ATLAS MINERALS INC
Form 10KSB
April 14, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the fiscal Year Ended December 31, 2003

COMMISSION FILE NO. 1-2714

ATLAS MINERALS INC.

(Exact name of Registrant as specified in its charter)

COLORADO	**84-1533604**
(State or other jurisdiction of incorporation or other jurisdiction)	(I.R.S. Employer Identification Number)

10920 W. Alameda Ave., Ste 205, Lakewood, CO 80226 (303) 292-1299
(Address including zip code, area code and
telephone number of Registrant s principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title Of Each Class	**Name Of Each Exchange On Which Registered**
Common Stock, par value $0.01 per share	OTCBB

Securities registered pursuant to Section 12(g) of the Act: None

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 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 if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-KSB or any amendment to this Form 10-KSB. [ ]

Issuer s revenues for its most recent fiscal year were $8,000

Aggregate market value of 4,886,177 shares of Common Stock held by non-affiliates of the Registrant as of April 12, 2004 was $732,900.

Check whether the issuer has 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 April 12, 2004 Registrant had outstanding 6,765,236 shares of Common Stock, $0.01 Par Value, its only class of voting stock.

Documents Incorporated by Reference: None

Transitional Small Business Disclosure Format Yes [ ] No [X]

INDEX

FORWARD LOOKING STATEMENTS

This annual report on Form 10-KSB 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. Inc. is referred to herein as we or our . The words or phrases believe, would be, will allow, intends to, will likely result, are expected to, will continue, is anticipated, estimate, project, or similar expr 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, assumptions and uncertainties, including, without limitation, our present financial condition and the risks and uncertainties concerning the availability of additional capital as and when required; the speculative nature of mineral exploration, commodity prices, and production and reserve estimates; environmental and governmental regulations; competitive pressures; general economic conditions and other factors, including the risk factors set forth below and elsewhere in this report (See Description of Business Risk Factors in Part I, Item 1; See also, Management s Discussion and Analysis of Financial Condition and Results of Operations in Part I, Item 6) Statements made herein are as of the date of the filing of this Form 10-KSB with the Securities and Exchange Commission and should not be relied upon as of any subsequent date. Unless as may otherwise be required by applicable law, we do not undertake, and specifically disclaims any obligation, to update any forward-looking statements contained in this Form 10-KSB to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

General Description

Atlas Minerals Inc. (formerly Atlas Corporation) is principally engaged in the exploration, development and exploitation of mineral properties and is actively in the process of identifying new acquisition opportunities in the natural resource sector. Throughout this document, use of the term Predecessor Entity refers to Atlas Corporation prior to December 11, 1999 and the terms Company, Reorganized Company, or Atlas refers to Atlas Minerals Inc. and its subsidiaries from and after December 11, 1999.

The Company was re-incorporated under the laws of the State of Colorado on February 3, 2000. The principal office of the Company is located at 10920 W. Alameda Avenue, Suite 205, Lakewood, Colorado 80226. Since May 2002 the Company has been listed on the OTC Bulletin Board (OTC: ATMR).

On September 22, 1998, the Predecessor Entity filed a petition for relief under Chapter 11 of the U.S. Bankruptcy Code. The Predecessor Entity s majority-owned subsidiaries, Atlas Precious Metals Inc. (APMI) and Atlas Gold Mining Inc. (AGMI) also filed petitions for relief under Chapter 11 on January 26, 1999. On December 11, 1999, the Bankruptcy Court approved the plans of reorganization of Predecessor Entity and its subsidiaries (collectively the Reorganization Plan). The Reorganized Company and its subsidiaries (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.

During 2002 the Company entered into transactions with certain outside shareholders of APMI and AGMI to acquire the portion of APMI s and AGMI s outstanding common stock owned by them. As a result of these transactions, the Company controlled 100% of the voting stock of each AGMI and APMI (a portion of APMI s total issued common stock is non-voting and after these transactions the Company controlled approximately 97% of total APMI common stock). 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. 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 on April 1, 2003.

In September 2002, the Company signed an 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, in exchange for shares of the Company s common stock. On January 3, 2003, all rights under the option agreement were transferred to APMI. During July 2003, a definitive Amended Agreement and Plan of Merger (the Agreement), effective June 30, 2003, was consummated (see detailed discussion of the transaction in Item 6, Management s Discussion and Analysis). As a result of the Agreement, the Company s ownership in APMI was reduced to approximately 28.2%.

As a result of the merger transactions discussed above, completed in 2003 (collectively referred to as the 2003 Mergers), it will be necessary in subsequent portions of this report, particularly Item 2. Description of Property, Item 6. Management s Discussion and Analysis, and the Financial Statements (including the Notes to Consolidated Financial Statements), to differentiate between pre-merger and post-merger activities.

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. Effective October 31, 2003, the Company temporarily ceased operations at the White Cliffs mine and mill complex and terminated all White Cliffs employees. These actions were taken to conserve cash given that the ongoing operation was resulting in negative cash flow.

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 for this purpose. The majority of U.S. production currently comes from California and Nevada which currently accounts for approximately 87% of annual production.

It is estimated from previous drilling, face sampling, and testing that there are approximately 2,500,000 tons of diatomite mineralization on the property. Currently there are approximately 32,000 tons of diatomite mineralization permitted for mining. 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.

As of April 12, 2004, the Company operates only in the United States. Each of the Company s properties is described in Item 2 below.

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, primarily in the sectors of industrial minerals, base metals, and precious metals. Given its current financial situation, the Company will need to seek additional financing including loans against the aforementioned assets, equity financing, project financing, sales of existing equipment, and joint ventures or outright sales of properties.

Risk Factors

Operations

OPERATIONS MAY BE ADVERSELY AFFECTED BY RISKS AND HAZARDS ASSOCIATED WITH THE MINING INDUSTRY.

