NEW JERSEY MINING CO
Form 10-Q
May 15, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2017

or

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

For the transition period from ______ to ______

Commission file number: 000-28837

NEW JERSEY MINING COMPANY

(Exact name of registrant as specified in its charter)

Idaho	**82-0490295**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification No.)

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

(Address of principal executive offices) (zip code)

(208) 625-9001

Registrant s telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(D) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period as the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days.

Yes [X] No [ ]

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

Yes [X] No [ ]

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

Large Accelerated Filer____.	Accelerated Filer ___.
Non-Accelerated Filer ___.	Smaller reporting company __X__.
Emerging growth company ___	

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

Yes [ ] No [X]

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

1

NEW JERSEY MINING COMPANY

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD

ENDED MARCH 31, 2017

TABLE OF CONTENTS

PART I-FINANCIAL INFORMATION

Item 1: CONSOLIDATED FINANCIAL STATEMENTS

New Jersey Mining Company

Consolidated Balance Sheets

March 31, 2017 and December 31, 2016
ASSETS

		March 31, 2017 (Unaudited)		December 31, 2016
Current assets:				
Cash and cash equivalents	$	627,305	$	154,833
Milling receivables		24,950		31,450
Gold sales receivable		133,494		54,319
Concentrate Inventory		166,191		175,157
Joint venture receivables		8,538		2,888
Note receivable		58,386		58,386
Other current assets		38,395		52,717
Total current assets		1,057,259		529,750
Property, plant and equipment, net of accumulated depreciation		5,786,269		5,788,362
Mineral properties, net of accumulated amortization		2,050,693		2,046,900
Investment in joint venture		435,000		435,000
Reclamation bond		58,000		58,000
Total assets	$	9,387,221	$	8,858,012

LIABILITIES AND STOCKHOLDERS EQUITY

Current liabilities:				
Accounts payable	$	248,255	$	243,123
Accrued payroll and related payroll expenses		38,730		37,861
Notes and interest payable related parties, current portion		908,908		567,580
Notes payable, current portion, net of discount		512,087		623,185
Forward gold contracts, current portion		968,890		845,198
Total current liabilities		2,676,870		2,316,947
Asset retirement obligation		74,021		72,218
		55,492		513,715

Notes and interest payable related parties, long term				
Notes payable, long term		133,605		268,158
Forward gold contracts, long term		395,313		541,030
Total long term liabilities		658,431		1,395,121
Total liabilities		3,335,301		3,712,068
Commitments (Note 2)				
Stockholders equity:				
Preferred stock, no par value, 1,000,000 shares authorized; no shares issued				
or outstanding		-		-
Common stock, no par value, 200,000,000 shares authorized; March 31, 2017-108,893,704 shares and December 31, 2016-97,193,704 shares				
issued and outstanding		15,467,609		14,293,105
Accumulated deficit		(12,552,618)		(12,289,473)
Total New Jersey Mining Company stockholders equity		2,914,991		2,003,632
Non-controlling interests		3,136,929		3,142,312
Total stockholders' equity		6,051,920		5,145,944
Total liabilities and stockholders equity	$	9,387,221	$	8,858,012

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

New Jersey Mining Company

Consolidated Statements of Operations (Unaudited)

For the Three Month Periods Ended March 31, 2017 and 2016

	March 31 2017	March 31 2016
Revenue:		
Gold sales	$ 689,318	29,351
Milling income		$ 14,614
Total revenue	689,318	43,965
Costs and expenses:		
Production	527,766	51,850
Exploration	18,652	41,423
Depreciation and amortization	27,280	2,098
Management	42,557	35,049
Accounting and legal services	65,633	50,686
General and administrative	92,290	31,124
Total operating expenses	774,178	212,230
Operating income (loss)	(84,860)	(168,265)
Other (income) expense:		
Timber expense	73	501
Royalties and other (income) expense	12,044	(200)
Interest income	(757)	(1,724)
Interest expense	20,226	11,207
Change in fair value of forward gold contracts	143,214	
Amortization of discount on note payable	14,518	12,454
Total other (income) expense	189,318	22,238
Net loss	**(274,178)**	**(190,503)**
Net loss attributable to non-controlling interests	(11,033)	(23)
Net loss attributable to New Jersey Mining Company	$ (263,145)	$ (190,480)
Net loss per common share-basic and diluted	$ Nil	$ Nil
Weighted average common shares outstanding-basic and diluted	99,230,371	93,837,071

