CAPITAL GOLD CORP
Form 10QSB
March 21, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

|X| QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended January 31, 2003

OR

|_| TRANSITION REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 0-13078

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

NEVADA	13-3180530
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

76 Beaver Street, New York, NY 10005
(Address of principal executive offices)

Issuer's telephone number: (212) 344-2785

LEADVILLE MINING & MILLING CORPORATION
(Former name, former address and former fiscal year, if changed since last report)

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

Yes |X| No |_|

Indicate the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date.

Class	Outstanding at March 19, 2003
Common Stock, par value $.001 per share	41,543,129

Transitional Small Business Format (check one); Yes |_| No |X|

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying financial statements are unaudited for the interim periods, but include all adjustments (consisting only of normal recurring accruals), which we consider necessary for the fair presentation of results for the three and six months ended January 31, 2003.

Moreover, these financial statements do not purport to contain complete disclosure in conformity with generally accepted accounting principles and should be read in conjunction with our audited financial statements at, and for the fiscal year ended July 31, 2002.

The results reflected for the three and six months ended January 31, 2003 are not necessarily indicative of the results for the entire fiscal year.

CAPITAL GOLD CORPORATION
F/K/A LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONDENSED CONSOLIDATED BALANCE SHEET
JANUARY 31, 2003
(Unaudited)

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 778,232
Loans Receivable - Others	18,640
Marketable Securities	75,000
Other Current Assets	35,704
Total Current Assets	907,576
Mining, Milling and Other Property and Equipment (Net of Accumulated Depreciation of $358,230)	341,370
Other Assets:	
Other investments	12,882
Mining Reclamation Bonds	42,150
Security Deposits	8,435
Total Other Assets	63,467
Total Assets	$ 1,312,413
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Accounts Payable	$ 79,280
Accrued Expenses	139,910
Total Current Liabilities	219,190
Minority Interest	(45,238)
Commitments and Contingencies	

Stockholders' Equity:	
Common Stock, Par Value $.001 Per Share; Authorized 150,000,000 Shares; Issued and Outstanding 41,825,607 Shares	41,826
Additional Paid-In Capital	21,516,386
Deficit Accumulated in the Development Stage	(20,455,782)
Accumulated Other Comprehensive Income	36,031
Total Stockholders' Equity	1,138,461
Total Liabilities and Stockholders' Equity	$ 1,312,413

The accompany notes are an integral part of the financial statements.

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CAPITAL GOLD CORPORATION
F/K/A LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended January 31,		Six Months January
	2003	2002	2003
Revenues:			
Interest Income	$ 5,828	$ 393	$ 26,994
Miscellaneous	--	--	7,701
Total Revenues	5,828	393	34,695
Costs and Expenses:			
Mine Expenses	285,381	122,156	448,980
Write-Down of Mining, Milling and Other Property and Equipment	--	--	--
Selling, General and Administrative Expenses	165,106	147,867	304,211
Stock Based Compensation	75,353	--	75,353
Depreciation	--	582	--
Total Costs and Expenses	525,840	270,605	828,544
Loss Before Other Income (Expense)	(520,012)	(270,212)	(793,849)
Other Income (Expense):			
Gain on Sale of Property and Equipment	--	--	--
Gain on Sale of Subsidiary	--	--	--

Option Payment	--	--	--
Loss on Write-Off of Investment	--	--	--
Loss on Joint Venture	--	--	--
Total Other Income (Expense)	--	--	--
Loss Before Minority Interest	(520,012)	(270,212)	(793,849)
Minority Interest in Net Loss of Subsidiary	43,880	--	58,345
Net Loss	$ (476,132)	$ (270,212)	$ (735,504)
Net Loss Per Common Share - Basic and Diluted	$ (0.01)	$ (0.01)	$ (0.02)
Weighted Average Common Shares Outstanding	41,461,871	36,467,592	41,057,376

The accompanying notes are an integral part of the financial statements.