During 2003, the Company currently had limited operations and cash flow from one start-up operation, the White Cliffs mine and mill located in Arizona. This operation and any possible future operations, if any, will be subject to risks and hazards inherent in the mining industry, including but not limited to unanticipated variations in resource grade and other geological problems, water conditions, surface or underground conditions, metallurgical and other processing problems, mechanical equipment performance problems, the unavailability of materials and equipment, accidents, labor force and transportation disruptions, unanticipated transportation costs and weather conditions, any of which can materially and adversely affect, among other things, the development of properties, production quantities and rates, costs and expenditures and production commencement dates.

Environmental Issues

COMPLIANCE WITH ENVIRONMENTAL LAWS MAY HAVE A MATERIAL ADVERSE AFFECT ON OPERATIONS.

The Company is required to comply with various federal, state and local regulations relating to environmental matters at its properties from time to time. Any other operator of the Company s properties will be required to comply with these regulations as well. In addition, any potential purchaser of the Company s properties takes into account the potential cost of compliance with environmental regulations. The Company and any operator or subsequent owner of its properties will be required to obtain permits from various governmental agencies in order to mine and mill metals. Increasing costs of environmental compliance for its properties may have a material adverse impact on the Company s operations or competitive position. Also see Item 6. Management s Discussion and Analysis, *Environmental Matters*.

Competition

THE COMPANY FACES STRONG COMPETITION FROM OTHER MINING COMPANIES FOR THE ACQUISITION OF NEW PROPERTIES.

The Company will compete with substantially larger companies in the acquisition of properties and the production and sale of minerals and/or metals and may be considered to be at a competitive disadvantage compared to such companies. The Company may not, however, be disadvantaged in acquiring smaller, possibly higher grade, properties which might not be of significant interest to larger companies. The price which the Company may receive for its production will depend almost entirely upon market conditions over which it will have no control. The Company believes that it can promptly sell at current market prices all of the minerals and/or metals that it can produce.

Government Regulations

THE COMPANY IS SUBJECT TO EXTENSIVE GOVERNMENTAL REGULATION AND FACES ENVIRONMENTAL RISKS.

In connection with mining, milling and exploration activities, the Company is subject to extensive federal, state and local laws and regulations governing such exploration, development and operation of mining activities as well as the protection of the environment, including laws and regulations relating to obtaining permits to mine, protection of air and water quality, hazardous waste management, mine reclamation and the protection of endangered or threatened species.

A number of bills have been introduced in the U.S. Congress over the past years that would revise in various respects the provisions of the current federal mining law, the Mining Law of 1872, but none of these proposals currently are under active consideration. However, if enacted, such legislation could substantially increase the cost of holding unpatented mining claims and could impair the ability of companies to develop mineral resources on unpatented mining claims. Under the terms of these bills, the ability of companies to obtain a patent on unpatented mining claims would be nullified or substantially impaired, and most contain provisions for the payment of royalties to the federal government in respect of production from unpatented mining claims, which could adversely affect the potential for development of such claims and the economics of operating new or even existing mines on federal unpatented mining claims. The Company s financial performance could therefore be affected adversely by passage of such legislation. Pending possible reform of the Mining Law of 1872, Congress has put in place a moratorium which prohibits acceptance or processing of most mineral patent applications. It is not possible to predict whether any change in the Mining Law of 1872 will, in fact, be enacted or, if enacted, the form the changes may take.

Insurance

THE COMPANY MAY NOT CARRY ENOUGH INSURANCE.

The mining industry is subject to risks of human injury, environmental liability and loss of assets. While the Company currently carries, and as operations expand intends to acquire, insurance coverage consistent with industry practice, the Company can give no assurance that this level of insurance can cover all risks of harm to the Company associated with being involved in the mining business.

Price Volatility

IT MAY NOT BE ECONOMICALLY FEASIBLE TO CONTINUE DEVELOPMENT OF A PROJECT OR CONTINUE COMMERCIAL PRODUCTION.

The Company s ability to grow its operations in the future is dependent upon its exploration efforts, and its ability to develop new orebodies. If prices for commodities and/or metals decline, it may not be economically feasible for the Company to continue its development of a project or to continue commercial production of some of its properties.

Development of New Orebodies

DEVELOPMENT OF NEW OREBODIES MAY COST MORE AND PRODUCE LESS RETURN THAN WE ESTIMATED.

The Company s ability to sustain or increase its current level of production of minerals and/or metals partly depends on its ability to develop new orebodies and/or expand existing mining operations. Before the Company can begin a development project, the Company must first determine whether it is economically feasible to do so. This determination is based on estimates of several factors, including:

- resources;
- expected recovery rates of minerals and/or metals from the ore;
- facility and equipment costs;
- capital and operating costs of a development project;
- future commodities and/or metals prices;
- comparable facility and equipment costs;
- anticipated climate conditions.

Development projects may have no operating history upon which to base these estimates, and these estimates are based in large part on our interpretation of geological data, a limited number of drill holes and other sampling techniques. As a result, actual cash operating costs and returns from a development project may differ substantially from our estimates as a result of which it may not be economically feasible to continue with a development project.

Exploration

THE COMPANY S MINERAL EXPLORATION EFFORTS MAY NOT BE SUCCESSFUL.

The Company s ability to expand depends on the success of its exploration program. Mineral exploration is highly speculative. It involves many risks and is often non-productive. Even if the Company can find a valuable mineral or metals deposit, it may be several years before production is possible. During that time, it may become economically unfeasible to produce those minerals or metals. Developing orebodies requires the Company to make substantial capital expenditures and, in the case of new properties, to construct mining and processing facilities.

