

Edgar Filing: ATLAS MINERALS INC - Form 10QSB

ATLAS MINERALS INC
Form 10QSB
August 14, 2003

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

FORM 10-QSB

COMMISSION FILE NO. 1-2714

(Mark One)

(X) Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended June 30, 2003 or

() Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from _____ to _____

ATLAS MINERALS INC.

(Exact name of small business issuer as specified in its charter)

COLORADO

84-1533604

(State or other jurisdiction of incorporation or organization)

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

10920 W. Alameda Ave., Suite 205, Lakewood, CO 80226
(Address of principal executive offices) (Zip Code)

303-292-1299
(Issuer's telephone number)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes X No

As of August 13, 2003, 5,965,103 shares of Common Stock, par value \$0.01 per share, were issued and outstanding.

Transitional Small Business Disclosure Format (Check one):

Yes No X

INDEPENDENT ACCOUNTANTS' REPORT

Edgar Filing: ATLAS MINERALS INC - Form 10QSB

The Board of Directors and Stockholders
Atlas Minerals Inc.

We have reviewed the accompanying consolidated balance sheet of Atlas Minerals Inc. and subsidiaries as of June 30, 2003 and the related consolidated statements of operations for the three-month and six-month periods ended June 30, 2003 and 2002 and cash flows for the six-month periods ended June 30, 2003 and 2002. These consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial statements consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2002, and the related consolidated statements of operations, stockholders' equity and cash flows (not presented herein) for the year then ended; and in our report dated March 20, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2002, is fairly stated in all material respects, in relation to the consolidated balance sheet from which it has been derived.

HORWATH GELFOND HOCHSTADT PANGBURN, P.C.

/s/ Horwath Gelfond Hochstadt Pangburn, P.C.

Denver, Colorado
August 7, 2003

Page 2 of 15

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Atlas Minerals Inc.
Consolidated Balance Sheets
(in Thousands)

June 30, December 31

Edgar Filing: ATLAS MINERALS INC - Form 10QSB

	2003	2002
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 44	\$ 3
Trade and other accounts receivable	21	
Inventories	25	
Prepaid expenses and other current assets	18	
Assets held for sale	--	5
	-----	-----
Total current assets	108	1,0
	-----	-----
Property, plant and equipment	210	2
Less: accumulated depreciation, depletion and amortization	(35)	(
	-----	-----
	175	1
Other assets	--	
Restricted cash equivalents and securities	47	
Deferred acquisition costs	10	
Investment in affiliate	512	
Assets held for sale	--	4
	-----	-----
	\$ 852	\$ 1,8
	=====	=====
LIABILITIES		
Current liabilities:		
Trade accounts payable	\$ 58	\$ 1
Accrued liabilities	42	
Estimated reorganization liabilities	--	4
	-----	-----
Total current liabilities	100	5
	-----	-----
Estimated reorganization liabilities	175	
Deferred gain	--	
Other liabilities, long-term	125	1
	-----	-----
Total long-term liabilities	300	1
	-----	-----
Total liabilities	400	7
	-----	-----
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Preferred stock, par \$1 per share; authorized 1,000,000; no shares issued and outstanding	--	
Common stock, par value \$0.01 per share; authorized 100,000,000; issued and outstanding, 5,965,000 and 5,915,000 at June 30, 2003 and December 31, 2002 respectively	60	
Capital in excess of par value	2,988	2,9
Deficit	(2,596)	(2,0
	-----	-----
Total stockholders' equity	452	1,0
	-----	-----
	\$ 852	\$ 1,8
	=====	=====

See notes to consolidated financial statements.