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CAPITAL GOLD CORPORATION
F/K/A LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	For The Six Months Ended January 31, 2003	2002	For The September (Incep To January 3
Cash Flow From Operating Activities:			
Net Loss	$ (735,504)	$(536,999)	$(20,45
Adjustments to Reconcile Net Loss to Net Cash (Used) By Operating Activities:			
Depreciation	--	1,163	36
Gain on Sale of Subsidiary	--	--	(1,90
Minority Interest in Net Loss of Subsidiary	(58,345)	--	(11
Write-Down of Impaired Mining, Milling and Other Property and Equipment	--	--	99
Gain on Sale of Property and Equipment	--	--	(4
Loss on Write-Off of Investment	--	--	1
Loss From Joint Venture	--	--	10
Value of Common Stock Issued for Services	--	--	2,75
Stock Based Compensation	75,353	--	8,62
Changes in Operating Assets and Liabilities:			
(Increase) in Other Current Assets	(32,380)	(1,173)	(3
(Increase) in Security Deposits	--	--	(
Increase (Decrease) in Accounts Payable	(103,752)	--	7

Increase (Decrease) in Accrued Expenses	(45,153)	255,653	1
Other	--	1,404	
Net Cash (Used) By Operating Activities	(899,781)	(279,952)	(9,61
Cash Flow From Investing Activities:			
Purchase of Mining, Milling and Other Property and Equipment	--	--	(1,70
Proceeds on Sale of Mining, Milling and Other Property and Equipment	--	--	8
Proceeds From Sale of Subsidiary	1,492,131	--	2,13
Expenses of Sale of Subsidiary	--	--	(10
Advance Payments - Joint Venture	--	--	9
Investment in Joint Venture	--	--	(10
Investment in Privately Held Company	--	--	(1
Net Assets of Business Acquired (Net of Cash)	--	--	(4
Purchase of Marketable Securities	(50,000)	--	(5
Purchase of Other Investments	(12,882)	--	(1
Payment of Option Payment Payable	--	(50,000)	
Net Cash Provided (Used) By Investing Activities	1,429,249	(50,000)	29

The accompanying notes are an integral part of the financial statements.

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CAPITAL GOLD CORPORATION
F/K/A/ LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
(Continued)

	For the Six Months Ended January 31, 2003	2002	For The P September 1 (Incept To January 31
Cash Flow From Financing Activities:			
(Increase) Decrease in Loans Receivable - Related Party	$ --	$ 11,000	$
(Increase) Decrease in Loans Receivable - Others	(3,640)	260	(18
Increase in Loans Payable - Officers	--	--	18
Repayment of Loans Payable - Officers	--	--	(18
Increase in Note Payable	--	--	11
Payments of Note Payable	--	(1,965)	(11
Proceeds From Issuance of Common Stock	27,300	274,776	10,429
Commissions on Sale of Common Stock	--	--	(5
Expenses of Initial Public Offering	--	--	(408
Capital Contributions - Joint Venture Subsidiary	50,340	--	124
Purchase of Certificate of Deposit - Restricted	--	--	(5
Purchase of Mining Reclamation Bond	--	--	(37

Net Cash Provided By Financing Activities	74,000	284,071	10,078
Effect of Exchange Rate Changes	25,331	--	22
Increase (Decrease) In Cash and Cash Equivalents	628,799	(45,881)	778
Cash and Cash Equivalents - Beginning	149,433	63,920	
Cash and Cash Equivalents - Ending	$778,232	$ 18,039	$ 778
Supplemental Cash Flow Information:			
Cash Paid For Interest	$ --	$ --	
Cash Paid For Income Taxes	$ --	$ 1,440	$ 28
Non-Cash Financing Activities:			
Issuances of Common Stock as Commissions on Sales of Common Stock	$ --	$ 8,000	$ 440
Issuance of Common Stock as Payment for Mining, Milling and Other Property and Equipment	$ --	$ --	$ 4
Transfer of Joint Venture Advance Payments into Joint Venture Capital	$ 98,922	$ --	$ 98

The accompanying notes are an integral part of the financial statements.

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CAPITAL GOLD CORPORATION
F/K/A LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2003
(Unaudited)

NOTE 1 - Basis of Presentation

The consolidated financial statements include the accounts of Capital Gold Corporation and its subsidiaries, which are wholly and majority owned. All significant inter-company accounts and transactions have been eliminated in consolidation.