Foreign Operations

FOREIGN OPERATIONS, INCLUDING POTENTIAL FUTURE OPERATIONS IN MEXICO, ARE SUBJECT TO ADDITIONAL INHERENT RISKS.

The Company anticipates that it may conduct significant exploration and operations in Mexico and other international locations in the future, in which case the Company would be subject to political and economic risks such as:

- o the effects of local political and economic developments;
- o exchange controls and export or sale restrictions;
- o currency fluctuations;
- o expropriation; and
- o taxation and laws or policies of foreign countries and the United States affecting trade, investment and taxation.

Consequently, any development and production activities undertaken by the Company outside of the United States may be substantially affected by factors beyond its control, any of which could materially adversely affect the Company s financial position or results of operations.

Title to Properties

THE TITLES TO SOME OF THE COMPANY'S PROPERTIES MAY BE DEFECTIVE.

Unpatented mining claims constitute a significant portion of our undeveloped property holdings. The validity of these unpatented mining claims is often uncertain and may be contested. In accordance with mining industry practice, we do not generally obtain title opinions until we decide to develop a property. Therefore, while we have attempted to acquire satisfactory title to our undeveloped properties, some titles may be defective.

Employees

As of April 12, 2004, the Company employed one full time person at its headquarters in Lakewood, Colorado.

ITEM 2. DESCRIPTION OF PROPERTY

Grassy Mountain Property

The Grassy Mountain property, acquired by the Company in 1986, was sold effective April 1, 2003. Under the terms of the Reorganization Plan, proceeds from the sale of Grassy Mountain were first utilized to pay certain expenses of APMI with the remaining proceeds distributed amongst APMI s creditors, the Company s creditors and the Company, such that the Company received approximately 35% of the excess proceeds.

The Grassy Mountain property is located in northern Malheur County, Oregon, encompasses approximately 6 square miles comprised primarily of 3 patented lode claims, 135 unpatented lode claims, 46 unpatented lode and placer claims, and approximately 1,000 acres of fee surface. From prior work, the property is known to host a gold mineral inventory of 17,217,000 tons at a grade of 0.061 oz. Au/t (using a 0.02 ounce per ton cutoff grade).

The rocks exposed at Grassy Mountain are part of a late to middle-Miocene Grassy Mountain Formation, a sequence of volcanic and volcaniclastic rocks made up of primarily olivine-rich basalt and intercalated tuffaceous siltstones, sandstones, and conglomerates. Mineralization is associated with a low-grade gold siliceous hot springs system (low sulfidation type) having sporadic high grade gold values along multi-stage quartz-adularia veins and favorable lithologies. The mineralized rock is highly silicified and locally brecciated in the vicinity of the feeder structures.

There was no significant mining or major mineral occurrence known in the area prior to the Predecessor Entity s acquisition of the Grassy Mountain project in 1986. Since that time, significant exploration work has been completed on the property consisting of detailed mapping, sampling and the drilling over 400 coreholes totaling over 230,000 feet.

On February 14, 2000, the Company and APMI entered into a purchase option agreement for the Grassy Mountain property with Seabridge Gold Inc. (Seabridge) (formerly known as Seabridge Resources Inc.). This option agreement was subsequently amended in December 2000 and July 2001 (collectively, the Original Option Agreement). Under the terms of the Original Option Agreement, Seabridge had until December 31, 2002, to exercise its option to acquire the Grassy Mountain property for a total of $1.7 million. Specifically, the payment was to consist of $150,000 cash (excluding $100,000 in option payments made by Seabridge to extend the option period to December 31, 2002), Seabridge common shares totaling $750,000, and a $700,000, 5% promissory note payable in three equal installments of $233,333, payable every six months.

During the later part of 2002, Seabridge indicated to the Company that it was concerned with certain provisions of the Original Option Agreement, particularly those terms pertaining to the issuance of Seabridge common shares, which, pursuant to the terms of the Reorganization Plan, would need to be immediately distributed to the Company s and APMI s creditors and could have a negative effect on the market for Seabridge securities. As a result, and recognizing the Company s need for cash, the parties agreed to restructure the terms of the transaction. Under the restructured agreement (the Agreement), the Company received a $300,000 non-refundable option payment from Seabridge on December 20, 2002 in exchange for which Seabridge obtained the right to acquire the Grassy Mountain gold property for a cash payment of $600,000 due on or before March 31, 2003. Subsequent to December 31, 2002, the Company assigned all of its rights, title and interest in, to and under the Agreement to APMI. Effective April 1, 2003, Seabridge exercised its option to purchase the Grassy Mountain property.

6

<u>Gold Bar and Related Assets</u>

The Gold Bar property is owned by APMI and located in and adjacent to the Roberts Mountains in Eureka County, Nevada. At January 1, 2001, the property encompassed approximately 17 square miles, comprised of 507 unpatented lode claims, 6 patented lode claims, and 8 patented millsite claims. Subsequently, the majority of these claims have been relinquished and as of December 31, 2003, APMI holds only the 8 patented millsite claims.

Regional reconnaissance exploration led the Predecessor Entity to the Battle Mountain Trend area in the summer of 1983. Focused reconnaissance along the southern Roberts Mountains identified widespread hydrothermal alteration with anomalous gold geochemistry along the western range front. Detailed exploration and drilling in the area by the Predecessor Entity led to gold being discovered in five separate deposits on the property.

All of the mineralization on the property occurs as Carlin-type deposits hosted in carbonate-rich sedimentary rocks of the Devonian Nevada Formation. Mineralization is characterized by micron-size gold and a distinct hydrothermal alteration suite of the decalcification and silicification.