Atlas Minerals Inc.
Consolidated Statements of Operations
(In Thousands, Except Per Share Data, Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Mining revenue	\$ 2	\$ --	\$ 5	\$ --
Costs and expenses:				
Production costs	35	--	70	--
Depreciation, depletion and amortization	8	--	16	--
General and administrative expenses	293	133	546	279
	-----	-----	-----	-----
Gross operating loss	(334)	(133)	(627)	(279)
	-----	-----	-----	-----
Other (income) and expense:				
Interest expense	--	--	--	--
Interest income	(1)	(4)	(1)	(1)
Gain on settlement of environmental liability claims	--	--	(16)	--
Gain on settlement of CGL claims	--	(66)	--	--
Other	--	--	(31)	--
	-----	-----	-----	-----
Total other income	(1)	(70)	(48)	(1)
	-----	-----	-----	-----
Loss before income taxes	(333)	(63)	(579)	(280)
Provision for income taxes	--	--	--	--
	-----	-----	-----	-----
Net loss	\$ (333)	\$ (63)	\$ (579)	\$ (281)
	=====	=====	=====	=====
Basic and diluted loss per share of common stock	\$ (0.06)	\$ (0.01)	\$ (0.10)	\$ (0.01)
	=====	=====	=====	=====
Weighted average number of common shares outstanding	5,938	6,062	5,926	6,062
	=====	=====	=====	=====

See notes to consolidated financial statements.

Edgar Filing: ATLAS MINERALS INC - Form 10QSB

Atlas Minerals Inc.
Consolidated Statements of Cash Flows
(In Thousands, Unaudited)

	Six Months Ended June 30,	
	2003	2002
Operating activities:		
Net loss	\$ (579)	\$ (149)
Add (deduct) non-cash items:		
Gain on settlement of CGL and environmental claims	(16)	(66)
Shares issued for services	9	--
Depreciation, depletion and amortization	16	1
Net change in non-cash items related to operations, net of effects from deconsolidation of APMI in 2003 (Note 3)	32	(175)
Cash used in operating activities	(538)	(389)
Investing activities:		
Additions to property, plant and equipment	--	(129)
Investment in CGL claims receivable	--	(24)
Investment in assets held for sale	(65)	(72)
Deferred acquisition costs	(166)	--
Cash effects of deconsolidation of APMI	(76)	--
Proceeds from settlement of environmental claims	16	--
Proceeds from settlement of CGL receivable	--	1,639
Proceeds from sale of assets held for sale	622	81
Cash provided by investing activities	331	1,495
Financing activities:		
Payment of estimated reorganization liabilities	(145)	(592)
Cash used in financing activities	(145)	(592)
(Decrease) increase in cash and cash equivalents	(352)	514
Cash and cash equivalents:		
Beginning of period	396	417
End of period	\$ 44	\$ 931

See notes to consolidated financial statements.

Edgar Filing: ATLAS MINERALS INC - Form 10QSB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principles for complete financial statements generally accepted in the United States of America. There has not been any change in the significant accounting policies of Atlas Minerals Inc. (the "Company") for the periods presented.

In the opinion of Management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results for these interim periods are not necessarily indicative of results for the entire year. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002.

2. The accompanying consolidated financial statements include the accounts of Atlas Minerals Inc. ("Atlas") and its subsidiaries as follows: White Cliffs Mining, Inc., a wholly-owned subsidiary in which the White Cliffs property is held and Minerale Atlas S.A. de C.V., a wholly-owned Mexican subsidiary incorporated during the second quarter of 2003. Effective June 30, 2003, the Company's investment in Atlas Precious Metals Inc. ("APMI") will be reported on the equity method due to the Company's ownership decreasing to 28% from its previously held 97% (see Note 4). The results of APMI's operations for the six months ended June 30, 2003 are included in the Company's consolidated statement of operations. The Company's recorded investment in affiliate at June 30, 2003 consists of \$319,000 of advances and receivables due from APMI in addition to the Company's \$193,000 investment in APMI (which represents the retained earnings of APMI on June 30, 2003, prior to its merger with Western Gold Resources). The financial position of APMI as of June 30, 2003, is as follows:

	(unaudited in thousands)
Current assets:	
Cash	\$ 474
Other	5

	479
Non-current assets:	
Assets held for sale	431
Deferred acquisition costs	20
Property	4,015

Total assets	\$ 4,945
	=====
Current liabilities:	
Accounts payable and accrued expenses	\$ 75
Non-current liabilities:	
Estimated reorganization liabilities, including \$232 payable to Atlas	256
Deferred gain	142
Payable to Atlas	87
Notes payable, related party:	
Western Gold Resources Inc. merger	1,136
Other	88