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

New Jersey Mining Company

Consolidated Statements of Cash Flows (Unaudited)

For the Three Month Periods Ended March 31, 2017 and 2016

	March 31, 2017	March 31, 2016
Cash flows from operating activities:		
Net loss	$ (274,178)	$ (190,503)
Adjustments to reconcile net loss to net cash (used) by operating activities:		
Depreciation and amortization	27,280	2,098
Amortization of discount on note payable	14,518	12,454
Accretion of asset retirement obligation	1,803	1,323
Stock based compensation	33,504	24,641
Change in fair value of forward gold contracts	143,214	
Change in:		
Milling receivables	6,500	
Joint venture receivables	(5,650)	(2,121)
Gold sales receivables	(79,175)	6,151
Concentrate inventory	8,966	
Other current assets	14,322	19,923
Accounts payable	5,132	45,282
Accrued payroll and related payroll expense	869	715
Interest payable related parties	5,516	10,209
Net cash (used) by operating activities	(97,379)	(69,828)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(23,855)	(20,000)
Purchase of mineral property	(5,125)	(59,369)
Purchase of investment in joint venture		(225,000)
Net cash (used) by investing activities	(28,980)	(304,369)
Cash flows from financing activities:		
Sales of common stock and warrants, net of issuance costs	1,041,000	
Borrowings on notes payable, related parties		400,000
Payments on forward gold contracts in cash	(81,724)	
Gold purchased for payments on forward gold contracts	83,515	
Principal payments on notes payable	(260,169)	(71,582)
Principal payments on note payables, related parties	(22,411)	(7,095)
Contributions from non-controlling interest	5,650	2,181
Net cash provided (used) by financing activities	598,831	323,504
Net change in cash and cash equivalents	472,472	(50,693)
Cash and cash equivalents, beginning of period	154,833	62,275
Cash and cash equivalents, end of period	**$ 627,305**	**$ 11,582**

Non-cash investing and financing activities		
Shares of common stock and warrants issued for payment of note and interest payable, related party	$ 100,000	
Shares of common stock issued for investment in joint venture		$ 210,000

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

New Jersey Mining Company

Notes to Consolidated Financial Statements (Unaudited)

1.

The Company and Significant Accounting Policies:

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

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company's financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions, which could have a material effect on the reported amounts of the Company's financial position and results of operations. Operating results for the three month period ended March 31, 2017 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2017.

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

Principles of Consolidation

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

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

Revenue Recognition

Revenue is recognized when title and risk of ownership of metals or metal bearing concentrate have passed and collection is reasonably assured. Revenue from the sale of metals may be subject to adjustment upon final settlement of estimated metal prices, weights and assays, and are recorded as adjustments to revenue in the period of final settlement of prices, weights and assays; such adjustments are typically not material in relation to the initial invoice amounts. Revenue received from drilling and exploration contracts with third parties is recognized when the contract has been established, the services are rendered and collection of payment is deemed probable. These services are not a part of normal operations. Income received as the operator of the Company s joint ventures is recognized in the months during which those operations occur. Revenue received from engineering services provided is recognized when services are rendered and collection of payment is deemed probable. These services are not a part of normal operations. Revenues from mill operations and custom milling are recognized in the period in which the milling is completed, concentrates are shipped, and collection of payment is deemed probable.

Inventory

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

New Jersey Mining Company

Notes to Consolidated Financial Statements (Unaudited)

Fair Value Measurements

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

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

	March 31, 2017	December 31, 2016	Fair Value Hierarchy
Forward gold contracts (Note 11)	$ (1,364,203)	$ (1,386,227)	2

<u>Reclassifications</u>

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

2.

Going Concern

At March 31, 2017, the Company s current debt exceeded current assets by $1,619,611. In addition, the Company has accumulated deficit of $12,552,618 and ongoing net loss from operations. These factors indicate that there may be doubt regarding our ability to continue as a going concern for the next twelve months.