In 1986 the Predecessor Entity completed construction of a mill with the first gold poured in January 1987. The mill, originally designed and constructed for throughput of 1,500 tons per day, was expanded in 1989 to a rate of 3,200 tons per day. Operations were suspended in February 1994 pending potential identification of additional economic reserves. From inception through cessation of operations in 1994, 485,200 ounces of gold were recovered from 7,514,600 tons of ore.

As the Predecessor Entity no longer intended to develop, operate or otherwise invest in this property, in August 1999 it reached an agreement (the Agreement) with Bonanza Explorations Inc. (a successor corporation to Vengold Inc., a public Canadian company) (Bonanza) giving Bonanza the option to acquire the Company s interest in certain of its patented and unpatented lode claims with all remaining claims being dropped.

During 2001, Bonanza notified the Company that it was relinquishing 437 of the unpatented lode claims. The Company subsequently decided not to retain any of these lode claims for its own account and let the claims lapse.

Under the terms of the Agreement, Bonanza was obligated to incur $200,000 in exploration costs on the property by December 31, 2001, with the Company retaining a 2% net smelter royalty interest in the property if the option were to be exercised. In January 2002, Bonanza notified the Company that it had fulfilled the terms of the Agreement and requested that the Company transfer the remaining 70 unpatented and 6 patented lode claims. The Company completed all necessary documentation to effect such transfer in February 2002.

7

Under the terms of the Reorganization Plan and prior to the merger of APMI and AGMI in March 2003 and the merger of APMI and WGR effective June 30, 2003 (collectively the 2003 Mergers), any future net proceeds from the sale of the mill and related equipment at Gold Bar, after first deducting certain administrative expenses of Atlas, were distributed amongst AGMI creditors, APMI s creditors, the Company s creditors and the Company, such that the Company received approximately 54% of any excess proceeds. Subsequent to and as a result of the 2003 Mergers, Atlas now receives 13.4% of any excess proceeds from future sales of Gold Bar assets.

In addition to the Gold Bar mill, as a result of the 2003 Mergers, APMI now owns the rights to certain capital refunds from the power company which supplied electricity to the mine and mill as well as a 39-space, fully developed trailer park in the town of Eureka, Nevada. As of the end of 2003, APMI had estimated a current fair value of the power credits of $184,000. Both of these assets are held for sale under the Reorganization Plan. Subsequent to and as a result of the 2003 Mergers, Atlas will also receive 13.4% of any excess proceeds from future sales of the power credits and the trailer park.

White Cliffs Mine

Overview

In June 2002, the Company purchased the White Cliffs diatomite mine and processing facilities located approximately 30 miles north of Tucson, Arizona. In July 2002, the Company incorporated in Arizona a new wholly-owned subsidiary, White Cliffs Mining, Inc., in which the White Cliffs mine and related assets are held.

The property consists of approximately 3,200 acres comprised of twenty 160-acre Bureau of Land Management (BLM) unpatented association placer mining claims, a fully permitted mine and an operational processing plant with a nominal annual capacity of 50,000 tons of finished product. The processing plant is located near the Copper Basin Railroad which accesses the Southern Pacific Line and within five miles of Highway 77.

It is estimated from previous drilling, face sampling, and testing that there are approximately 2,500,000 tons of in-place diatomite mineralization on the property. Of this material, there are currently approximately 32,000 tons permitted for mining. Based on internal and third party analyses and past production records, it appears that the known diatomite material should be able to meet specifications for most end products. Because of the size of the property, however, relatively little work has been done to define the deposit s overall quality, quantity, mining economics and utility for specific applications.

Diatomaceous earth deposits are the result of the accumulation of diatoms, microscopic single-cell aquatic plants, in ancient ocean and lake beds. The diatom skeleton typically ranges only 10 to 200 micrometers across. The resulting material is chemically inert (environmentally friendly), chalk-like, very porous and low density, actually able to float on water until it becomes saturated.

The largest current use of diatomaceous earth is in filtering applications. It is also used as an absorbent, natural insecticide, in filler applications and in the 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.

Description of Operations

The diatomite beds lie almost horizontal and have between the beds certain waste material consisting primarily of clays, volcanic ash, and other loose sedimentary type materials. The overburden is similar to the waste but includes a blanket of alluvial gravels. None of these materials is cemented and, as such, no blasting is required. Stripping and mining is done by dozer. Once the diatomite beds are exposed, they are sampled, ripped, and temporarily stockpiled at the mine site. A front end loader is used to pick up the ripped material, which is then hauled by truck to a stockpile area at the plant site.

This plant stockpile is fed into a grizzly. The material then moves by conveyor to an impact mill for its first reduction, to a surge bin, into a heated chamber where it is initially dried, and then to a hammer mill where it is reduced to a fine mesh. This material is air conveyed to a set of three cyclones where the impurities are removed. Product fines go to a baghouse and then to a fines silo. The primary product is air conveyed to a product silo and, when ready to be bagged, transferred pneumatically to the bagging hopper. The bagging machines can load 35 or 50 pound bags, or super sacks weighing up to one ton. The product bags are palletized, wrapped with stretch film, and strapped on to the pallets for delivery to the customer.

Arizona Public Service provides the plant with 480-volt electric power and the dryer is fueled by propane.

Work Completed in 2002

As the processing plant was primarily constructed in the mid-1980s and has been idle since 2000, upon purchase of the property by the Company some maintenance of the mill and replacement of certain worn components was required. Also during 2002 the Company purchased all necessary mining and mobile milling equipment, and hired necessary staff. Additionally, the BLM transferred to the Company the permit to conduct mining and milling activities on approximately 34 acres of the property and accepted the Company s reclamation bond ($45,900) that replaced and updated the bond provided by the previous operator.

In August 2002 the Company commenced commercial mining operations on the White Cliffs property. Initial production from the property had been pre-sold primarily as livestock feed supplement. The first shipment of ore, under a 220-ton sales contract, was made in September. In total, approximately 2,200 tons of material was mined in 2002, of which 200 tons of product was shipped to buyers.

