

NEW JERSEY MINING CO  
Form 10-Q  
August 15, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

**Washington D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended June 30, 2016

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)

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**Idaho**

(State or other jurisdiction of incorporation or organization)

**82-0490295**

(I.R.S. employer identification No.)

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

(Address of principal executive offices) (zip code)

(208) 503-0153

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  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  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 and small reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer \_\_\_\_.

Accelerated Filer \_\_\_\_.

Non-Accelerated Filer \_\_\_\_.

Smaller reporting company  X .

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

Yes  No

On August 1, 2016, 94,760,148 shares of the registrant's common stock were outstanding.

**NEW JERSEY MINING COMPANY**

**QUARTERLY REPORT ON FORM 10-Q**

**FOR THE QUARTERLY PERIOD**

**ENDED JUNE 30, 2016**

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**PART I-FINANCIAL INFORMATION****ITEM 1: CONSOLIDATED FINANCIAL STATEMENTS****New Jersey Mining Company****Consolidated Balance Sheets****June 30, 2016 and December 31, 2015****ASSETS**

	June 30, 2016	December 31,
	(Unaudited)	2015
Current assets:		
Cash and cash equivalents	\$ 11,035	\$ 62,275
Joint venture receivables	5,391	3,109
Note receivable	58,386	58,386
Milling receivables	31,450	40,577
Other current assets	42,295	40,350
Total current assets	148,557	204,697
Property, plant and equipment, net of accumulated depreciation	5,751,871	5,698,831
Mineral properties, net of accumulated amortization	1,986,740	1,907,089
Investment in joint venture	435,000	
Deposit on equipment		13,982
Total assets	\$ 8,322,168	\$ 7,824,599

**LIABILITIES AND STOCKHOLDERS EQUITY**

Current liabilities:		
Accounts payable	\$ 176,312	\$ 58,267
Line of credit	31,865	-
Accrued payroll and related payroll expenses	1,162	14,513
Notes and interest payable related parties, current portion	87,233	88,114
Notes payable, current portion, net of discount	613,131	488,435
Total current liabilities	909,703	649,329
Asset retirement obligation	31,302	28,656
	1,093,912	598,127

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Notes and interest payable related parties, long term		
Notes payable, long term, net of discount	488,642	731,940
Total long term liabilities	1,613,856	1,358,723
Total liabilities	2,523,559	2,008,052
Commitments (Note 3 and 9)		
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; December 31, 2015-91,760,148 shares and June 30, 2016-94,760,148 shares issued and outstanding	13,842,778	13,590,739
Accumulated deficit	(11,269,466)	(10,981,432)
Total New Jersey Mining Company stockholders' equity	2,573,312	2,609,307
Non-controlling interests	3,225,297	3,207,240
Total stockholders' equity	5,798,609	5,816,547
Total liabilities and stockholders' equity	\$ 8,322,168	\$ 7,824,599

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

## New Jersey Mining Company

## Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

## For the Three and Six Month Periods Ended June 30, 2016 and 2015

	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	Three Months	Six Months	Three Months	Six Months
Revenue:				
Gold Sales	\$ 48,312	77,663		
Milling income		14,614	\$ 872,250	\$ 1,263,370
Total revenue	48,312	92,277	872,250	1,263,370
Costs and expenses:				
Milling	43,337	95,187	431,519	770,290
Exploration	38,634	80,057	46,069	93,126
Depreciation and amortization	1,116	3,214	53,267	102,187
Management	21,102	56,151	80,118	136,657
Professional services	4,340	55,026	58,882	119,658
General and administrative expenses	25,718	56,842	59,963	168,331
Total operating expenses	134,247	346,477	729,818	1,390,249
Operating income (loss)	(85,935)	(254,200)	142,432	(126,879)
Other (income) expense:				
Royalties and other income		(200)		
Timber income	(42,011)	(42,011)		
Timber expense		500	2,175	2,225
Royalties and other income				
Interest income	(1,325)	(3,049)	(1,229)	(2,700)
Interest expense	28,868	40,077		11,638
Amortization of discount	12,454	24,908		
Total other (income) expense	(2,014)	20,225	946	11,163
Income tax (provision) benefit				
<b>Net income (loss)</b>	<b>(83,921)</b>	<b>(274,425)</b>	<b>141,486</b>	<b>(138,042)</b>
Net income (loss) attributable to non-controlling interest	13,633	13,609	(24,187)	(34,867)
Net income (loss) attributable to New Jersey Mining Company	\$ (97,554)	(288,034)	\$ 165,673	(103,175)
Net loss per common share-basic and \$ diluted	Nil	Nil	\$ Nil	Nil
Weighted average common shares outstanding-basic and diluted	94,760,148	94,298,610	91,760,148	91,760,148