In the opinion of the Company's management, the accompanying consolidated financial statements reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly the consolidated financial position and results of operations and cash flows for the periods presented. These financial statements are unaudited and have not been reported on by independent public accountants.

Results of operations for interim periods are not necessarily indicative of the results of operations for a full year.

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company is a development stage enterprise and has recurring losses from operations and operating cash constraints that raise substantial doubt about the Company's ability to continue as a going concern.

NOTE 2 - Marketable Securities

The Company accounts for its investments in marketable securities in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Management determines the appropriate classification of all securities at the time of purchase and re-evaluates such designation as of each balance sheet date. The Company has classified its marketable equity securities as available for sale securities and has recorded such securities at fair value. The Company uses the specific identification method to determine realized gains and losses. Unrealized holding gains and losses are excluded from earnings and, until realized, are reported in a separate component of stockholders' equity.

Marketable securities are classified as current assets and are summarized as follows:

Marketable equity securities, at cost	$50,000
Marketable equity securities, at fair value	$75,000

NOTE 3 - Other Investments

Other investments are carried at cost and consist of tax liens purchased on properties located in Lake County, Colorado.

CAPITAL GOLD CORPORATION
F/K/A LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2003
(Unaudited)

NOTE 4 - Other Comprehensive Income (Loss) - Supplemental Non-Cash Investing Activities

Other comprehensive income (loss) consists of accumulated foreign translation gains and losses and net unrealized gain on available-for-sale securities and is summarized as follows:

Balance - July 31, 2002	$(7,246)
Equity Adjustments from Foreign Currency Translation	18,277
Unrealized Gain on Available-for-Sale Securities	25,000
Balance - January 31, 2003	$36,031

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NOTE 5 - Stockholders' Equity

In January 2003 the Company granted to two individuals an aggregate of 350,000 options to purchase common stock. The stock options have an exercise price of $.05 per share and expire in two years. In connection with the grant, the Company recognized stock based compensation of $75,353.

In January 2003 the Company terminated an aggregate of 5,010,454 options to purchase common stock and re-granted the same amount of stock options to the same individuals under revised terms including an exercise price of $.05 per share and an expiration date of January 2005. The Company recognized no stock based compensation as a result of this transaction.

NOTE 6 - Subsequent Events

During March 2003 the Company's stockholders approved an amendment to the Articles of Incorporation to change its name from Leadville Mining and Milling Corp. to Capital Gold Corporation.

In March 2003 the Company obtained exclusive options to purchase an ore crusher and related assets for a total cost of $700,000. The Company paid $25,000 for these options, which expire on April 30, 2003, unless extended to June 30, 2003 upon payment of an additional $25,000.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Statement on Forward-Looking Statements

Some information contained in or incorporated by reference into this report on Form 10-QSB may contain "forward-looking statements," as defined in Section 21E of the Securities and Exchange Act of 1934. These statements include comments regarding exploration and mine development and construction plans, costs, grade, production and recovery rates, permitting, financing needs, the availability of financing on acceptable terms or other sources of funding, and the timing of additional tests, feasibility studies and environmental permitting. The use of any of the words "anticipate," "continue," "estimate," "expect," "may," "will," "project," "should," "believe" and similar expressions are intended to identify uncertainties. We believe the expectations reflected in those forward-looking statements are reasonable. However, we cannot assure you that these expectations will prove to be correct. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and other factors set forth in, or incorporated by reference into, this report:

- worldwide economic and political events affecting the supply of and demand for gold;

- volatility in market prices for gold and other metals;

- financial market conditions, and the availability of debt or equity financing on terms acceptable to our company;

- uncertainties as to whether additional drilling, testing and feasibility studies will establish reserves at any of our properties;
- uncertainties associated with developing a new mine, including potential cost overruns and the unreliability of estimates in early states of mine development;
- uncertainties as to title to our properties and the availability of sufficient properties to allow for planned activities at Leadville in Colorado and at El Chanate in Mexico.
- variations in ore grade and other characteristics affecting mining, crushing, milling and smelting operations and mineral recoveries;
- geological, metallurgical, technical, permitting, mining and processing problems;
- the availability and timing of acceptable arrangements for power, transportation, mine construction, contract mining, water and smelting; the availability, terms conditions and timing of required government approvals;
- uncertainties regarding future changes in tax and foreign-investment legislation or implementation of existing tax and foreign-investment legislation;
- the availability of experienced employees; and
- political instability, violence and other risks associated with operating in a country like Mexico with a developing economy.