Related party debt holders of both notes and forward gold contracts are willing to restructure payments that will allow the Company to defer $1,051,457 in current debt and current forward gold payments to long term if necessary. In addition, first quarter of 2017 production has resulted in positive cash flow and production planned for the remainder of the year indicates the trend will continue to improve. A debt restructuring to longer term is also being considered for the mineral property note payable on which $500,000 in payable in the next twelve months. As a result of its planned production, equity sales and ability to restructure debt, management believes there is not a substantial doubt about the Company s ability to continue as a going concern for the next twelve months. Cash flows from operations and existing cash are sufficient to conduct planned operations and meet contractual obligations for the time period.

3.

Related Party Notes Payable

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

		March 31, 2017		December 31, 2016
Mine Systems Design (MSD), a company in which our Company s Vice President owns 10.4%, 12% interest, monthly payments of $4,910 through October 2018	$	104,504	$	115,868
John Swallow, Company president, 5% interest, monthly payments of $5,834 with balloon payment of $475,973 in November 2017		508,964		520,010
John Swallow, Company president, 5% interest, principal and interest due January 2018		245,515		341,250
Margaret Bathgate, shareholder, 5% interest, principal and interest due January 2018		100,000		100,000
		958,983		1,077,128
Accrued interest payable		5,417		4,167
Total		964,400		1,081,295
Current portion		908,908		567,580
Long term portion	$	55,492	$	513,715

	Quarters ended March 31			
	2017		2016	
Related party interest expense	$	15,333	$	13,892

7

New Jersey Mining Company

Notes to Consolidated Financial Statements (Unaudited)

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

4.

Joint Ventures

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

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

	March 31, 2017			**December 31, 2016**		
Joint Venture	**% Ownership**	**Significant Influence?**	**Accounting Method**	**% Ownership**	**Significant Influence?**	**Accounting Method**
New Jersey Mill Joint Venture(NJMJV)	65%	Yes	Consolidated	65%	Yes	Consolidated
Butte Highlands Joint Venture (BHJV)	50%	No	Cost	50%	No	Cost

<u>New Jersey Mill Joint Venture Agreement</u>

At March 31, 2017 and December 31, 2016, an account receivable existed with Crescent for $8,538 and $2,888, respectively, for monthly shared operating costs as defined in the JV agreement.

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

Balance December 31, 2016	$	3,142,312
Contribution from non-controlling interest		5,650
Net loss attributable to non-controlling interest		(11,033)
Balance March 31, 2017	$	3,136,929

Butte Highlands JV, LLC (BHJV)

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

5.

Earnings per Share

For the three month periods ending March 31, 2017 and 2016, the effect of the Company s potential issuance of shares from the exercise of 13,587,500 and 10,737,000 outstanding warrants, respectively, and 7,500,000 and 7,500,000 options to purchase common stock, respectively would have been anti-dilutive. Accordingly, only basic net loss per share has been presented.

New Jersey Mining Company

Notes to Consolidated Financial Statements (Unaudited)

6.

Property, Plant, and Equipment

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

		March 31, 2017		December 31, 2016
Mill				
Land	$	225,289	$	225,289
Building		536,193		536,193
Equipment		4,192,940		4,192,940
		4,954,422		4,954,422
Less accumulated depreciation		(330,937)		(307,302)
Total mill		4,623,485		4,647,120
Building and equipment at cost		458,752		434,897
Less accumulated depreciation		(225,577)		(223,264)
Total building and equipment		233,175		211,633
Land				
Bear Creek		266,934		266,934
Little Baldy		62,139		62,139
BOW		230,449		230,449
Eastern Star		250,817		250,817
Gillig		79,137		79,137
Highwater		40,133		40,133
Total Land		929,609		929,609
Total	$	5,786,269	$	5,788,362

7.

Mineral Properties

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

	March 31, 2017	December 31, 2016
New Jersey	$ 215,127	$ 215,127
McKinley	250,000	250,000
Golden Chest	1,591,448	1,586,324
Toboggan	5,000	5,000
Less accumulated amortization	(10,882)	(9,551)
Total	$ 2,050,693	$ 2,046,900

New Jersey Mining Company

Notes to Consolidated Financial Statements (Unaudited)

8.