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

## New Jersey Mining Company

## Consolidated Statements of Cash Flows (Unaudited)

For the Six Month Periods Ended June 30, 2016 and 2015

	2016	June 30,	2015
Cash flows from operating activities:			
Net loss	\$ (274,425)		\$ (138,042)
Adjustments to reconcile net loss to net cash (used) by operating activities:			
Depreciation and amortization	3,214		102,187
Amortization of discount on note payable	24,908		
Accretion of asset retirement obligation	2,646		2,645
Stock based compensation	42,039		46,620
Change in:			
Joint venture receivables	(2,282)		(10,783)
Milling receivables	9,127		(181,873)
Other current assets	(1,945)		11,866
Interest payable	-		8,021
Accounts payable	118,045		101,040
Accrued payroll and related payroll expense	(13,351)		(4,843)
Milling advance	-		(50,000)
Interest payable related parties	27,001		-
Net cash (used) by operating activities	(65,023)		(113,162)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(42,272)		(96,543)
Purchase of mineral property	(79,651)		-
Purchase of investment in joint venture	(225,000)		-
Net cash (used) by investing activities	(346,923)		(96,543)
Cash flows from financing activities:			
Borrowings on notes payable, related parties	475,000		-
Borrowings under line of credit	31,865		38,497
Principal payments on notes payable	(143,512)		(5,917)
Principal payments on note payables, related parties	(7,095)		(19,104)
Contributions from noncontrolling interest	4,448		-
Net cash provided (used) by financing activities	360,706		(13,476)
Net change in cash and cash equivalents	(51,240)		(196,229)
Cash and cash equivalents, beginning of period	62,275		336,525
Cash and cash equivalents, end of period	\$ 11,035		\$ 140,296
Non-cash investing and financing activities			
Shares of common stock issued for investment in joint venture	\$ 210,000		-
Debt for equipment purchase	-		\$ 92,320

*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 and six month periods ended June 30, 2016 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2016.

For further information, refer to the financial statements and footnotes thereto in the Company's audited financial statements for the year ended December 31, 2015 as filed with the Securities and Exchange Commission.

**Principles of Consolidation**

At June 30, 2016, the consolidated financial statements include the accounts of the Company, the accounts of our majority owned New Jersey Mill Joint Venture ( NJMJV ), Golden Chest LLC Joint Venture ( GCJV ) and GF&H Company. Intercompany items and transactions between companies included in the consolidation are eliminated.

### **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.

Revenue from harvest of raw timber is recognized when a contract has been established, the timber has been shipped, and payment is deemed probable. These sales of timber found on the Company's mineral properties are not a part of normal operations.

### **Reclassifications**

Certain prior period amounts have been reclassified to conform to the 2016 financial statement presentation. Reclassifications had no effect on net loss, stockholders' equity, or cash flows as previously reported.

2.

### **Going Concern**

As shown in the accompanying financial statements, the Company had minimal revenue and a net loss of \$83,921 and \$274,425 respectively for the three and six month periods ending June 30, 2016 as well as an accumulated deficit, negative working capital, and a cash and cash equivalents balance of \$11,035 at June 30, 2016. These factors raise substantial doubt about the Company's ability to continue as a going concern. See Note 15 Subsequent Events for funds raised after June 30, 2016

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue its operations.



## New Jersey Mining Company

## Notes to Consolidated Financial Statements (Unaudited)

## 3.

## Related Party Transactions

At June 30, 2016 and December 31, 2015 the Company had the following notes and interest payable to related parties:

	June 30, 2016	December 31, 2015
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	\$ 137,500	\$ 141,033
John Swallow, Company president, 5% interest, monthly payments of \$5,834 with balloon payment of \$475,973 in November 2017	541,644	545,208
John Swallow, Company president, 5% interest, principal and interest due January 2018	375,000	
Margaret Bathgate, shareholder, 5% interest, principal and interest due January 2018	100,000	
	1,154,144	686,241
Accrued interest payable	27,001	
Total	1,181,145	686,241
Current portion	87,233	88,114
Long term portion	\$ 1,093,912	\$ 598,127

Related Party interest expense for the three and six month periods ending June 30, 2016 and 2015 is as follows:

June 30, 2016		June 30, 2015	
3 months	6 months	3 months	6 months

\$ 16,791      \$ 30,682      \$ 5,033      \$ 10,353

**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 June 30, 2016 and December 31, 2015, the Company's percentage ownership and method of accounting for each joint venture is as follows:

<b>Joint Venture</b>	<b>June 30, 2016</b>			<b>December 31, 2015</b>		
	<b>% Ownership</b>	<b>Significant Influence?</b>	<b>Accounting Method</b>	<b>% Ownership</b>	<b>Significant Influence?</b>	<b>Accounting Method</b>
New Jersey Mill Joint Venture( NJMJV )	67%	Yes	Consolidated	67%	Yes	Consolidated
Golden Chest LLC Joint Venture ( GCJV )	100%	Yes	Consolidated	100%	Yes	Consolidated
Butte Highlands Joint Venture ( BHJV )	50%	No	Cost	NA	NA	NA



**New Jersey Mining Company**

**Notes to Consolidated Financial Statements (Unaudited)**

**New Jersey Mill Joint Venture Agreement**

In June of 2012, Crescent Silver Corp. ( Crescent ) completed its buy-in for 35% of the NJMJV with a cumulative \$3.2 million contribution to bring the capacity of the mill to 15 tonnes/hr. At June 30, 2016 and December 31, 2015, an account receivable existed with Crescent for \$5,391 and \$3,109, respectively, for monthly operating costs as defined in the JV agreement.

**Golden Chest LLC Joint Venture**

In December of 2015 the Company became the 100% owner of the Golden Chest property after purchasing the remaining 52.22% share of GCJV previously held by a third party (Note 12).

**Butte Highlands JV, LLC ( BHJV )**

On January 29, 2016 the Company purchased a 50% interest in 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 of the joint venture. The Company determined that it had no significant influence with the joint venture as Highland is funding the ongoing exploration program.

**5.**

**Non-Controlling Interests**

Non-controlling interests include Crescent s interest in NJMJV (Note 4) and other shareholders in GF&H Company of which the Company owns 66 2/3%. These interests changed as follows from December 31, 2015 to June 30, 2016:

	NJMJV		GF&H		TOTAL
Balance December 31, 2015	\$ 3,145,585	\$	61,655	\$	3,207,240

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Contribution from non-controlling interest		4,448		4,448
Net income attributable to non-controlling interest			13,609	13,609
Balance June 30, 2016	\$	3,150,033	\$	75,264
			\$	3,225,297

6.

**Earnings per Share**

For the three and six month periods ending June 30, 2016 and 2015, the effect of the Company's potential issuance of shares from the exercise of 10,200,000 warrants and 5,750,000 stock options, and 10,200,000 warrants and 4,250,000 stock options, respectively would have been anti-dilutive. Accordingly, only basic net loss per share has been presented.

7.

**Property, Plant, and Equipment**

Property, plant and equipment at June 30, 2016 and December 31, 2015, consisted of the following:

		June 30, 2016		December 31, 2015
Mill				
Mill land	\$	225,289	\$	225,289
Mill building		536,193		536,193
Milling equipment		4,209,440		4,209,440
		4,970,922		4,970,922
Less accumulated depreciation		(285,420)		(285,420)
Total mill		4,685,502		4,685,502
Building and equipment at cost		382,188		362,188
Less accumulated depreciation		(220,951)		(217,738)
Total building and equipment		161,237		144,450
Land				
Bear Creek		232,457		196,204
Little Baldy		72,139		72,139
BOW		230,449		230,449
Eastern Star		250,817		250,817
Gillig		79,137		79,137
Highwater		40,133		40,133
Total Land		905,132		868,879
Total	\$	5,751,871	\$	5,698,831



**New Jersey Mining Company****Notes to Consolidated Financial Statements (Unaudited)**

In the three and six month periods ended June 30, 2015 \$11,868 and \$15,720 of interest was capitalized for the mill expansion project. No interest was capitalized for the mill expansion or other capital projects in 2016.

**8.****Mineral Properties**

Mineral properties at June 30, 2016 and December 31, 2015 consisted of the following:

	June 30, 2016	December 31, 2015
New Jersey	\$ 215,127	\$ 215,127
McKinley	250,000	250,000
Golden Chest	1,524,880	1,445,229
Toboggan	5,000	5,000
Less accumulated amortization	(8,267)	(8,267)
Total	\$ 1,986,740	\$ 1,907,089

In the six month period ended June 30, 2016 \$6,253 of interest was capitalized for the Golden Chest development project. No interest was capitalized for development in the six month period ended June 30, 2015.