A systematic property mapping and sampling program was initiated to support future marketing and mine planning efforts. Building on past geological work, the Company s exploration activities in 2002 consisted of measuring detailed sections of exposed and accessible strata, mapping select areas, collecting well-defined samples that were analyzed for chemical and physical properties. A base map and several detailed cross sections were developed in anticipation of the mine expansion planning and permitting activities projected for 2003.

Work Completed in 2003

In late January 2003, operations were temporarily shut down until such time as improvements could be implemented to the plant instrumentation and equipment and additional sales could be made. As of this date, the Company had at the mill site approximately 700 tons in stockpile of diatomite material and about 89 tons of bagged product in inventory to sustain continued sales efforts.

In May 2003, operations were resumed at the property, which operated intermittently until operations were again terminated by the Company effective October 31, 2003, in order to conserve cash as the project was continuing to operate in an unprofitable mode primarily as a result of languishing product sales. At this time, all White Cliff employees were terminated and select pieces of mobile equipment were sold to fund ongoing corporate general and administrative expenses. Subsequent to this shut down, all remaining bagged product in inventory, approximately 121 tons, was sold.

While the Company had made no determination as of December 31, 2003, regarding the future of the property, in February 2004 the decision was made by the Company to seek a buyer for the property. As a result, discussions were commenced with several potentially interested parties concerning the possible sale of White Cliffs. In March 2004, the Company retained an independent third party to assist with this effort. As of April 12, 2004, no contract has been entered into regarding the sale of the property and there can be no assurance that such efforts will be successful.

Geology of the Property

The White Cliffs deposit generally slopes in a westerly direction to the San Pedro River which serves as the major drainage for the area. The canyons cutting through the property are generally parallel and discharge into the river.

The deposit, which occurs in the Quiburis Formation, was formed in an elongated lake in Miocene to Pliocene time. The lake bed sediments are composed of interbedded gypsite, silts, marls, diatomites and minor clastics. After the diatomite was deposited, faulting took place along a well defined line that represents a displacement of as much as a hundred feet in some areas. The lake subsequently lost its identity and the entire area was covered with water which left a secondary deposit of gravel terraces and alluvial fill. As the area became more arid, the present canyons were cut through the secondary deposit into the strata of diatomite.

Most of the diatoms are typical freshwater types. As relatively little clay is present in the deposit, it has been deduced that the area has been relatively dry and arid for most of the deposit s existence. Because most of the strata are nearly horizontal and there is little folding, it is possible to project the in-place diatomite tonnage fairly accurately.

Ownership History

The White Cliffs property has been mined off and on since the early 1900s. The first use of the diatomite was as an insulator. In the 1940s the Arizite Products Company operated the mine and had a processing plant outside of Mammoth, Arizona, located about ten miles from the property. Arizite produced material for both filter aid and paint filler applications. The Arizona Diatomes Company operated with a plant on the site during the 1950s producing a filter aid material. In 1985, White Cliffs Industries erected an air classification plant on the property which they operated until 1987. In 1991 Arimetco Inc. purchased the property and plant, revamped the mechanical and electrical aspects of the plant including an upgrade in the main blower capacity, operating the facility until 1998 when it was sold to White Cliffs LLC. White Cliffs LLC operated sporadically until its default on the purchase in 2000. At that time, Arimetco reassumed ownership of the property but never restarted the operation. The Company purchased the property from Arimetco in June 2002.

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2003, there were no pending legal proceedings.

See discussion of the Chapter 11 reorganization in Item 1. Description of Business and Item 6. Management s Discussion and Analysis or Plan of Operation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the security holders of the Company during the quarter ended December 31, 2003.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

From February 10, 2000, to January 7, 2001, the Company s common stock traded on the NASD s OTC Bulletin Board. From January 8, 2001, to May 4, 2002, the Company s common stock traded on the NQB Pink Sheets before resumption of trading on the OTC Bulletin Board on May 5, 2002, under the symbol ATMR. The following table sets forth the high and low sales prices for the Company s common stock for each quarterly period:

Quarter Ended	Year Ended December 31, 2003 High	Year Ended December 31, 2003 Low	Year Ended December 31, 2002 High	Year Ended December 31, 2002 Low
March 31	$ 0.30	$ 0.16	$ 0.15	$ 0.10
June 30	0.40	0.15	0.65	0.10
September 30	0.75	0.25	0.40	0.14
December 31	0.44	0.10	0.28	0.16

The above quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. All prices have been adjusted to reflect a 1 for 30 reverse split effective on January 10, 2000. Since the change of the Company s trading symbol to ATMR, a result of the reorganization, there has been a limited market for the Company s stock.

As of April 12, 2004, there were approximately 400 holders of record of the Company s Common Stock. Based upon information provided to the Company by persons holding securities for the benefits of others, it is estimated that the Company has in excess of 500 beneficial owners of its Common Stock as of that date.

While there currently are no restrictions prohibiting the Company from paying dividends to its shareholders, subject first to satisfying obligations to Creditors, the Company has not paid any cash dividends on its Common Stock in the past and does not anticipate paying any dividends in the foreseeable future. Earnings, if any, are expected to be retained to fund future operations of the Company. There can be no assurance that the Company will pay dividends at any time in the future.

Securities Authorized for Issuance under Equity Compensation Plans

There are a total of 900,000 stock options authorized for issuance under the Atlas Minerals Inc., 2001 Stock Option Plan, of which 300,000 options have been granted. (See Item 10, Executive Compensation).

