America is Canada's Beaver Brook Antimony Mine which was acquired by Hunan Nonferrous in 2009 for \$30 million. Even if we assume its value has doubled or tripled in the past few years given the rise in antimony prices, it would put the value of Beaver Brook at \$60 - \$90 million. Beaver Brook reportedly spent \$15 million to revive the mine, planned to produce 6,000 metrics tons

annually, and had only a 7 years of reserves.⁷ To put UAMY's Mexico ambitions in perspective, the company has spent under \$6 million since 2006, is estimating a maximum throughput of 1,800 tons per annum, and has no proven reserves. From this perspective, UAMY's \$200 million enterprise value appears wildly unjustified.

Antimony Deals

US\$ in millions

Date	Acquiror	Target	Location	% Acquired	Full Deal Value	Status	Comment
2/8/2012	EMU Nickel	Hillgrove Gold/Antimony Mine	Australia	100%	\$42.8	Terminated	Large Aussie project, terminated due to financing
8/30/2010	AMG Adv. Metallurgical	Mining rights and smelter	Turkey	100%	\$20.0	Completed	Secure supply of antimony metal used in antimony trioxide
10/7/2010	Village Main	Murchison Gold/Antimony Mine	South Africa	74%	\$7.9	Completed	
9/4/2009	Hunan Nonferrous Metals	Beaver Brook Antimony Mine	Canada	100%	\$29.5	Completed	Canada's sole producing mine
9/1/2006	Hunan Nonferrous Metals	Hsikwangshan Antimony	China	24%	\$40.6	Completed	Acquisition in remaining 24% stake of their mining and smelting
4/27/2006	Cambrian Mining	AGD Mining	Australia	30%	\$47.6	Completed	Augusta gold and antimony deposit
Average					\$39.8		

Source: Public Information

From a valuation perspective, there is no way to justify UAMY's exorbitant valuation. UAMY is trading at 14x sales vs. 0.9x peer average and a 300x P/E vs. a 13.5x peer average. If we applied the peer group multiples to UAMY's current financials, we estimate the share price would be between \$0.20 cents. Because the company has no proven or probable reserves, we give no credit for future revenue or earnings upside, which we view as entirely speculative. On the other hand, if you consider that the company has spent approximately \$5.5 million on its Mexican operations since 2006, and take a leap of faith that it could yield a 3x return on the investment, this would be only worth an additional \$0.30 cents per share or a total share price of approximately \$0.50 cents.

UAMY Share Price Target

\$ in millions

	EV/ EBITDA	EV/ Revenues	Price/ Book
Peer Avg. Multiple	7.4x	0.9x	1.3x
UAMY LTM Financials	\$1.5	\$13.8	\$11.8
Enterprise Value	\$11.2	\$12.7	\$17.9
Less: Debt	(\$1.4)	(\$1.4)	(\$1.4)
Plus: Cash	\$3.7	\$3.7	\$3.7
Equity Value	\$13.5	\$15.0	\$15.6
FD Shares	63.8	63.8	63.8
Price Target	\$0.21	\$0.24	\$0.24
Value of Mexico Ops ¹	\$16.5	\$16.5	\$16.5
Max Price Target	\$0.47	\$0.49	\$0.50

(1) Assumes 3x return on \$5.5m capital investment in Mexico

⁷ <http://www.thewesternstar.com/Business/Employment/2008-01-19/article-1479740/Mine-looking-for-40-skilled-workers/1>

Conclusion: High Risk, Little Reward for Owning Shares of UAMY

We have conducted extensive research into United States Antimony and determined a highly unfavorable risk / reward proposition. We are concerned that investors are ascribing too high a value to the company's earnings potential and misunderstanding the prospects for the antimony market. The overvaluation of UAMY is directly attributable to excessive promotion of their earnings prospects. The promotion first started in April 2011, when the company paid for a Wall Street Transcript interview.⁸ Shortly after, a Forbes article intimated that UAMY might be the next Molycorp, and could do \$100 million of revenues and \$0.30 cents of earnings by 2013. With a year to go, UAMY would have to increase revenues and earnings by 7x and 30x to reach these lofty goals.⁹ UAMY is also covered by one sell-side research firm with an aggressive \$5 target, and a SeekingAlpha.com blogger who claims the company is sitting on billions worth of antimony and could be a \$45 stock.¹⁰

Antimony is undoubtedly a scarce commodity, but demand potential is limited to a few end markets, and growth will not outperform GDP. Unlike rare earths, antimony will not play a leading role in future technologies, and has numerous substitutes. The price of antimony has already adjusted in the past few years to changes in China's policies, and is unlikely to move any higher now that Chinese growth is slowing, and new sources of supply are aggressively being explored and brought to market. UAMY is indeed the sole U.S. processor of antimony, but it controls only 2% of the US market, and has never been able to generate consistently positive earnings.

In our opinion, the company's recent AMEX listing is not a major corporate milestone to signal future upside opportunities for new shareholders. Rather, the listing provides a platform for the company to rapidly dilute public shareholders, and offer long-time holders a better means to liquidate large holdings. The company's capital structure also does not support additional value for common shareholders because of the large preferred stock classes that must be liquidated or converted.

However, our biggest concern is the excessive valuation of the company at \$200 million that hinges on them commercializing new antimony deposits in Mexico without any proven or probable reserves. Investors are risking major disappointment if actual results do not meet or beat expected results. Because of the deficient financial filings, material weaknesses, and omission of numerous risk factors, UAMY would face countless shareholder lawsuits. We have presented a plethora of comparable companies and transactions to show the degree of overvaluation in UAMY's share price. By giving no value to the Mexican operations due to their highly speculative nature, we believe UAMY's share price would be worth no more than \$0.20 cents if it were valued at peer averages. On the other hand, if you consider that the company has spent only \$5.5 million on its Mexican operations since 2006 and it could yield even a wildly bullish return of 3x on the investment, this would be only worth an additional \$0.30 cents per share or a total share price of \$0.50 cents. Ironically, this is exactly where the share price was trading about a year ago before the first promotional efforts from the company began.

⁸ <http://lark.twst.com/yagoo/lawrencejohn1.html>

⁹ <http://www.forbes.com/sites/investor/2011/06/10/is-tiny-united-states-antimony-the-next-molycorp/>

¹⁰ <http://seekingalpha.com/article/442591-united-states-antimony-a-hidden-monopoly-far-ahead-of-any-competition>

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