Many of those factors are beyond our ability to control or predict. You should not unduly rely on these forward-looking statements. These statements speak only as of the date of this report on Form 10-QSB. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect future events or developments. All subsequent written and oral forward-looking statements attributable to our Company and persons acting on our behalf are qualified in their entirety by the cautionary statements contained in this section and elsewhere in this report on Form 10-QSB and other periodic reports filed by us with the Securities and Exchange Commission.

Results of Operation

General

Sonora, Mexico

During the quarter ended January 31, 2003, we continued to analyze the El Chanate concessions in Mexico. As of January 31, 2003, we had reduced our property holdings to a coherent package of 12 contiguous, high priority concessions totaling approximately 3,506 hectares (8,663 acres or 13.5 square miles). Further exploration and development of the El Chanate project, assuming it is economically feasible, will mostly occur on these concessions owned by us. We also own outright 466 hectares (1,151 acres or 1.8 square miles) of surface rights at El Chanate (except for our joint venture agreement with Grupo Minero FG S.A. de C.V.) and no third party ownership or leases exist on this fee land or the El Chanate concessions.

Currently, and during the quarter ended January 31, 2003, through our engineering consultants and with Grupo Minero FG S.A. de C.V. ("FG"), we are continuing metallurgical tests to determine the most optimal and economically feasible crushing and or grinding sizes for processing the El Chanate deposit. Management believes that these studies showed that El Chanate deposits are generally suited for treatment using dilute cyanide solutions, and ore grade samples from El Chanate have shown encouraging recoveries from rock tested after crushing to 80% minus 3/8 inch size. The result of the crushing and grinding studies show that the gold recovery increases significantly as the rock is reduced to finer particle sizes. Test work was conducted at Resources Development Inc. in Wheat Ridge, Colorado and in Mexico at the La Colorada mine laboratory, which is owned by FG, our joint venture partner. In November 2002, the Company employed Metcon Inc., of Tucson, Arizona to conduct further metallurgical testing on Chanate ores. Metallurgical testing is continuing.

In August 2002, we retained SRK Consulting to conduct a Scoping Study of the proposed project at El Chanate. The Scoping Study was completed in October 2002 and we have received the definitive report. Based on our review of the Scoping Study, we believe that the prospects for a surface/heap leach mining operation at El Chanate remain positive. The Study indicated that additional metallurgical testing would be necessary to allow for preparation of a Feasibility Study. This testing is ongoing and nearing completion. In addition, SRK indicated that it did not have sufficient historical information to determine the adequacy of the equipment fleet, or the availability of a sufficient water supply. In this regard, the equipment fleet currently is being evaluated and we plan to drill our first water test well before the end of March 3003. The SRK Study also recommended additional drilling to further define the deposit. We conducted the additional exploratory drilling and we believe that no additional drilling is required at this time.

In February 2003, we retained M3 Engineering of Tucson, Arizona to begin working on a Feasibility Study. Assuming no unexpected issues arise, we anticipate that this study will be completed by June 2003.

Leadville, Colorado

During the quarter ended January 31, 2003, as during the prior quarter and the fiscal year ended July 31, 2002, activity at our Leadville, Colorado properties consisted principally of mine maintenance. Primarily as a result of our focus on El Chanate, we temporarily reduced to a minimum activity in Leadville, Colorado.

On November 1, 2002, we conditionally acquire 56 properties in Leadville, Colorado having a gross acreage of approximately 594 acres. Some of the properties are classified as residential and others are classified as mining. All were purchased at the Lake County, Colorado, tax sale for the back taxes due on the properties. We paid an aggregate of approximately $13,000 for the properties.

If a property owner does not pay his property taxes the county treasurer has the right to put the property up for auction at an advertised county tax sale. Sometimes, the property owner will ask the treasurer to postpone the auction of the property for a year with the promise to pay soon. If taxes are still not paid, the auction bidder will be required to pay two years of taxes. If we pay the 'back taxes' and then 'current year' taxes for four consecutive years our ownership of a given property purchased at tax sale is final, and the deed is transferred to us. If the property owner can pay the back taxes, he is required to pay us the back taxes plus interest. The current back tax interest rate is

12% in Lake County.