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

During the third quarter of the year ended December 31, 2003, the Company issued securities that were not registered under the Securities Act of 1933 as follows:

Pursuant to and as defined by Rule 144 of the Securities Act of 1933, the Company issued 100,000 shares of restricted stock (Restricted 144 Stock) to a qualified investor for payment to the Company of $25,000.

ITEM 6. MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis should be read in conjunction with the Company s Consolidated Financial Statements and accompanying notes.

General Overview

On September 22, 1998, the Predecessor Entity 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, the Predecessor Entity s subsidiaries, 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. 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.

The Predecessor Entity s largest pre-petition liability was its approximately $21 million obligation to decommission and reclaim its uranium millsite (the Millsite) located near Moab, Utah. On April 28, 1999, the Company, along with the U.S. Nuclear Regulatory Commission, the State of Utah, ACSTAR (surety provider for Atlas) and others, executed the Moab Utah Millsite Transfer Agreement, which absolved the Company from all future liability with respect to the Millsite. The agreement, approved by the Bankruptcy Court on June 22, 1999, was reached to avoid lengthy and expensive litigation over the future of the Millsite

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. Under the terms of the Reorganization Plan and prior to the 2003 Mergers, the Creditors received cash distributions upon the sale of certain assets of the Reorganized Company, including the sale of equipment associated with the Gold Bar mill facility (of which Creditors received approximately 45.9% of net proceeds after payment of certain general and administration costs) and the sale of the Grassy Mountain property located in eastern Oregon (of which Creditors received approximately 65.4% of net proceeds).

Subsequent to and as a result of the 2003 Mergers, Creditors will now receive a distribution of any future net proceeds, after first deducting certain administrative expenses of APMI, of approximately 40.3% from any future sales of Gold Bar mill facility and related assets located near Eureka, Nevada.

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 remained 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.

13

During 2001 and through April 10, 2002, the Company reached final settlement agreements with all insurance carriers regarding the ongoing 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 (the CGL Claims). 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 currently accounts for approximately 87% of the annual production.

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.

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 both APMI and AGMI.

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. Also as a result, APMI owned 100% of the Grassy Mountain property in Malheur County, which was sold effective April 1, 2003.

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., a private Florida company whose primary asset is the Estrades polymetallic mine located in northwestern Quebec. In December 2002, this Option Agreement was amended extending the option period to March 31, 2003, and transferring all rights under the Option Agreement to APMI. The Option Agreement was again amended on March 31, 2003 to further extend the option period until June 30, 2003.

14

Effective June 30, 2003, a definitive Amended Agreement and Plan of Merger (the Agreement) was completed between APMI and WGR. The primary shareholders of WGR were H.R. and Eileen A. Shipes (the Shipes) (H.R. Shipes was the Company s Chief Executive Officer through October 27, 2003). Pursuant to the Agreement, the shareholders of WGR sold 100% of the issued and outstanding shares of WGR to APMI in exchange for 17,400,000 shares of APMI common stock. Additionally, pursuant to the Agreement, APMI repurchased 2,400,000 shares of its post-transaction common stock from the Shipes in exchange for a $1,136,000 promissory note. The 15,000,000 shares represented approximately 72% of APMI s total outstanding shares immediately following the exchange. Therefore, the transaction was accounted for as a reverse acquisition of APMI by WGR. As a result of the Agreement, the Company s ownership in APMI decreased from 97% to approximately 28.2% (see Item 12. Certain Relationships and Related Transactions).

Subsequent to this merger, in August 2003 the Company and APMI announced a plan whereby the Company intended to spin-off to its shareholders its 28.2% interest in APMI. The spin-off was to have been in the form of a dividend with a record date of September 5, 2003 (Record Date), with the distribution on or about November 1, 2003. Under the proposed spin-off, the Company announced it will distribute as a dividend, to its shareholders as of the Record Date, all of the shares of APMI common stock held by the Company. Based on the Company s outstanding shares at July 31, 2003, each Atlas share would receive approximately one APMI share, but the actual distribution ratio could be lower as it will be determined based upon the number of shares outstanding as of the record date for the dividend. As of April 12, 2004, this spin-off has yet to be finalized due to the Company having inadequate funds to complete all regulatory filing requirements.

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. A 6-month purchase option agreement was executed by the Company in June 2003 but was not exercised and allowed to lapse in December 2003 due to the Company s shortage of working capital.

In September 2003, the Company reached an agreement to purchase the majority (88%) of the outstanding common shares of Toro Mining and Minerals, Inc., which owns the Toro perlite property located in New Mexico. The final acquisition was conditional on the Company completing a financing adequate to effect closing, scheduled for October 15, 2003, or sooner pending the availability of funds. Due to the Company s inability to raise the requisite financing by the closing date, the agreement could not be exercised and became null and void.

Also in September 2003, the Company issued, pursuant to and as defined by Rule 144 of the Securities Act of 1933, 100,000 shares of restricted stock (Restricted 144 Stock) to a qualified investor for his payment to the Company of $25,000. Concurrent with this transaction, a second investor also remitted $25,000 to the Company for the purchase of 100,000 non-restricted, free trading shares. Prior to the Company s being able to complete the transaction, the investor requested a refund of the $25,000. Being unable to comply with the request due to a shortage of working capital, the Company on February 9, 2004, issued the investor 100,000 shares of Restricted 144 Stock with the prior approval of the Board of Directors. The Company has an understanding with this investor that, upon the Company receiving future financing, it will refund the $25,000 or, alternatively, allow the investor to retain the 100,000 shares of Restricted 144 Stock.

15

On October 1, 2003, the Company signed a consulting agreement with an independent third party to assist the Company, among other matters, with strategic planning and development policies regarding the Company s mining claims, mining properties and markets for industrial mineral products. Under the terms of the contract the Company agreed to issue the consultant 300,000 shares of stock to be subsequently registered as free trading through the filing of a future S-8 Registration Statement.