Total liabilities	1,784

Edgar Filing: ATLAS MINERALS INC - Form 10QSB

Total shareholders' equity	3,161

Total liabilities and shareholders' equity	\$ 4,945
	=====

Page 6 of 15

3. The components of the net change in items other than cash related to operating activities, net of effects from deconsolidation of APMI in 2003, as reflected in the Consolidated Statements of Cash Flows are as follows:

(in thousands)	Six Months Ended June 30,	
	2003	2002

Add (deduct) items other than cash:		
Accounts receivable	\$ 4	\$ -
Inventories	20	-
Prepaid expenses and other current assets	2	(26)
Trade accounts payable	(29)	(92)
Accrued liabilities	13	(50)
Restricted cash	(2)	-
Other liabilities, long-term	24	(7)
	-----	-----
	\$ 32	\$ (175)
	=====	=====

There were no cash payments made for interest or income taxes during the six months ended June 30, 2003 and 2002.

4. In September 2002, the Company signed a 120-day exclusive option agreement to acquire 100% of the outstanding shares of Western Gold Resources, Inc. ("WGR"), a private Florida company whose primary asset is the Estrades polymetallic mine. The option agreement was subsequently amended on January 3, 2003 to extend the option period until March 31, 2003 and to transfer all rights under the option agreement to APMI. At this time the Company paid WGR an additional \$50,000 for such extension and transfer of rights. The option agreement was again amended on March 31, 2003 to further extend the option period until June 30, 2003 at no additional cost.

During July 2003, a definitive Amended Agreement and Plan of Merger (the "Agreement") effective June 30, 2003 was consummated. Under the terms of the Agreement, APMI acquired all the outstanding common shares of WGR (14,499,700 shares) in exchange for the issuance of 17,399,640 shares of APMI common stock (which represents 72% of post transaction outstanding common stock of APMI), cash of \$24,000 and a promissory note payable to the primary shareholders of WGR, H.R. and Eileen A. Shipes ("Shipes'") (H.R. Shipes is also the Company's Chief Executive Officer) in the amount of \$64,000. The Agreement also contains a separate repurchase agreement whereby APMI repurchased 2,400,000 common shares of APMI in exchange for a promissory note payable to the Shipes' totaling \$1,136,000. As a result of the Agreement, the Company's ownership in APMI is approximately 28% as of June 30, 2003 and on that date the Company has begun to account for its investment in APMI under the equity method of accounting.

5. During March 2003, the Company reached a settlement agreement with a group

Edgar Filing: ATLAS MINERALS INC - Form 10QSB

of the Company's excess insurance carriers relating to environmental liability claims. The net proceeds from this settlement totaled approximately \$16,000 and were recorded as a gain from settlement of environmental liability claims.

6. During the first quarter 2003, the Company was informed that money was being held in trust pending the satisfaction of tax compliance requirements with Canadian authorities relating to operating activities prior to 2001. The Company was cleared of the related tax liability and the escrowed money totaling approximately \$30,000 was released and is recognized as other income in the first quarter 2003.

Page 7 of 15

7. On March 26, 2003, stock options for 50,000 shares were granted to an employee under the Atlas Minerals Inc. 2001 Stock Option Plan. The options granted were at an exercise price of \$0.22, the quoted market price of the Company's shares at the date of grant, and expire on March 26, 2008. Had compensation expense been determined as provided in SFAS No. 123 using the Black-Scholes option-pricing model, the pro forma effect of options issued during the six months ended June 30, 2003 would have been as follows:

(in thousands)	Three Months Ended June 30,		
	2003	2002	2001
Net loss	\$ (333)	\$ (63)	\$
ADD: Stock-based employee compensation included in reported net income, net of related tax effects	--	--	
DEDUCT: Total stock-based employee compensation expense determined under fair value based method for all award, net of related tax effects	--	--	
Pro forma net loss	\$ (333)	\$ (63)	\$
Loss per share:			
Basic and diluted - as reported	\$ (0.06)	\$ (0.01)	\$
Basic and diluted - pro forma	\$ (0.06)	\$ (0.01)	\$

Edgar Filing: ATLAS MINERALS INC - Form 10QSB

8. On April 3, 2003, the Company completed the sale of the Grassy Mountain property to Seabridge Gold Inc., formerly Seabridge Gold Resources, Inc., and received the final cash payment of \$600,000 on that date, which resulted in net creditor distributions of \$145,000 during the second quarter. There was no gain or loss on this transaction, as the sales proceeds equaled the carrying value of the property.