**9.****Notes Payable**

At June 30, 2016 and December 31, 2015, notes payable are as follows:

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	June 30, 2016	December 31, 2015
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 in June 2016, monthly payments of \$474	\$ 40,862	\$ 42,726
Property 120 month note payable, 11.0% interest rate payable monthly, remaining principal of note due in one payment at end of term in March 2021, collateralized by property, monthly payments of \$1,122	101,968	105,196
Tailings pump, 35 month note payable, 17.5% interest rate payable monthly, monthly payments of \$3,268, collateralized by equipment	62,675	76,097
Mineral property, 10 quarterly payments, 0.0% interest rate discounted at 10%, collateralized by property, quarterly payments of \$125,000	1,000,000	1,125,000
Total notes payable	1,205,505	1,349,019
Due within one year	698,866	572,806
Due after one year	\$ 506,639	\$ 776,213

Future principal payments of debt and related discount amortization at June 30, 2016 are as follows:

	Note	Discount	Net
1 year	\$ 698,866	\$ (85,735)	\$ 613,131
2 years	409,734	(17,997)	391,737
3 years	2,980		2,980
4 years	3,325		3,325
5 years	90,600		90,600
Thereafter			
Total	\$ 1,205,505	\$ (103,732)	\$ 1,101,773

**10.**

**Equity**

**Common Stock**

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 4). No shares of common stock were issued in the second quarter of 2016 or in the first six months of 2015.



**New Jersey Mining Company****Notes to Consolidated Financial Statements (Unaudited)****Stock Purchase Warrants Outstanding**

No transactions in common stock purchase warrants occurred during the six month period ended June 30, 2016. The balance in stock purchase warrants is as follows:

	Number of Warrants	Exercise Prices
Balance December 31, 2014	21,200,000	\$ 0.10-0.20
Expired May 31, 2015	11,000,000	0.15
Balance December 31, 2015 and June 30, 2016	10,200,000	0.10-0.20

These warrants expire as follows:

Shares	Exercise Price	Expiration Date
3,000,000	\$0.15	March 4, 2017
6,000,000	\$0.20	August 11, 2017
1,200,000	\$0.10	August 11, 2019

**11.****Stock Options**

On December 30, 2015, 1,500,000 options were granted to management, 750,000 options vested immediately and the remaining 750,000 will vest on December 30, 2016. The options expire 5 years after their corresponding vesting date. Each option allows the holder to purchase one share of the Company's stock at \$0.10 prior to expiration. Compensation cost of \$110,208 is associated with the options. Of this, \$55,104 was recorded as a general and administrative expense in 2015 and \$27,552 has been recognized in the first six months of 2016. The remaining unrecognized compensation cost of \$27,552 is expected to be recognized in the second half of 2016.

On April 30, 2014, 2,250,000 options were issued to management, 750,000 options vested immediately and the remaining 1,500,000 vested at a rate of 750,000 each year on the anniversary for 2 additional years, and they expire 3

years after vesting date. Each option allows the holder to purchase one share of the Company's stock at \$0.10 prior to expiration. Compensation costs of \$173,844 are associated with these options. Of this, \$159,357 was recorded as a general and administrative expense in 2014 and 2015. The remaining \$14,487 has been recognized in the first six months of 2016

	Number of Options	Exercise Prices	Weighted Average Remaining Term (years)
Balance December 31, 2014	4,500,000	0.10-0.15	
Cancelled	(250,000)	0.15	
Issued	1,500,000	0.10	
Balance December 31, 2015 and June 30, 2016	5,750,000	0.10-0.15	3.10
Exercisable at June 30, 2016	5,000,000	0.10-0.15	2.74

Outstanding options had no intrinsic value at June 30, 2016.

## 12.

### Golden Chest Joint Venture

In December of 2015, the Company became the 100% owner of the Golden Chest Joint Venture (GCJV). The Company received the 52.22% share of GCJV previously held by a third party in exchange for \$180,000 and a 2% NSR royalty on all future gold production from the property. In addition to the assets of GCJV, a note payable of \$1,250,000 for the patented mining claims was assumed by the Company. The Company purchased the outstanding share in GCJV to consolidate ownership and facilitate exploration and mining plans going forward.