On November 14, 2003, the Company filed a Form S-8 whereby the Company registered 800,000 shares of its common stock pursuant to the 2003 Consultant Stock Grant Plan (Consultant Plan). The purpose of the registration is to have available common stock for issue to certain consultants in accordance with written consulting agreements and the Consultant Plan, whereby the Company may compensate consultants for services rendered to the Company in lieu of cash compensation. Subsequent to the approval of this registration, the Company issued 300,000 shares to an independent third party with whom it had previously signed a consulting agreement on October 1, 2003, and on November 19, 2003, issued an additional 100,000 shares to legal counsel, primarily for services rendered in preparing and filing the Form S-8. Previously, in May 2003, the Company also filed a Form S-8 registering 950,000 shares of its common stock, 900,000 of which was pursuant to the Company s 2001 Stock Option Plan and 50,000 to a third party consultant.

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 and/or merger opportunities, primarily in the sectors of industrial minerals, base metals, precious metals and oil/natural gas. To support the above activities and commitments, the Company will need to seek additional financing including loans against the aforementioned assets, equity financing, project financing, sales of existing equipment, and joint ventures or outright sales of properties.

On August 1, 2003, the Company signed an agreement with a firm in Toronto, Ontario, Canada, to assist the Company in the raising of 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. Having had no success as of December 31, 2003, the companies mutually terminated the agreement.

The Company s financial statements for the year ended December 31, 2003 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. For the year ended December 31, 2003, the Company reported a net loss of $1,034,000 and has stockholders equity of $69,000 as of December 31, 2003. In addition, the Company had a working capital deficiency of approximately $131,000 at December 31, 2003. The Independent Auditors Report on the Company s financial statements as of and for the year ended December 31, 2003 includes a going concern explanatory paragraph which means that the auditors expressed substantial doubt about the Company s ability to continue as a going concern.

At this time, no substantial financing has been completed and there is no assurance that these or any efforts to raise financing will be successful. The Company continues to investigate the possibility of merging with another entity and raising needed financing through a private placement of common stock or some other financing arrangement. If some form of financing or business combination with a third party is not forthcoming during 2004, the Company may be forced to liquidate all of its remaining assets and possibly seek some form of dissolution of the corporate entity.

Working Capital, Liquidity and Capital Resources

During 2003 working capital decreased approximately $599,000 from a $468,000 surplus at December 31, 2002 to a $131,000 deficit at December 31, 2003. The Company s cash balance decreased from $396,000 at December 31, 2002 to $16,000 at December 31, 2003. The $380,000 decrease was primarily the result of utilizing cash to fund the operation activities for the year of $759,000. Proceeds from the gain on settlement of environmental liability claims, the sale of assets held for sale, and the sale of property, plant and equipment were $16,000, $622,000 and $42,000, respectively, and proceeds from the exercise of stock options and stock subscriptions totaled $46,000; however this amount was offset by expenses for the sale of asset held for sale of $65,000 and deferred acquisition costs related to Estrades of $136,000 (incurred prior to the WGR transaction) and exploration of certain Mexican properties of $20,000. The Company also paid $145,000 in creditor distributions due to the sale of the Grassy Mountain property in April 2003

During the years ended December 31, 2003 and 2002, the Company had capital expenditures of $0 and $204,000, respectively. The 2002 expenditures consisted almost entirely of the initial asset acquisition of White Cliffs and related mobile mining equipment.

The Company is aggressively pursuing the possibility of merging with another entity and/or raising needed financing through a private placement of common stock or some other financing arrangement.

With the curtailment of operations at White Cliffs in October 2003, the Company began selling mobile equipment from the project as funds were needed to meet ongoing corporate general and administrative expenses. Management anticipates additional selling of the remaining mobile mining equipment to meet near term cash requirements.

Subsequently, the decision was made by the Company in February 2004 to seek a buyer for the entire White Cliffs property. As a result, discussions have been commenced with several potentially interested parties concerning the possible sale of White Cliffs. The Company has retained an independent third party consultant to assist with this effort. As of April 12, 2004, no contract has been entered into regarding the sale of the property. All net proceeds of this transaction will be also be used to meet ongoing corporate general and administrative expenses.

In the interim, the Company has minimized its holding costs, having only one full time employee, who is currently deferring all remuneration. In February 2003, the Company entered into a two-year non-cancelable lease, which expires in January 2005, with a third party. Effective February 1, 2004, the Company assigned the lease to an unrelated third party and is sub-leasing space on a month-to-month basis.

The Company believes that cash from the sale of the White Cliffs project and related mobile equipment will be sufficient to cover anticipated expenditures until such time as some form of financing can be attained. There is no assurance, however, that the efforts to sell White Cliffs and related equipment or raise financing will be successful.

17

Recent Accounting Pronouncements

In May 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS No. 150 establishes new standards on how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The provisions of SFAS No. 150 are generally effective for all financial instruments entered into or modified after May 31, 2003, except for those provisions relating to mandatorily redeemable non-controlling interests, which have been deferred. The adoption of SFAS No. 150 did not have an impact on the financial position or results operation of the Company. If the deferred provisions of SFAS No. 150 are finalized in their current form, management does not expect adoption to have an effect on the financial position or results of operation of the Company.