We acquired these properties, especially the residential properties, as an investment. We are not required to commit to any work or maintenance on any of the properties at this time. Management believes that these are good investments. The mining properties are located in the general area of our other mining properties. There is a possibility that at some future date the zoning for the mining claims will be changed to allow residential development. Management believes that, at such time, these properties will most likely become more valuable due to their scenic location. In the time prior to any zoning change, these properties may have mineral value; however, we have no current plans to explore these mining properties.

Revenues

We generated no revenues from mining operations during the three months ended January 31, 2003 and 2002. There were de minimis non-operating revenues during the three months ended January 31, 2003 and 2002 of $5,828 and $393, respectively. These non-operating revenues represent interest income.

Costs and Expenses

Over all, costs and expenses during the three months ended January 31, 2003 ($525,840) increased by $255,235 (approximately 94%) from the three months ended January 31, 2002 ($270,605).

Mine expenses during the three months ended January 31, 2003 ($285,381) increased by $163,225 (approximately 134%%) from the three months ended January 31, 2002 ($122,156). We believe that the increase in mine expenses resulted primarily from work at our Mexican properties.

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Selling, general and administrative expenses during the three months ended January 31, 2003 ($165,106) increased by $17,239 (approximately 12%) from the three months ended January 31, 2002 ($147,867). We believe that the increase was due to increased levels of activity at our El Chanate concessions in Mexico. Our ability to increase activity was due to our receipt of funds from the sale of our Subsidiary, Minera Chanate, S.A. de C.V. ("Minera Chanate").

Stock based compensation during the three months ended January 31, 2003 was $75,353 compared to 0 for the three months ended January 31, 2002.

Gains from Changes in Foreign Exchange Rates

During the six months ended January 31, 2003, we recorded equity adjustments from foreign currency translations of $18,000. These translation adjustments are related to changes in the rates of exchange between the Mexican Peso and the US dollar.

Net Income

As a result, our net loss for the three months ended January 31, 2003 was $476,132 which was $205,920 greater than our $270,212 loss for the three months ended January 31, 2002.

Liquidity and Capital Resources

As of January 31, 2003, we had working capital of $688,386. Our plans over the next 12 months include the costs of administration, and exploration related activities in Mexico and administration and holding costs in Colorado.

In this regard, as noted in prior reports, in February 2002, we entered into a joint venture agreement with Grupo Minero FG S.A. de C.V. ("Grupo Minero") in Hermosillo to explore, evaluate and develop certain of our Mexican properties in five phases. We completed the first phase in November 2002. We estimate that the balance of our portion of the costs for the second phase (anticipated to be completed by June 2003) will be approximately $350,000.

On March 13, 2003, we obtained exclusive options to purchase an ore crusher and related assets (spare parts for the crusher and certain transportable building structures) for a total cost of $700,000. FG, our joint venture partner, has agreed orally that this purchase will be pursuant to the joint venture and that FG will be responsible for 50% of the cost.

During the three months ended January 31, 2003, we received the final payment from the sale of our subsidiary, Minera Chanate in the amount of $1,009,924. After commissions of $80,777, our gross proceeds from the sale of Minera Chanate was $1,990,031.

We plan to pay for a significant portion of our anticipated expenses related to phase two of the joint venture and our portion of the acquisition of the ore crusher and related assets with the proceeds from the sale of our subsidiary, Minera Chanate. As explained in our annual report on form 10-KSB, historically, we have not generated any material revenues from operations and have been in a precarious financial condition. No assurance whatsoever can be given that we will be able to generate any significant revenues in the near future or, after we have depleted the proceeds from the sale of our subsidiary, that we will be able to continue as a going concern or that any of our plans with respect to our gold properties will, to a material degree, come to fruition. In order to continue our program if and when we have depleted the proceeds from the sale of our subsidiary, we will need to obtain substantial financing. While we plan to seek such financing through bank financing, private placement of our shares, joint venture partners and other arrangements, there is no assurance that we will be successful.