The unaudited pro forma financial information below represents the combined results of the Company's operations as if the GCJV acquisition had occurred at the beginning of the period presented. The unaudited pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have occurred if the acquisition had taken place at January 1, 2015, nor is it indicative of future operating results.



**New Jersey Mining Company****Notes to Consolidated Financial Statements (Unaudited)**

	June 30, 2015	
	Three months	Six months
Revenue	\$ 872,250	\$ 1,263,370
Operating expenses	(1,259,330)	(2,188,242)
Net loss from continuing operations	(387,080)	(924,872)
Net loss per common share, basic and diluted	Nil	\$ 0.01

**13.****Butte Highlands Joint Venture**

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. The purchase was made utilizing proceeds from a promissory note at 5% interest rate extended to the Company by President John Swallow (Note 3). Highland Mining, LLC is the other 50% owner of the joint venture. The Company purchased the interest in the BHJV to provide additional opportunities for exploration and development and expand the Company's mineral property portfolio.

**14.****Line of Credit**

The Company has available a line of credit with a maximum borrowing amount of \$43,000. At June 30, 2016, the outstanding balance of the line was \$31,865 bearing an interest rate of 7.5%.

**15.****Subsequent Events**

On July 13, 2016, the Company entered into a future gold purchase agreement with three of its officers ( the purchasers ) for net proceeds of \$467,500 to fund startup costs at the Golden Chest. The agreement 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.

On July 29, 2016, the Company entered into a future gold purchase agreement through GVC Capital LLC 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 804 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.

On August 8, 2016, the Company entered into an Agreement and Plan of Merger ( Merger Agreement ) with its subsidiary G F & H Company ( GF&H ), whereby GF&H will merge into the Company and cease to exist. As of the date of the merger the Company owned 84% of GF&H. Pursuant to the terms of the Merger Agreement, the Company shall issue to GF&H minority shareholders 18,868 shares of the Company s common stock for every one (1) share of GF&H common stock. In total, the Company will issue 145,760 shares of common stock valued at \$21,864 to those minority GF&H shareholders. Completion of the merger is contingent upon GF&H obtaining shareholder approval of the Merger Agreement. GF&H is set to hold a special meeting of shareholders to consider the Merger Agreement on August 19, 2016.

## 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:

·  
the establishment and estimates of mineralization;

·  
the grade of mineralization;

·  
anticipated expenditures and costs in our operations;

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

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

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expected future financing and its anticipated outcome;

·  
anticipated liquidity to meet expected operating costs and capital requirements;

·  
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 *intends* or stating that certain actions, events or results *may*, *could*, *would*, *might* or *will* be taken, occur or be achieved) are forward-looking 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:

·  
risks related to our limited operating history;

·  
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 knowledge, experience, and operational capabilities to advance its cash flow focused mining, milling and royalty plan. The Company has the ability to evaluate mining and/or milling opportunities in addition to operating its New Jersey Mill (a mineral processing plant near Kellogg, Idaho), and conduct development and mining operations at its Golden Chest Mine near Murray, Idaho. The Company has been focused on projects that have had considerable prior investment, as evidenced by the acquisition of 100-percent interest in the Golden Chest Mine and acquisition of its interest in Butte Highlands Joint Venture in early 2016. The Company has also conducted gold exploration in northern and central Idaho, western Montana, and evaluated new mining and/or milling opportunities around the western US.

The Company's financial strategy is to generate cash flow from milling fees, royalties, and possible 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. NJMC seeks to minimize costs and share risks by forming joint ventures, mineral lease arrangements, partnerships and other forms of agreements with qualified mining industry players. In recent examples, the Company has leveraged its property and mineral processing assets into joint ventures that brought exploration or development funding from partners. The strategy includes finding and developing potential mineral deposits of significant quality and quantity to justify investment in mining and/or mineral processing facilities. The Company's primary focus is on gold with silver and base metals of secondary emphasis. In 2014 and 2015 the Company received revenue from milling services, from royalties, and in management fees.

During the second quarter of 2016, the Company built upon progress made in the latter part 2015 and the first quarter of 2016 and focused largely on its goal to resume production at the Golden Chest. This included necessary permitting and site work along with raising the funding needed for the Golden Chest mine plan, as outlined the internal scoping study and subsequent mine plan.

Through the second quarter of 2016 NJMC's progress includes:



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Received permit to initiate open pit mining at Golden Chest (See Company news release dated June 21, 2016);

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Advanced funding efforts for the future sale of gold at \$935/ounce, to be paid back over 2.5 years in gold produced from the Golden Chest. The offering closed subsequent to end of quarter (See Company news release dated August 2, 2016).