Notes Payable

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

	March 31, 2017		December 31, 2016	
Property with shop 36 month note payable, 4.91% interest rate payable monthly, remaining principal of note due in one payment at end of term, monthly payments of $474	$	38,376	$	39,021
Property 120 month note payable, 11.0% interest rate payable monthly, remaining principal of note due in one payment at end of term, collateralized by property, monthly payments of $1,122		96,847		98,559
Tailings pump, 35 month note payable, 17.5% interest rate payable monthly, monthly payments of $3,268, collateralized by equipment		40,223		48,035
Mineral property, 10 quarterly payments, 0.0% interest rate discounted at 10%, collateralized by property, quarterly payments of $125,000		500,000		750,000
Total notes payable		675,445		935,615
Due within one year		541,841		664,787
Due after one year	$	133,605	$	270,828

Future principal payments of debt and related discount amortization at March 31, 2017 are as follows:

		Note		Discount		Net
1 year	$	541,840	$	(29,753)	$	512,087
2 years		12,825				12,825
3 years		33,994				33,994
4 years		86,786				86,786
Total	$	675,445	$	(29,753)	$	645,692

9.

Stockholders Equity

Private Placements

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

The Company offered an additional private placement in March of 2017. The private placement was for 4,250,000 units, each unit consisting of two shares of the Company s stock and one stock purchase warrant with each warrant exercisable for one share of the Company s stock at $0.20 through April 2020. No commission was paid with this private placement. Proceeds were $850,000 which included an exchange of $100,000 in private placement participation in exchange for $100,000 payment on a note and interest payable to the Company s president, John Swallow.

Common Stock issued for Property

In the first quarter of 2016, 3,000,000 restricted shares of the Company s common stock was issued to Timberline Resources in conjunction with the Company s purchase of Timberline s 50% interest in Butte Highlands JV (note 12).

New Jersey Mining Company

Notes to Consolidated Financial Statements (Unaudited)

Stock Purchase Warrants Outstanding

The activity in stock purchase warrants is as follows:

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

These warrants expire as follows:

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

10.

Stock Options

In the fourth quarter of 2016 the Company granted 2,750,000 options to management, directors, consultants, and employees of the Company. Of these options 1,225,000 vested in the fourth quarter of 2016 and the remaining 1,525,000 vest in 2017. The options had a fair value of $268,032 which is being recognized ratable over the vesting period. Compensation costs of $151,143 was recognized as a general and administrative expense in the fourth quarter of 2016 and $33,504 was recognized in the first quarter of 2017. The remaining unrecognized compensation cost of $83,385 is expected to be recognized in the remainder of 2017.

	Number of Options		Exercise Prices
Balance January 1, 2016	5,750,000		0.10-0.15
Exercised	(500,000)		0.10
Issued	2,750,000		0.15
Expired	(500,000)		0.11
Balance December 31, 2016 and March 31, 2017	7,500,000		0.10-0.15
Exercisable at December 31, 2016 and March 31, 2017	5,975,000	$	0.10-0.15

At March 31, 2017, the stock options have an intrinsic value of approximately $65,000 and have a weighted average remaining term of 2.79 years.

11.

Forward Gold Contracts

On July 13, 2016, the Company entered into a forward gold contract with Ophir Holdings LLC ("Ophir"), a company owned by three of the Company s officers, for net proceeds of $467,500 to fund startup costs at the Golden Chest. The contract calls for the Company to deliver a total of 500 ounces of gold to the purchasers in quarterly payments starting December 1, 2016 for a period of two years as gold is produced from the Golden Chest Mine and New Jersey Mill. Ophir agreed to delay receipt of its December 1, 2016 payment until 2017. During the quarter ended March 31, 2017, the Company paid the equivalent of 19.5 gold ounces to Ophir. At March 31, 2017, future gold deliveries are 293 ounces due in the remainder of 2017 and 187.5 ounces due in 2018.