9. On May 20, 2003, 50,000 common shares of the Company were issued to a consultant under the terms of a consulting agreement entered into in February 2000. The shares were expensed at fair market value as professional services totaling \$9,000.

10. During second quarter the Company incorporated a wholly-owned subsidiary, Minerales Atlas S.A. de C.V., in Mexico. The Company subsequently executed a six-month option to purchase the La Barra fluorite property located 50 miles south of Douglas, Arizona, near Esqueda, Sonora, Mexico. The Company has incurred \$10,000 of deferred acquisition costs related to this option.

Page 8 of 15

Item 2. Management's Discussion and Analysis

"SAFE HARBOR" STATEMENT UNDER THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.

This Form 10-QSB contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Atlas Minerals Inc. is referred to herein as "we" or "our". The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those projected in the forward looking statements as a result of a number of risks and uncertainties. Statements made herein are as of the date of the filing of this Form 10-QSB with the Securities and Exchange Commission and should not be relied upon as of any subsequent date. Except as may otherwise be required by applicable law, we do not undertake, and specifically disclaim, any obligation to update any forward-looking statements contained in this Form 10-QSB to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

RECENT EVENTS

On September 22, 1998, Atlas filed a petition for relief under Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court for the District of Colorado. On January 26, 1999, APMI and AGMI also filed petitions for relief under Chapter 11. On December 11, 1999, the Bankruptcy Court approved the Reorganization Plan of Atlas, APMI and AGMI (the "Reorganized Company"). Having consummated the Reorganization Plan, Atlas, APMI and AGMI emerged from Chapter 11 on January 10, 2000. Final decrees

Edgar Filing: ATLAS MINERALS INC - Form 10QSB

were issued by the Bankruptcy Court officially closing the APMI and AGMI cases on November 8, 2000 and the Atlas case effective December 31, 2001.

As a result of the bankruptcy proceedings, the majority of any remaining claims against the Company are unsecured claims (the "Creditors"). Under the Reorganization Plan, these claims received stock representing 67.5% of the Reorganized Company. In addition, the Creditors could receive future cash distributions upon the sale of certain assets of the Reorganized Company, including the possible salvaging of the Company's Gold Bar mill facility and related assets located near Eureka, Nevada and the sale of the Company's Grassy Mountain property located in eastern Oregon (of which Creditors would receive approximately 45.9% and 65.4%, respectively, of net proceeds after payment of certain general and administrative costs).

The Reorganization Plan also provided for the distribution of stock representing 12.5% of the Reorganized Company to the then-Management and employees of the Company as recognition for their efforts in the reorganization process and 2.5% to each of ACSTAR and Moab Reclamation Trust for assumption by them of certain future liabilities relating to the environmental cleanup and reclamation of various of the Company's mine sites. The remaining 15% of the Reorganized Company remains with the equity holders of the Predecessor Entity, which ceased to exist on December 11, 1999 when the Reorganized Company came into existence.

In July 2001, an agreement was reached with TRW, Inc. ("TRW") to settle the one remaining adversary proceeding. Under the terms of the agreement, the Company agreed to make a total cash payment of \$30,000 to TRW in three equal installments due in October 2001, January 2002, and April 2002. In exchange, TRW agreed to transfer back to the Company all common stock of the Company (146,415 shares) owned by it upon payment of the final installment. This matter was finalized in July 2002 and the returned shares were subsequently cancelled by the Company effective in August 2002.