During the first quarter of 2016, the Company completed purchase of 50-percent interest in the Butte Highlands Joint Venture from Timberline Resources Corp. (See Company news release dated February 1, 2016). This acquisition fits into our plans to build upon our portfolio of assets having considerable prior investment and a path toward cash flow potential and/or in which we might provide our expertise to help advance the project or to provide milling services. More than \$30-million has been invested at Butte Highlands to-date by Montana State Gold Company ( MSGC ) and prior funding partner, Highland Mining LLC.

Through Q1 of 2016 NJMC s progress includes (See Company news release dated March 29, 2016):

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Development of a small-scale, two-year mine plan at Golden Chest, focusing on easily-accessible near-mine ore, retaining all upside potential of up-dip, down-dip, and on-strike zones, as well as larger district-scale potential;

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Purchase of underground haul truck and loader, receipt of long-lead electrical components, and agreement for use of BHJV-owned equipment, in anticipation of resumed production at Golden Chest.

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Purchase of 50-percent interest in Butte Highlands Joint Venture (BHJV) which owns the Butte Highlands Gold Mine;

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Signing Memorandum of Understanding with partner Highland Mining LLC for NJMC to assume control of Permitting and Management at BHJV.



The Company's focus during most of 2015 was focused on maintaining and running the New Jersey Mill in support of mining operations at the Golden Chest Mine. In anticipation of processing ores from the Golden Chest Mine, the Company invested in certain upgrades and expansions to the New Jersey Mill. The Company added a gravity processing circuit to the mill and expanded the tailings impoundment facility, among other minor modifications and adjustments. Gold Hill commenced construction and underground development during the third quarter of 2014, delivering the first ore to the New Jersey Mill in December of 2014. Mining activities continued during the year until Gold Hill ceased operations September, 2015 (See Company news release dated, September 21, 2015).

In October, 2015, the Company entered into an agreement to acquire 100-percent interest in the Golden Chest Mine from Marathon Gold Corporation, its joint venture partner in the project. It was considered by both parties that the Golden Chest Mine should have consolidated ownership going forward. The agreement with Marathon was completed in December (See Company news release dated December 4, 2015). The Company rendered payments of \$180,000 to Marathon for its 52.22% interest in the Golden Chest Joint Venture and Marathon retained a 2% NSR on production from the Golden Chest, as well as an adjacent Area of Interest. An estimated \$7-\$9 million was spent by the lessee of the Skookum Shoot, which included mine development and infrastructure and any remaining mineralized material.

In May, 2015, the Company announced a realignment of management as it transitioned into an operating company to remain focused on cash flow and corporate overhead (See Company news release dated May 7, 2015).

In 2015, NJMC accomplishments and project milestones included (See Company news release dated March 29, 2016):

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Completion of mine development at the Golden Chest property, by Juniper Resources under the Skookum lease, totaling approximately \$7 to \$9-million;

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Completion of upgrades and commencement of commercial operations at the New Jersey Mill, achieving revenue of more than \$1.8 million;

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Commercial production, achieved by Juniper at the Golden Chest Mine, totaling 40,840 dry metric tonnes of ore produced at an average grade of 6.65 grams of gold per tonne;

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Production of approximately 8,000 ounces of gold from Golden Chest ore at the New Jersey Mill, including approximately 500 ounces of gold from a cyanide leaching project which led to a series of recommendations for improving the concentrate leach circuit;

•

Consolidation of 100-percent ownership of the Golden Chest project, after the departure of Juniper, with the buy-out of former partner Marathon Gold;

•

Completed internal scoping study at Golden Chest, outlining plans for resumed production of unmined ore from the Juniper mine plan and from other easily accessible zones.

Prior to recent activity, during 2011 and 2012, the New Jersey mineral processing plant was expanded in order to process ore from the nearby Crescent silver mine. NJMC executed a definitive venture agreement with United Silver Corp (USC) and its subsidiary United Mine Services (UMS), owner of the Crescent mine, in January 2011. The plant was expanded from a processing rate of 4 tonnes/hr to 15 tonnes/hr. USC paid the expansion cost, which was \$3.2 million. The joint venture agreement anticipated that USC would be entitled to process up to 7,000 tonnes per month from the Crescent Mine and NJMC would have rights for up to 3,000 tonnes per month of capacity during the processing of Crescent ores. Under the agreement, each party would pay its processing costs and NJMC will charge a management fee of \$2.50/tonne. The plant was commissioned during 2012, but ore production from the Crescent Mine was curtailed by USC for economic reasons so the plant became idle in September 2012. The mill remained idle through 2013 and most of 2014, until commissioning its new upgrades in November of 2014 (See Company news release dated November 12, 2014).

