

ATLAS MINERALS INC

Form 10QSB/A

November 21, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO.1

TO 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 September 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

(State or other jurisdiction of
incorporation or organization)

84-1533604

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

10920 W. Alameda Ave., Suite 205, Lakewood, CO 80226

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(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 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 No

As of November 13, 2003, 6,165,236 shares of Common Stock, par value \$0.01 per share, were issued and outstanding.

EXPLANATORY NOTE

This Amendment to the Company's Quarterly Report on Form 10QSB for the quarter ended September 30, 2003, is filed for the purpose of correcting certain typographical mistakes incurred when a non-final draft of the Report was erroneously filed. None of the revisions impact or change previously reported financial data for any period as contained in the Report as originally filed.

Transitional Small Business Disclosure Format (Check one):

Yes No

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INDEPENDENT ACCOUNTANTS REPORT

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 September 30, 2003 and the related consolidated statements of operations for the three-month and nine-month periods ended September 30, 2003 and 2002 and cash flows for the nine-month periods ended September 30, 2003 and 2002. These interim 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 generally accepted auditing standards, 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 interim 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 of Atlas Minerals Inc. 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

November 18, 2003

PART I.

FINANCIAL INFORMATION

Item 1.

Financial Statements

Atlas Minerals Inc.

Consolidated Balance Sheets

(in Thousands, Except Share Data)

	September 30, 2003 (Unaudited)	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12	\$ 396

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Trade and other accounts receivable	14	25
Inventories	24	45
Prepaid expenses and other current assets	16	21
Assets held for sale	-	580
Total current assets	66	1,067
Property, plant and equipment	210	210
Less: accumulated depreciation, depletion and amortization	(43)	(19)
	167	191
Other assets	-	4
Restricted cash equivalents and securities	46	45
Deferred acquisition costs	10	86
Deferred financing costs	21	-
Investment in affiliate	393	-
Assets held for sale	-	413
	\$	\$
	703	1,806

LIABILITIES

Current liabilities:

Trade accounts payable	\$	\$
	54	149
Accrued liabilities	96	44
Estimated reorganization liabilities	-	406
Total current liabilities	150	599
Estimated reorganization liabilities	175	12
Deferred gain	-	44
Other liabilities, long-term	123	129
Total long-term liabilities	298	185
Total liabilities	448	784

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, 6,165,000 and 5,915,000 at September 30, 2003 and December 31, 2002, respectively	62	59
Common stock subscribed, 100,000 shares	25	-

Capital in excess of par value	3,007	2,980
Deficit	(2,839)	(2,017)
Total stockholders equity	255	1,022
	\$	\$
	703	1,806

See notes to consolidated financial statements.

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Atlas Minerals Inc.

Consolidated Statements of Operations

(In Thousands, Except Per Share Data, Unaudited)

	Three Months Ended	Nine Months Ended
	September 30,	September 30,
	2003	
	2002	
	2003	
	2002	

Mining revenue

\$

-

\$

5

\$

5

\$

5

Costs and expenses:

Production costs

22

48

92

48

Depreciation, depletion and amortization

8

4

24

4

General and administrative expenses

171

213

717

433

Gross operating loss

(201)

(260)

(828)

(480)

Other (income) and expense:

Interest income

(1)

(2)

(2)

(7)

Impairment of assets held for sale

-

60

-

60

Gain on settlement of environmental liability

Claims

-

-

(16)

-

Gain on settlement of CGL claims

-

-

-

(66)

Loss from investment in affiliate

43

-

43

-

Other

1

-

(31)

-

Total other (income) loss

43

58

(6)

(13)

Loss before income taxes

(244)

(318)

(822)

(467)

Provision for income taxes

-

-

-

-

Net loss

\$

(244)

\$

(318)

\$

(822)

\$

(467)

Basic and diluted loss per share of common stock

\$

(0.04)

\$

(0.05)

\$

(0.14)

\$

(0.08)

Weighted average number of common

shares outstanding

6,031

5,963

5,962

6,028

See notes to consolidated financial statements.