On July 29, 2016, the Company entered into forward gold contracts through GVC Capital LLC (GVC) for net proceeds of $772,806 to fund startup costs at the Golden Chest. The agreement calls for the Company to deliver a total of 904 ounces of gold to the purchasers in quarterly payments starting December 1, 2016 for a period of two years as gold is produced from the Golden Chest Mine and New Jersey Mill. During the quarter ended March 31, 2017, the Company paid the equivalent of 111.5 gold ounces to GVC. At March 31, 2017, future gold deliveries are 339 ounces due in the remainder of 2017 and 339 ounces due in 2018.

New Jersey Mining Company

Notes to Consolidated Financial Statements (Unaudited)

The gold to be delivered does not need to be produced from the Golden Chest property. In addition, the counterparties can request cash payment instead of gold ounces for each quarterly payment. The cash payments are based on average gold prices for the applicable quarter. The contracts are accounted for as derivatives requiring their value to be adjusted to fair value each period end. The change in balance for the forward gold contracts for the quarter ended March 31, 2017 is as follows:

Balance January 1, 2017	$	1,386,228
Payments:		
In cash		(81,724)
In gold purchased by the Company		(83,515)
Change in fair value		143,214
Balance March 31, 2017		1,364,203
Current		968,890
Long term	$	395,313

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

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

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

Cautionary Statement about Forward-Looking Statements

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

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the establishment and estimates of mineralization;

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the grade of mineralization;

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anticipated expenditures and costs in our operations;

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

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

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expected future financing and its anticipated outcome;

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anticipated liquidity to meet expected operating costs and capital requirements;

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

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

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factors expected to impact our results of operations.

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

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risks related to our limited operating history;

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

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

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risks related our mineral operations being subject to government regulation;

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

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risks related to future legislation regarding climate change;

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

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risks related to land reclamation requirements and costs;

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

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risks related to our insurance coverage for operating risks;

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

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

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risks related to mineral estimates;

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

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risks related to the competitive industry of mineral exploration;

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

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

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risks related to potential conflicts of interest with our management;

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risks related to our dependence on key management;

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

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risks related to our business model;

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

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risks related to our shares of common stock.

This list is not exhaustive of the factors that may affect our forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the sections titled Description of Business and Management s Discussion and Analysis of Financial Condition and Results of Operations of the Company s Annual Report on Form 10-K for the year ended December 31, 2015, filed on March 28, 2016. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated, or expected. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events, except as required by law.

Plan of Operation

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

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

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

Highlights during the first quarter of 2017 includes:

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Approximately 6,100 tonnes of ore from the open pit have been processed though the New Jersey Mill at an average head grade of 4.85 grams per tonne (gpt) gold with average recoveries of 84.7%. 571 ounces were sold in the first quarter of 2017.

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

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

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

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Total liabilities reduced $376,676 as compared to December 31, 2016

<u>Results of Operations</u>

There was $689,318 in revenue in the three-month period ending March 31, 2017 compared to $43,965 for the comparable period in 2016. The revenue in 2017 was from mining and milling of ore from the Golden Chest Mine whereas minimal activity occurred in the first quarter of 2016. The net loss of $274,178 for the three-month period ending March 31, 2017 compared to the net loss of $190,503 in the comparable period of 2016 are a result of increased costs associated with production at the Golden Chest property and mill in the first quarter of 2017. Net loss also includes a charge of $143,214 for the change in fair value of forward gold contracts that did not exist in the first quarter of 2016.

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

Gold Sales

Gold sales income increased in the first quarter of 2017 as a result processing ore from the Golden Chest

Milling Income

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

Production

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

Exploration

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

Depreciation

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

General and Administrative Expenses

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

Royalties and Other (Income) Expense

Royalties expense increased in 2017 as a result of payments of Net Smelter Return royalty payments to Marathon Gold related to the production at the Golden Chest.

Change in Fair Value of Forward Gold Contracts

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

Financial Condition and Liquidity

		For the Periods Ended March 31		
Net cash provided (used) by:		**2017**		**2016**
Operating activities		(97,379)		(69,828)
Investing activities		(28,980)		(304,369)
Financing activities		598,831		323,507
Net change in cash and cash equivalents		472,472		(50,693)
Cash and cash equivalents, beginning of period		154,833		62,275
Cash and cash equivalents, end of period	**$**	**627,305**	**$**	**11,582**

At March 31, 2017, the Company s current debt exceeded current assets by $1,619,611. In addition, the Company has accumulated deficit of $12,552,618 and ongoing net loss from operations. These factors indicate that there may be doubt regarding our ability to continue as a going concern for the next twelve months.