In April 2014, Hale Capital Partners, through its subsidiary Crescent Silver LLC ( Crescent Silver ), acquired the assets of United Mine Services in a consensual foreclosure process. This transaction included the UMS stake in the New Jersey Mill JV. Hence, Crescent Silver is the Company's current joint venture partner at the New Jersey Mill. Crescent Silver produced no ore during 2014.

NJMC geologists conducted limited programs at the McKinley and Eastern Star projects during 2014 and 2015. The Company drilled just under 400 meters of small-diameter core from the underground workings at McKinley. The drill results returned several high-grade intersections that may warrant follow-up, including 2.5m of 43.7 gpt Au and 3.5m of 18.5 gpt Au. The McKinley Project is at a very early stage of exploration, but there are high-grade (+30 gpt Au) showings over more than 3.8 kilometers of prospecting on the 1,800-hectare (4,443 acres) project, (see Company news release dated January 2, 2015).

During 2014 and 2015, the Company also conducted limited exploration work at the Eastern Star Project in the Elk City



District of central Idaho. The property was acquired under a purchase option agreement with Premium Exploration Inc., (see Company news release dated April 25, 2014). In the first field season on the project, NJMC geologists collected rock samples and channel samples that included 11.34 gpt Au over 4.3 meters and 14.15 gpt over 0.9 meters. There has been no drilling at Eastern Star, so the project will require considerable additional work in order to assess its economic potential.

The Toboggan Project is a group of claims to the north of Golden Chest. Formerly joint ventured with Newmont Mining and including a lease agreement with Hecla Mining, the properties have seen well over \$2.0 million in exploration investment in recent years. The gold prospects at Toboggan appear to be associated with alkalic intrusions and alteration is widespread.

At the Coleman underground mine, which is part of the New Jersey Mine and Mill property, the Company conducted no significant exploration during 2014 or 2015, but Company geologists are currently evaluating the known gold-bearing veins and historic targets for their future potential. Now that the New Jersey Mill is processing ores from the Golden Chest Mine, the potential economics of nearby gold prospects may have improved.

### **Changes in Financial Condition**

The Company maintains an adequate cash balance by increasing or decreasing its exploration expenditures as limited by availability of cash from operations or from financing activities. The cash balance at June 30, 2016 was \$11,035 compared to \$62,275 at the end of 2015.

### **Results of Operations**

There was \$43,312 and \$92,277 in revenue in the three and six month periods, respectively ending June 30, 2016 compared to \$872,250 and \$1,263,370 for the comparable periods in 2015. The revenue in 2015 was from milling of ore at the Golden Chest Mine whereas minimal milling activity occurred in the first and second quarters of 2016. The net loss of \$83,921 and \$274,425 for the three and six month periods ending June 30, 2016 compared to the net income of \$141,486 and net loss of \$138,042 in the comparable periods of 2015 are a result of reduced activity at the Company in 2016. In 2015 the Company was processing ore from the Golden Chest.

The Company invested \$191,374 in additional facilities at the mill in 2015 and processed ore from the Golden Chest (Skookum Project) that started production in December 2014 through the third quarter of 2015. The mining at the Golden Chest during this period was conducted by Gold Hill under a lease agreement. The Company plans to resume production at the Golden Chest in the third quarter of 2016 with the Company as operator of both the mine and the mill.

The amount of money to be spent on exploration at the Company's mines and prospects depends primarily on contributions of our joint venture partners, fundraising, and cash flow from the mill.

The audit opinion and notes that accompany our consolidated financial statements for the period ended June 30, 2016, disclose a "going concern" qualification to our ability to continue in business. The accompanying consolidated financial statements have been prepared under the assumption that we will continue as a going concern. We are operating a start-up mineral processing operation, but we also remain an exploration stage company that has incurred losses since our inception. We do not have sufficient cash to fund normal operations and meet debt obligations for the next 12 months without seeing increased revenue from our milling and mining operations, deferring payment on certain current liabilities, and/or raising additional funds. We believe that the going concern condition cannot be removed with confidence until the Company has entered into a business climate where the stability of our business is more assured. We currently have no historical recurring source of revenue and our ability to continue as a going concern is dependent on our ability to profitably execute our business plan or raise capital to fund our future exploration and working capital requirements. Our plans for the long-term return to and continuation as a going concern include growing milling revenues, sales of our common stock and/or debt, and the eventual profitable exploitation of our mining properties.