Page 9 of 15

During 2001 and through April 10, 2002, the Company reached final settlement agreements with all insurance carriers regarding the ongoing CGL Claims, which the Company had against various insurance carriers for their failure to cover certain environmental costs previously incurred by the Company that were the result of permitting and remediation activities at the Company's past-producing uranium processing mill in Utah. Effective May 2002, cash settlement amounts had been received from all such carriers providing the Company in aggregate \$2,373,000 net proceeds for the years 2001 and 2002. The net proceeds exceeded the carrying amount of the CGL Claims resulting in a gain of \$66,000 and \$455,000 being recognized in 2002 and 2001, respectively.

In June 2002, the Company purchased the White Cliffs Diatomite Mine and processing facilities located approximately 30 miles north of Tucson, Arizona ("White Cliffs"). The property, which has been dormant for several years, consists of approximately 3,200 acres of unpatented placer claims, a fully permitted mine and a processing plant with a nominal annual capacity of at least 50,000 tons of finished product.

The largest current use of diatomaceous earth is in filtering applications. It is also used as an absorbent, in filler applications and in manufacture of insulation. One of the fastest growing uses is as a livestock feed supplement and first production from the property was pre-sold as livestock feed supplement. The majority of U.S. production currently comes from

Edgar Filing: ATLAS MINERALS INC - Form 10QSB

California and Nevada which accounted for 87% of the production in 2000.

It is estimated from previous drilling, face sampling, and testing that there are approximately 2,500,000 tons of diatomite mineralization on the property. Based on internal and third party analyses, it appears that the known diatomite material should be able to meet specifications for most end products. The property is located adjacent to the Copper Basin Railroad which accesses the Southern Pacific Line and within five miles of Highway 77, both of which will serve for product distribution.

In July 2002, the Company incorporated a wholly-owned subsidiary in Arizona, White Cliffs Mining, Inc., in which is held the White Cliffs Diatomite Mine and related assets in Arizona.

In September 2002, the Company entered into a 120-day exclusive option agreement (the "Option Agreement") to acquire 100% of the outstanding shares of Western Gold Resources, Inc. ("WGR"), a private Florida company whose primary asset is the Estrades polymetallic mine located in northwestern Quebec. In January 2003, this Option Agreement was amended extending the option period to March 31, 2003, and transferring all rights under the Option Agreement to APMI. At this time, the Company paid WGR an additional \$50,000 for such extension and transfer of rights. The Option Agreement was again amended during March 2003 to further extend the option period to June 30, 2003, at no additional cost. This merger was subsequently completed effective June 30, 2003 (see further discussion below).

During 2002, the Company entered into transactions with the Pension Benefit Guaranty Corporation ("PBGC"), U.S. Fire Insurance Company ("US Fire") and Newmont Grassy Mountain Corporation ("Newmont") whereby the Company effectively settled a portion of its "estimated reorganization liabilities". The Company paid \$50,000, \$7,000 and \$2,000 to PBGC, Newmont and US Fire, respectively, in exchange for each company's rights to receive future creditor distributions under APMI's and AGMI's Reorganization Plan as well as to acquire the portion of APMI's and AGMI's outstanding common stock owned by PBGC, US Fire and Newmont. As a result of these transactions, the Company controlled 100% of the voting stock of each AGMI and APMI.

In March 2003, the Company merged APMI and AGMI, with APMI remaining as the surviving entity. As a result of the merger, APMI owns 100% of the gold processing mill and related facilities and infrastructure related to the Gold Bar mine in Eureka County, Nevada, previously held by AGMI.

Page 10 of 15

Also as a result, APMI owned 100% of the Grassy Mountain property in Malheur County, Oregon, a property known to host gold mineralization, which was subsequently sold (see discussion below). At the time of this merger and prior to the merger of APMI and WGR, the Company controlled 100% of the voting stock and 97% of the issued stock of the resulting APMI.

Also in March 2003, the Board of Directors of the Company approved an option for the possible future acquisition of a fluorite property in Sonora, Mexico, by the Company and authorized Management to enter into negotiations on behalf of APMI for 1) the acquisition in Sonora Mexico, of a) a property on which both copper oxide material and gold have been identified, and b) the long-term lease of an existing processing plant with

Edgar Filing: ATLAS MINERALS INC - Form 10QSB

nominal capacity of 100 tonnes per day based on processing of sulfide ores; and 2) the acquisition of a property package in Sinoloa, Mexico, containing primarily zinc and silver mineralization.