In January 2003, the FASB issued SFAS Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46), which changes the criteria by which one company includes another entity in its consolidated financial statements. FIN 46 requires a variable interest entity (VIE) to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity s activities or is entitled to receive a majority of the entity s residual returns or both. In December 2003, the FASB approved a partial deferral of FIN 46 along with various other amendments. The effective date for this interpretation has been extended until the first fiscal period ending after December 15, 2004. However, prior to the required application of this interpretation, a public entity that is a small business issuer shall apply this interpretation to those entities that are considered to be special purpose entities no later than as of the end of the first reporting period after December 15, 2003. As the Company does not currently have an interest in a VIE or special purpose entity, management does not expect that the adoption of FIN 46 will have an effect on the financial condition or results of operations of the Company.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*. This statement amends SFAS No. 123, *Accounting for Stock-Based Compensation*, and establishes two alternative methods of transition from the intrinsic value method to the fair value method of accounting for stock-based employee compensation. In addition, SFAS No. 148 requires prominent disclosure about the effects on reported net income (loss) and requires disclosure for these effects in interim financial information. The provisions for the alternative transition methods are effective for fiscal years ending after December 15, 2002, and the amended disclosure requirements are effective for interim periods beginning after December 15, 2002. The Company adopted the disclosure only provisions of SFAS No. 148 in 2003 and plans to continue accounting for stock-based compensation under APB 25.

In November 2002, the FASB issued SFAS Interpretation No. 45 (FIN 45), *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees and Indebtedness of Others*. FIN 45 elaborates on the disclosures to be made by the guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, while the provisions of the disclosure requirements are effective for financial statements of interim or annual reports ending after December 15, 2002. The adoption of FIN 45 did not have a material effect on the financial condition or results of operations of the Company, as the Company currently has made no guarantees.

18

Results of Operations

Year Ended December 31, 2003 Compared to the Year Ended December 31, 2002

Revenues

During the year ended December 31, 2003, the Company had mining revenue of $8,000 from the shipment of approximately 51 tons of product compared to $22,000 of mining revenue from the shipment of approximately 200 tons of product for the year ended December 31, 2002. The decrease in mining revenue during 2003 is attributable to the intermittent production shutdowns during 2003 and the inability to develop a market for the product.

Production Costs and Depreciation, Depletion and Amortization

Production costs during the year ended December 31, 2003 were $119,000 compared to $89,000 for the same period in 2002. The production costs increased during 2003 due to costs incurred to refine milling operations and the inefficiencies inherent in operating intermittently throughout the year. Depreciation, depletion and amortization relate primarily to the White Cliffs operations and increased to $26,000 in 2003, from $15,000 in 2002.

General and administrative expenses

General and administrative expenses for the year ended December 31, 2003 were $855,000, which compares to $655,000 for the year ended December 31, 2002, representing a $200,000 increase. Salaries and benefits increased from $219,000 for the year ended December 31, 2002 to $350,000 for the same period in 2003 primarily due to the cost of administrative employees, including a mine manager at White Cliffs for the majority of 2003 versus less than half a year in 2002, and the salary of one employee at headquarters for eleven months during 2003 versus four months in 2002. Legal and accounting fees increased $52,000 from the year 2002 to 2003 primarily due the APMI and WGR merger, work performed on restructuring ideas and costs associated with the S-8 filings and potential business opportunities. Insurance costs were $81,000 in 2003 versus $52,000 in 2002 due to higher directors and officers insurance premiums and additional coverage required due to the equipment, property and general liability associated with the White Cliffs operations. During 2003 rent costs increased by $15,000 due to Company s signing of an office lease at headquarters for additional square footage versus sub-leasing during 2002. Other professional fees decreased during 2003 by $44,000 due to decreased use of contractors at White Cliffs from 2002 and lower contract administrative costs at headquarters.

Other

Interest income was $2,000 for 2003 and $8,000 for 2002. The decrease in 2003 is attributable to lower average cash balances throughout 2003.

The Company recognized a gain of $16,000 during 2003 due to settlement of an environmental claim in favor of the Company. The gain on settlement of CGL claims was $66,000 in 2002 due to the signed settlements from all outstanding insurance carriers regarding the ongoing CGL Claims litigation. The gain arose as the anticipated net proceeds from the settlements exceeded the carrying value of the CGL claims and the related estimated reorganization liabilities.

19

During 2002 the Company recorded impairments on the assets held for sale relating to Gold Bar of $60,000 and on the assets held for sale relating to Grassy Mountain of $14,000. The impairment charges were the result of reducing the assets held for sale by $515,000 and the related estimated reorganization liabilities by $441,000 collectively. The impairments to Gold Bar were deemed necessary due to net receipts from sale of equipment not meeting management s expectations due to the continued overall slowdown in the mining industry. Management also determined Grassy Mountain to be impaired as a result of the restructured option agreement executed with Seabridge in December 2002.

Other income of $31,000 was recognized during 2003 versus $300,000 in 2002. The other income in 2003 was primarily due to the release of a trust account, which was held pending proof of compliance with Canadian tax authorities. In 2002, other income was due to the receipt of the non-refundable option payment from Seabridge that was not to be applied against the future purchase price of the assets held for sale at Grassy Mountain.

The Company incurred a loss due to its equity investment in APMI during 2003 of $80,000. The Company began reporting its investment in APMI under the equity method pursuant to the June 30, 2003 APMI merger with WGR, in which its investment decreased from 97% to approximately 28%.

The Company had a loss on the sale of mobile mining equipment of $11,000 due to the Company s disposal of certain assets at White Cliffs.

Environmental Matters

The Company is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Company to mitigate any environmental effects caused by its past and present operations. The Company believes that it has taken reasonable steps to be in substantial compliance with all federal, state and local environmental regulations applicable to its current and discontinued operations. Also see Item 1. Description of Business, Risk Factors.

During 2002, the Company established a performance bond in the amount of $45,900 for the future reclamation of the White Cliffs mine and mill areas.

Critical Accounting Policies

The discussion and analysis of the financial condition and results of operations of the Company are based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, Management evaluates these estimates, including estimates related to impairment of assets and the carrying amount of the reorganization liabilities. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. This forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.