Additionally, the current capital markets and general economic conditions in the United States are significant obstacles to raising the required funds. These factors raise substantial doubt about our ability to continue as a going concern.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents decreased as of June 30, 2016 compared to December 31, 2015 as a result of minimal revenue generating and fund raising activity.

#### ***Investment in Joint Venture***

Investment in Joint Venture increased in 2016 because of the acquisition of the 50% interest in the Butte Highlands JV.

***Deposit on Equipment***

Deposit on equipment has decreased in 2016 because electrical equipment for which a deposit was made has been received.

***Accounts Payable***

Accounts payable have increased as of June 30, 2016 compared to December 31, 2015 because of increased spending in anticipation of production at the Golden Chest.

***Line of Credit***

The Line of credit increased as of June 30, 2016 compared to December 31, 2015 because of short term utilization of the available credit line as the Company prepares to enter production at the Golden Chest and Mill.

***Accrued Payroll and Related Payroll Expenses***

Accrued payroll and related payroll expenses decreased as of June 30, 2016 compared to December 31, 2015 because of minimal employee activity prior to receiving funding in July 2016.

***Notes and Interest Payable Related Party***

Notes and interest payable related party increased as of June 30, 2016 compared to December 31, 2015 because two notes totaling \$475,000 were extended to the Company, one by President John Swallow and additional one by Martha Bathgate, a major shareholder. The proceeds of the notes were utilized for the Butte Highlands joint venture purchase and continuing operations.

***Gold Sales***

Gold sales income increased in 2016 as a result leaching of materials from the New Jersey Mine property.

***Milling Income***



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

***Milling Costs***

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

***Depreciation and Amortization***

Depreciation and amortization decreased in 2016 compared to 2015 as a result of units of production depreciation calculations as the mill processed the Skookum ore in 2015.

***Management***

Management expenses were lower in 2016 compared to the comparable period of 2015 as a result of management forgoing wages from May through July of 2016.

***Professional Services***

Professional services expenses were lower in 2016 compared to the comparable period of 2015 as a result of decreased discretionary funds available in 2016.

***General and Administrative Expenses***

General and administrative expenses were lower in 2016 compared to the comparable periods of 2015 as a result of decreased activity at the Company.

***Timber Revenue***

Timber revenue was higher in 2016 compared to the comparable periods of 2015 as a result of development at the GF&H property and the resulting log revenue from road building.

***Interest Expense***

Interest expense increased in 2016 compared to 2015 because interest expense in 2015 was capitalized as a part of the New Jersey Mill expansion.

*Amortization of Discount*

Amortization of discount is a new item related to the purchase of the Golden Chest property in December 2015 and the corresponding non-interest bearing liability that was assumed by the Company.

***Milling Receivables***

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

***Milling Advance***

Milling advance decreased in 2016 compared to 2015 as it was related to the Skookum lease which was terminated in September 2015.

***Interest Payable Related Party***

Interest payable increased in 2016 related to the delayed interest payments on notes to related parties as a result of available funding shortages.

***Purchase of Mineral Property***

Purchase of mineral property increased in 2016 as development expenditures were made at the Golden Chest property in anticipation of resumed production.

***Principal Payments on Notes Payable***

Principal payments on notes payable increased as the Company began making payments on the Golden Chest property note in 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 June 30, 2016, 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 June 30, 2016, 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**

The President and Principal Accounting Officer conducted evaluations of our internal controls over financial reporting to determine whether any changes occurred during the quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting. There was no material change in internal control over financial reporting in the quarter ended June 30, 2016.

**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 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. No additional shares were issued in the second quarter of 2016 nor were any shares of the Company's stock issued in 2015.

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 June 30, 2016, 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	<u>Certification pursuant to Section 302 of the Sarbanes-Oxley act of 2002.*</u>
31.2	<u>Certification pursuant to Section 302 of the Sarbanes-Oxley act of 2002.*</u>
32.1	<u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*</u>
32.2	<u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*</u>
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

Date August 15, 2016

By: /s/ Delbert Steiner

Delbert Steiner,

its: Chief Executive Officer and Chief Financial Officer

Date: August 15, 2016