In addition, during the three months ended January 31, 2003, we raised $27,300 through the sale and issuance of common stock.

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company is a development stage enterprise and has recurring losses from operations and operating cash constraints that raise substantial doubt about the Company's ability to continue as a going concern.

Environmental Issues

Management does not expect that environmental issues will have an adverse material effect on our liquidity or earnings. Before any additional exploration or any development or mining or construction of milling facilities could begin at our Leadville properties, it would be necessary to meet all environmental requirements and to satisfy the regulatory agencies in Colorado that our proposed procedures fell within the boundaries of sound environmental practice. We currently are bonded to insure reclamation of any areas disturbed by our past activities. The current amount of this bond is $42,150. In Mexico, we are not aware of any significant environmental concerns or existing reclamation requirements at the El Chanate properties. However, we will be required to obtain various environmental and related permits in order to engage in our planned activities at El Chanate. This has presently been undertaken. The costs and any delays associated with obtaining these required permits could have an impact on our ability to timely complete our planned activities at El Chanate and ultimately on the feasibility of opening a mine.

Part of the Leadville Mining District has been declared a federal Superfund site under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, and the Superfund Amendments and Reauthorization Act of 1986. Several mining companies and one individual were declared defendants in a possible lawsuit. We were not named a defendant or Possible Responsible Party. We did respond in full detail to a lengthy questionnaire prepared by the Environmental Protection Agency ("EPA") regarding our proposed procedures and past activities in November 1990. To our knowledge, the EPA has initiated no further comments or questions.

We do include in all our internal revenue and cost projections a certain amount for environmental and reclamation costs on an ongoing basis. This amount is determined at a fixed amount of $1.50 per ton of material to be milled on a continual, ongoing basis to provide for further tailing disposal sites and to reclaim the tailings disposal sites in use. At this time, there do not appear to be any environmental costs to be incurred by us beyond those already addressed above. No assurance can be given that environmental regulations will not be changed in a manner that would adversely affect our planned operations.

Application Of Critical Accounting Policies

Our financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. Critical accounting policies for us include impairment of long-lived assets, accounting for stock-based compensation and environmental remediation costs.

In accordance with SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," we review our long-lived assets for impairments. Impairment losses on long-lived assets are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses then are measured by comparing the fair value of assets to their carrying amounts. During the year ended July 31, 2002, we performed a review of our Colorado mine and mill improvements and determined that an impairment loss should be recognized. Accordingly, at July 31, 2002, we reduced by $999,445 the net carrying value of certain assets relating to our Leadville, Colorado facility to $300,000, which approximates management's estimate of fair value.

Environmental remediation costs are accrued based on estimates of known environmental remediation exposure. Such accruals are recorded even if significant uncertainties exist over the ultimate cost of the remediation. It is reasonably possible that our estimates of reclamation liabilities, if any, could change as a result of changes in regulations, extent of environmental remediation required, means of reclamation or cost estimates. Ongoing environmental compliance costs, including maintenance and monitoring costs, are expensed as incurred. There were no environmental remediation costs accrued at

January 31, 2003.

Issues And Uncertainties

The following issues and uncertainties, among others, should be considered in evaluating our financial outlook.

We have not generated any operating revenues. If we are unable to commercially develop our mineral properties, we will not be able to generate profits and our business may fail.

We are an exploration company engaged in the acquisition and exploration of mineral exploration properties. To date, we have no producing properties. As a result, we have no current source of operating revenue and we have historically operated and continue to operate at a loss. Our ultimate success will depend on our ability to generate profits from our properties. Our viability is largely dependent on the successful commercial development of a mine at least one of our properties.

We lack operating cash flow and rely on external funding sources. If we are unable to continue to obtain needed capital from outside sources, we will be forced to reduce or curtail our operations.

We do not generate any positive cash flow from operations and we do not anticipate that any positive cash flow will be generated for some time. Aside from the proceeds from the sale of Minera Chanate we have limited financial resources. Leases and licenses which we hold as well as our joint venture agreement with FG, impose financial obligations on us. We cannot assure that additional funding will be available to allow us to fulfill such obligations.