Related party debt holders of both notes and forward gold contracts are willing to restructure payments that will allow the Company to defer $1,051,457 in current debt and current forward gold payments to long term debt if necessary. In addition, first quarter of 2017 production has resulted in positive cash flow and production planned for the remainder of the year indicates the trend will continue to improve. A debt restructuring to longer term is also being considered for the mineral property note payable on which $500,000 in payable in the next twelve months. As a result of its planned production, equity sales and ability to restructure debt, management believes there is not a substantial doubt about the Company s ability to continue as a going concern for the next twelve months. Cash flows from operations and existing cash are sufficient to conduct planned operations and meet contractual obligations for the time period.

Changes in Financial Condition

The Company maintains an adequate cash balance by increasing or decreasing its discretionary expenditures as limited by availability of cash from operations or from financing activities. The cash balance at March 31, 2017 was $627,305 compared to $154,833 at the end of 2016.

Cash and Cash Equivalents

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

Gold Sales Receivable

Gold sales receivable increased as of March 31, 2017 compared to December 31, 2016 as a result of settlement payments for gold shipments made to the Company s gold purchaser which have yet to be paid.

Notes and Interest Payable Related Parties, Current Portion

Notes and interest payable related parties, current portion increased as of March 31, 2017 compared to December 31, 2016 as notes from related parties due date approaches. Some of this current portion may be deferred to long term as necessary to meet cash flow needs.

Purchase of Mineral Property

Cash outflows for the purchase of mineral property in the first quarter of 2016 were at the Golden Chest property.

Investment in Joint Venture

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

Sales of Common Stock and Warrants, Net of Issuance Costs

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

Borrowings on Notes Payable, Related Parties

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

Principal Payments on Notes Payable

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

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

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

Item 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for small reporting companies.

Item 4:

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

At March 31, 2017, our President who also serves as our Chief Accounting Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) of the Securities Exchange Act of 1934 (the Exchange Act), which disclosure controls and procedures are designed to insure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized, and reported within required time periods specified by the Securities & Exchange Commission rules and forms.

Based upon that evaluation, it was concluded that our disclosure controls were effective as of March 31, 2017, to ensure timely reporting with the Securities and Exchange Commission. Specifically, the Company s corporate governance and disclosure controls and procedures provided reasonable assurance that required reports were timely and accurately reported in our periodic reports filed with the Securities and Exchange Commission.

Changes in internal control over financial reporting

There was no material change in internal control over financial reporting in the quarter ended March 31, 2017.

PART II - OTHER INFORMATION

Item 1.

LEGAL PROCEEDINGS

None

Item 2.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

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

During the first quarter of 2017 the Company issued 11,700,000 shares of unregistered common stock at $0.10 per share for net proceeds of $850,000 net of commission and brokerage costs as a result of two private placement offerings

During the first quarter of 2016 the Company issued 3,000,000 shares of unregistered common stock at $0.07 per share for a total consideration of $210,000 as a part of the Butte Highlands mineral property purchase.

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

Item 3.

DEFAULTS UPON SENIOR SECURITIES

The Company has no outstanding senior securities.

Item 4.

MINE SAFETY DISCLOSURES

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. During the quarter ended March 31, 2017, the Company had no citations for a violation of mandatory health or safety standards that could significantly and substantially (S&S citation) contribute to the cause and effect a mine safety or health hazard under section 104 of the Federal Mine Safety and Health Act of 1977. There were no legal actions, mining-related fatalities, or similar events in relation to the Company s United States operations requiring disclosure pursuant to Section 1503(a) of the Dodd-Frank Act.

Item 5.

OTHER INFORMATION

None

Item 6.

EXHIBITS

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

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

* as filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEW JERSEY MINING COMPANY

By: /s/ John Swallow

John Swallow,

its: President, Chief Executive Officer and Chief Financial Officer

Date May 15, 2017

By: /s/ Grant Brackebusch

Grant Brackebusch,

its: Vice President

Date: May 15, 2017