On April 3, 2003 the Company completed the sale of the Grassy Mountain property located in Malheur County, Oregon to Seabridge Gold Inc., formerly Seabridge Gold Resources, Inc. and its wholly-owned subsidiary, Seabridge Gold Corporation. Under the terms of the final agreement entered into in December 2002 the Company received the final payment of \$600,000 upon closing, of which, after repayment of certain priority claims, \$145,000 was distributed to creditors in May 2003. There was no gain or loss on this transaction as the sales proceeds equaled the carrying value of the property.

On June 23, 2003 the Company, through its wholly-owned Mexican subsidiary Minerale Atlas S.A. de C.V., executed a six-month option to purchase the La Barra fluorite property. The property is comprised of three claims covering 300 hectares, or approximately 740 acres, and has on it two underground mines that last produced in 1974. At the time the mines were idled, a reserve study prepared by the owner, Fluoresqueda, S.A., reported nearly 195,000 tons of ore at an average grade of 46% CaF₂. The Company has not independently verified the accuracy of this report, and, as such, there can be no assurance that the reported quantity and quality of ore will be available for mining or will meet the current SEC definition of reserves.

The La Barra property is located approximately 50 miles south of Douglas, Arizona, near Esqueda, Sonora, Mexico. Any new mining operations on the property would be within 12 miles of both an existing highway and railroad, with direct access by either means to U.S. markets via Douglas. During prior operations, raw ore was trucked to Esqueda where it was milled and concentrated for final sale and distribution. The mill foundations and rail siding remain and will be evaluated for possible acquisition during the option period.

Currently the U.S. consumes approximately 600,000 tons of fluorite per annum. In 2001, all consumption was from imports, primarily from China (66%), South Africa (23%) and Mexico (11%). There are three grades of fluorite - acid grade (containing more than 97% CaF₂), ceramic grade (85% to 95% CaF₂), and metallurgical grade (60% to 85% CaF₂). Nearly 80% of U.S. consumption is for the production of hydrofluoric acid, primarily in Louisiana and Texas, and aluminium fluoride in Texas. The 2001 average U.S. Gulf import price for acid grade product was approximately \$150 per ton with metallurgical grade averaging \$115 per ton FOB millsite in Tampico, Mexico. Given the apparent high grade of the La Barra fluorite and its proximity and access to the U.S. Gulf Coast, the Company believes that it could have a competitive advantage in supplying product to the southern U.S. markets.

During July 2003 a definitive Amended Agreement and Plan of Merger (the "Agreement") effective June 30, 2003 was consummated between APMI and Western Gold Resources, Inc. ("WGR"). Under the terms of the Agreement, APMI acquired all the outstanding common shares of WGR (14,499,700 shares) in exchange for the issuance of 17,399,640 shares of APMI common stock (which represents 72% of post transaction outstanding common stock of APMI), cash of \$24,000 and a promissory note payable to the primary shareholders of WGR, H.R. and Eileen A. Shipes ("Shipes'") (H.R. Shipes is

Edgar Filing: ATLAS MINERALS INC - Form 10QSB

also the Company's Chief Executive Officer), in the amount of \$64,000. The Agreement also contains a separate repurchase agreement whereby APMI has agreed to repurchase 2,400,000 common shares of APMI in exchange for a promissory note payable to the Shipes' totaling \$1,136,000. As a result of the Agreement, the Company's ownership in APMI is approximately 28% as of June 30, 2003.

It is the intention of Management for the Company to remain in the business of development and exploitation of natural resource properties. Management's current efforts regarding this are being directed toward the identification of possible acquisition opportunities of properties, primarily in the sectors of industrial minerals, base metals, and precious metals.