Further exploration and development of the mineral properties in which we hold interests depends upon our ability to obtain financing through

- bank or other debt financing,
- equity financing, or
- other means.

Failure to obtain additional financing on a timely basis could cause us to forfeit all or parts of our interests in some or all of (i) the El Chanate concessions, (ii) the joint venture with FG and (iii) our Leadville properties, and reduce or terminate our operations.

As a mineral exploration company, our ability to commence production and generate profits is dependent on our ability to discover viable and economic mineral reserves. Our ability to discover such reserves is subject to numerous factors, most of which are beyond our control and are not predictable.

Exploration for gold is speculative in nature, involves many risks and is frequently unsuccessful. Any gold exploration program entails risks relating to

- the location of economic bodies of minerals,
- development of appropriate metallurgical processes,
- receipt of necessary governmental approvals and

- construction of mining and processing facilities at any site chosen for mining.

The commercial viability of a mineral deposit is dependent on a number of factors including:

- the price of gold,
- exchange rates,
- the particular attributes of the deposit, such as its
  - size,
  - grade and concentrate ability
  - stripping ratio
- financing costs,
- taxation,
- royalties,
- land tenure,
- land use,
- water use,
- power use,
- importing and exporting gold and
- environmental protection.

The effect of these factors cannot be accurately predicted.

All of the mineral properties in which we have an interest or right are in the exploration stages only and are without reserves of gold or other minerals. We cannot assure that current or proposed exploration or development programs on properties in which we have an interest will result in the discovery of gold mineralization reserves or will result in a profitable commercial mining operation.

We have a limited number of prospects. As a result, our chances of commencing viable mining operations are dependent upon the success of one project.

Our only current properties are the El Chanate concessions and our Leadville properties. At present, we are not doing any substantive work at our Leadville properties. While the El Chanate concessions are owned by one of our subsidiaries, FG, our joint venture partner, has a 31% interest with a right to increase its interest to 45%. We currently do not have operations

on either of our properties, and we must commence such operations to receive revenues. Accordingly, we are dependent upon the success of the El Chanate concessions.

Gold prices can fluctuate on a material and frequent basis due to numerous factors beyond our control. If and when we commence production, our ability to generate profits from operations could be materially and adversely affected by such fluctuating prices.

The profitability of any gold mining operations in which we have an interest will be significantly affected by changes in the market price of gold. Gold prices fluctuate on a daily basis and are affected by numerous factors beyond our control, including:

- the level of interest rates,
- the rate of inflation,
- central bank sales,
- world supply of gold and
- stability of exchange rates.

Each of these factors can cause significant fluctuations in gold prices. Such external factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of gold has historically fluctuated widely and, depending on the price of gold, revenues from mining operations may not be sufficient to offset the costs of such operations.

Changes in regulatory or political policy could adversely affect our exploration and future production activities.

Any changes in government policy may result in changes to laws affecting:

- ownership of assets,
- land tenure,
- mining policies,
- monetary policies,
- taxation,
- rates of exchange,
- environmental regulations,
- labor relations,
- repatriation of income and
- return of capital.

Any such changes may affect our ability to undertake exploration and development activities in respect of present and future properties in the manner currently contemplated, as well as our ability to continue to explore, develop and operate those properties in which we have an interest or in respect of which we have obtained exploration and development rights to date. The possibility, particularly in Mexico, that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

Compliance with environmental regulations could adversely affect our exploration and future production activities.

With respect to environmental regulation, environmental legislation generally is evolving in a manner which will require:

- stricter standards and enforcement,
- increased fines and penalties for non-compliance,
- more stringent environmental assessments of proposed projects and
- a heightened degree of responsibility for companies and their officers, directors and employees.

There can be no assurance that future changes to environmental legislation and related regulations, if any, will not adversely affect our operations. We could be held liable for environmental hazards that exist on the properties in which we hold interests, whether caused by previous or existing owners or operators of the properties. Any such liability could adversely affect our business and financial condition.

Mining risks and potential inadequacy of insurance coverage could adversely affect us.