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

	Nine Months Ended	
	September 30,	
	2003	2002
Operating activities:		
Net loss	\$	\$
	(822)	(467)
Add (deduct) non-cash items:		
Impairment of assets held for sale	-	60
Gain on settlement of CGL and environmental claims	(16)	(66)
Shares issued for services	9	-

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Depreciation, depletion and amortization	24	4	
Loss from investment in affiliate	43		-
Net change in non-cash items related to operations, net of effects from deconsolidation of APMI in 2003 (Note 3)	66	(190)	
Cash used in operating activities	(696)	(659)	
Investing activities:			
Additions to property, plant and equipment	-	(201)	
Investment in CGL claims receivable	-		(24)
Investment in assets held for sale	(65)	(71)	
Settlement of estimated reorganization liabilities		(50)	
Deferred acquisition costs		(166)	(45)
Cash effects of deconsolidation of APMI		(76)	-
Receipt of receivable from 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	60	
Cash provided by investing activities	407	1,308	
Financing activities:			
Deferred financing costs		(21)	-
Proceeds from exercise of stock options		21	-
Proceeds from subscription of common shares		50	-
Payment of estimated reorganization liabilities	(145)	(650)	
Cash used in financing activities	(95)	(650)	
Decrease in cash and cash equivalents	(384)	(1)	
Cash and cash equivalents:			
Beginning of period	396	417	
End of period	\$	\$	
	12	416	

See notes to consolidated financial statements.

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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) is 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 September 30, 2003 consists of \$243,000 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), less \$43,000, which represents the Company's proportionate share of APMI losses for the three months ended September 30, 2003. Summary information of the results of operation of APMI for the three months ended September 30, 2003, is as follows:

(unaudited in thousands)

Sales	\$	-
Operating expenses		154
Net loss		154

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)	Nine Months Ended	
	2003	September 30, 2002
Add (deduct) items other than cash:		
Accounts receivable	\$ 11	\$ (7)
Inventories	21	-
Prepaid expenses and other current assets	4	(35)
Trade accounts payable	(37)	(99)
Accrued liabilities	42	(39)
Restricted cash	(1)	-
Other liabilities, long-term	26	(10)
	\$ 66	\$ (190)

There were no cash payments made for interest or income taxes during the nine months ended September 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 approximately 17,400,000 shares of APMI common stock, 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 s post-transaction common stock from Shipes in exchange for a \$1,136,000 promissory note payable. 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 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.

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 nine months ended September 30, 2003 would have been as follows:

(in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Net loss	\$ (244)	\$ (318)	\$ (822)	\$ (467)
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	-	-	(11)	-
Pro forma net loss	\$ (244)	\$ (318)	\$	\$

(833) (467)

Loss per share:

Basic and diluted	as reported	\$	(0.04)	\$	(0.05)	\$		\$
							(0.14)	(0.08)
Basic and diluted	pro forma	\$	(0.04)	\$	(0.05)	\$		\$
							(0.14)	(0.08)

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

11.

During the third quarter the Chief Executive Office and the Chief Financial Officer of the Company exercised options previously issued under the Atlas Minerals Inc. 2001 Stock Option Plan. Each of the officers exercised 50,000 options priced at \$.09 per share and 50,000 options priced at \$.12 per share for a total of 200,000 shares, netting the Company \$21,000.

12.

During the third quarter the Company raised \$50,000 through two separate private placements of 100,000 common shares each, priced at \$0.25 per share. In November 2003, 100,000 shares were issued to one of the individuals under the terms of the agreement. These shares are classified as common stock subscribed on the accompanying consolidated balance sheet. The other individual has asked for the \$25,000 to be returned for her subscription for 100,000 shares. The Company is currently in negotiations with the individual. Accrued liabilities at September 30, 2003 include \$25,000 for the potential return of this subscription.

13.

In August 2003, the Company retained the services of IBK Capital Corp. of Toronto, Ontario, Canada to assist the Company in raising up to \$2.5 million through a private placement of common stock or some other financing arrangement. The Company has incurred \$21,000 of deferred financing costs, which will be offset against any future equity proceeds. If the Company is unsuccessful in raising the capital, the deferred financing costs will be expensed.

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 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.

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 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.