CAPITAL RESOURCE REQUIREMENTS

Liquidity

As of June 30, 2003, the Company's working capital was \$8,000, compared to \$468,000 as of December 31, 2002. The Company's cash balance decreased from \$396,000 at December 31, 2002 to \$44,000 at June 30, 2003. The decrease of \$352,000 was primarily the result of utilizing cash to fund operating activities for the first half of the year of \$540,000. Proceeds from the gain on settlement of environmental liability claims and the sale of assets held for sale were \$16,000 and \$622,000, respectively; however, this amount was offset by expenses for the sale of assets held for sale of \$65,000 and the deferred acquisition costs related to Estrades of \$136,000 and exploration of certain Mexican properties of \$30,000. The Company also paid \$145,000 in creditor distributions due to the sale of the Grassy Mountain property in April 2003.

Should funds be available, during the next twelve months approximately \$150,000 could be required in support of the White Cliffs diatomite operation. Such funds would be used to modify mill operations to ensure that specifications of existing products can be continuously met and to allow the production of new product lines. An additional \$50,000 could be required for drilling, assaying, testing, and permitting of a new quarry adequate to sustain production under a 20-year mine plan.

During the next six months, it is the intention of the Company to perform adequate work on the La Barra fluorite property to be able to determine whether the option to purchase the property should be exercised. Depending on the detail of the work performed and assuming funds are available, the Company could require up to \$150,000 for review of existing data, drilling, testing, assaying, and completing preliminary mine and mill design, including \$20,000 for final acquisition of the property.

In 2003, the Company also entered into a two-year non-cancelable lease commitment for office space that expires in January 2005. Payments on this lease total \$26,000 in 2003, \$29,000 in 2004, and \$2,000 in 2005.

To support the above activities and commitments, the Company will need to seek additional financing including loans against the aforementioned assets, equity financing or project financing. On August 1, 2003, the Company signed an agreement with IBK Capital Corp. of Toronto, Ontario, Canada, whereby IBK Capital will assist the Company in raising up to \$2.5 million through a private placement of common stock or some other financing arrangement on terms and conditions acceptable to the Company. It is anticipated that such financing should be completed within 60 days, although there is no assurance that these or any efforts to raise financing will be successful.

Edgar Filing: ATLAS MINERALS INC - Form 10QSB

RESULTS OF OPERATIONS

The Company had revenues from production of diatomite at the White Cliffs property, which commenced mining operations in August 2002, of \$2,000 and \$5,000 during the three-month and six-month periods ended June 30, 2003

Page 12 of 15

compared to zero for the comparable periods in 2002. Production costs were \$35,000 and \$70,000 for the three-month and six-month periods ended June 30, 2003 versus zero for the same periods in 2002.

General and administrative expenses for the six months ended June 30, 2003 were \$546,000 compared to \$220,000 for the comparable period in 2002. Salaries and benefits increased \$175,000 from the first half of 2002 compared to the same period in 2003 due to the salaries and benefits of the administrative employees at White Cliffs, the addition of one employee at headquarters, and other general salary increases. Legal and accounting fees for the first half of 2003 were \$107,000 compared to \$40,000 for the first half of 2002 due to the merger of APMI and AGMI, the restructuring of APMI and overall increased business activity. Insurance costs increased \$19,000 due to higher directors and officers insurance premiums and additional coverage due to the equipment, property and liability insurance at White Cliffs. During the first half of 2003, the Company incurred \$16,000 in business development costs to explore business opportunities to advance the Company's interests, while there were no business development costs during the same period in 2002. Director's fees and expenses decreased from \$24,000 to \$14,000 due to less board and committee meetings in the first half of 2003 over the same period in 2002. Rents and office administration costs for the first half of 2003 have increased \$17,000 from the same period in 2002 due to the incremental cost of having offices in both Colorado and Arizona due to the White Cliffs operation.

General and administrative expenses for the three-month period ended June 30, 2003 were \$293,000 compared to \$133,000 for the comparable period in 2002, resulting in an increase in costs during the quarter of \$160,000. The increases in costs during the quarter are primarily due to higher salaries and benefit costs of \$90,000 due to the additional employees at White Cliffs and Atlas during second quarter 2003 versus the same period in 2002 as well as higher legal and accounting fees for the second quarter 2003 of \$44,000 versus \$9,000 during the same period in 2002 due to the increased work associated with the restructuring of APMI and the merger with WGR.

Interest income was \$1,000 for both the three-month and six-month period ended June 30, 2003, compared to \$4,000 and \$5,000 for the three-month and six-month period ended June 30, 2002. Interest was higher in 2002 due to slightly larger cash balances available for investment.

During the first half of 2003, the Company recognized a gain on the settlement of environmental liability claims of \$16,000 and also recognized as other income the release of \$30,000 from a trust account, which was held pending proof of compliance with Canadian tax authorities. During the same period in 2002, the Company recognized a gain from the settlement of CGL claims of \$66,000.

Item 3. Controls and Procedures

Edgar Filing: ATLAS MINERALS INC - Form 10QSB

A review and evaluation was performed by the Company's management, including the Company's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing of this quarterly report. Based on that review and evaluation, the CEO and CFO have concluded that Company's current disclosure controls and procedures, as designed and implemented, were effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's internal controls subsequent to the date of their evaluation. There were no significant material weaknesses identified in the course of such review and evaluation and, therefore, no corrective measures were taken by the Company.

Page 13 of 15

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

31.1 Certification of Chief Executive Officer pursuant to
Rule 13A-14 or 15D-14 of the Securities Exchange Act of 1934.

31.2 Certification of Chief Financial Officer pursuant to
Rule 13A-14 or 15D-14 of the Securities Exchange Act of
1934.

Edgar Filing: ATLAS MINERALS INC - Form 10QSB

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350.

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350.

b. Reports on Form 8-K

Date Filed on Form 8-K

January 9, 2003

Press Release dated January 8, 2003, announcing that the Company restructured the Option Agreement for sale of the Grass Mountain property to Seabridge Gold, Inc. (f/k/a Seabridge Resources) and had also assigned the option held by the Company for the merger with Western Gold Resources, Inc. whose primary asset is the Estrades polymetallic mine located in Quebec, to its wholly-owned subsidiary, Atlas Precious Metals Inc.

April 17, 2003

Press Release dated April 7, 2003, wherein the Company announced that, through its wholly-owned subsidiary, APMI, it completed the sale of the Grassy Mountain gold property located in eastern Nevada to Seabridge Gold Inc. (formerly Seabridge Gold Resources), its wholly-owned subsidiary, Seabridge Gold (collectively "Seabridge").

July 9, 2003

Press Release dated June 18, 2003, announcing that the Company, through its wholly-owned Mexican subsidiary, Minerales Atlix S.C.V., executed a six-month option to purchase the La Barrosa property located approximately 50 miles south of Douglas, Arizona.

Page 14 of 15

August 7, 2003

On July 23, 2003, Atlas Minerals Inc., a Colorado corporation ("AMI"), through a wholly owned subsidiary, Atlas Precious Metals Inc., a Nevada corporation, ("APMI" or the "Company") announced the transactions contemplated under a definitive Amended and Restated Plan of Merger dated as of June 30, 2003, (the "Plan") between the Company and Western Gold Resources, Inc., a Nevada corporation, ("WGR" or "Seller"), pursuant to which WGR merged with and into the Company, with the Company remaining the surviving entity (the "Merger").

August 7, 2003

Press Release dated August 5, 2003, announcing that the Company, through its wholly-owned subsidiary, Atlas Precious Metals Inc. ("APMI") or the Company, collectively referred to as "Atlas") has completed the acquisition of 100% of the outstanding shares of Western Gold Resources, Inc. ("Western Gold"), a private Florida corporation, corresponding merger of Western Gold with and into the Company ("Merger"), with APMI remaining as the surviving corporation.

Edgar Filing: ATLAS MINERALS INC - Form 10QSB

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.

ATLAS MINERALS INC.

(Registrant)

Date: August 13, 2003

By: /s/ H.R. (Roy) Shipes

H.R. (Roy) Shipes
Chief Executive Officer

Date: August 13, 2003

By: /s/ Gary E. Davis

Gary E. Davis
President and Chief Financial Officer