If and when we commence mining operations at any of our properties, such operations will involve a number of risks and hazards, including:

- environmental hazards,
- industrial accidents,
- labor disputes,
- metallurgical and other processing,
- unusual and unexpected rock formations,
- ground or slope failures,
- cave-ins,
- acts of God,
- mechanical equipment and facility performance problems and
- the availability of materials and equipment.

Such risks could result in:

- damage to, or destruction of, mineral properties or production facilities,
- personal injury or death,
- environmental damage,

- delays in mining,
- monetary losses and
- possible legal liability.

Industrial accidents could have a material adverse effect on our future business and operations. Although as we move forward in the development of any of our properties we plan to maintain insurance within ranges of coverage consistent with industry practice, we cannot be certain that this insurance will cover the risks associated with mining or that we will be able to maintain insurance to cover these risks at economically feasible premiums. We also might become subject to liability for pollution or other hazards which we cannot insure against or which we may elect not to insure against because of premium costs or other reasons. Losses from such events could have a material adverse effect on us.

Calculation of reserves and metal recovery dedicated to future production is not exact, might not be accurate and might not accurately reflect the economic viability of our properties.

All of the mineral properties in which we have an interest or right are in the exploration stages only and are without reserves of gold or other minerals. If and when we can prove such reserves, reserve estimates may not be accurate. There is a degree of uncertainty attributable to the calculation of reserves, resources and corresponding grades being dedicated to future production. Until reserves or resources are actually mined and processed, the quantity of reserves or resources and grades must be considered as estimates only. In addition, the quantity of reserves or resources may vary depending on metal prices. Any material change in the quantity of reserves, resource grade or stripping ratio may affect the economic viability of our properties. In addition, there can be no assurance that mineral recoveries in small scale laboratory tests will be duplicated in large tests under on-site conditions or during production.

There are uncertainties as to title matters in the mining industry. We believe that we have good title to our properties; however, defects in such title could have a material adverse effect on us.

We have investigated our rights to explore, exploit and develop our various properties in manners consistent with industry practice and, to the best of our knowledge, those rights are in good standing. However, we cannot assure that the title to or our rights of ownership of either the El Chanate concessions or our Leadville properties will not be challenged or impugned by third parties or governmental agencies. In addition, there can be no assurance that the properties in which we have an interest are not subject to prior unregistered agreements, transfers or claims and title may be affected by undetected defects. Any such defects could have a material adverse effect on us.

Should we successfully commence mining operations in the future, our ability to remain profitable, should we become profitable, will be dependent on our ability to find, explore and develop additional properties. Our ability to obtain such additional properties will be hindered by competition.

The acquisition of gold properties and their exploration and development are subject to intense competition. Companies with greater financial resources, larger staffs, more experience and more equipment for exploration and development may be in a better position than us to compete for such mineral properties. As a result of such competition, we may not be able to obtain such additional properties. Assuming that we commence profitable operations from our current properties, our inability to obtain and exploit new properties in the future would, eventually, adversely affect our ability to maintain profitable operations.

We are dependent on the efforts of certain key personnel and contractors, the loss of whose services could have a materially adverse effect on our operations.

We are dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on us. In addition, while certain of our officers and directors have experience in the exploration and operation of gold producing properties, we will remain highly dependent upon contractors and third parties in the performance of our exploration and development activities. As such there can be no guarantee that such contractors and third parties will be available to carry out such activities on our behalf or be available upon commercially acceptable terms.

Our property interests in Mexico are subject to the risks of doing business in a foreign country.

We face risks normally associated with any conduct of business in foreign countries with respect to our El Chanate project in Sonora, Mexico, including various levels of political and economic risk. The occurrence of one or more of these events could have a material adverse impact on our efforts or future operations which, in turn, could have a material adverse impact on our future cash flows, earnings, results of operations and financial condition. These risks include the following:

- labor disputes,
- invalidity of governmental orders,
- uncertain or unpredictable political, legal and economic environments,
- war and civil disturbances,
- changes in laws or policies,
- taxation,
- delays in obtaining or the inability to obtain necessary governmental permits,
- governmental seizure of land or mining claims,
- limitations on ownership,
- limitations on the repatriation of earnings,
- increased financial costs,
- import and export regulations, including restrictions on the export of gold, and
- foreign exchange controls.

These risks may limit or disrupt the project, restrict the movement of funds or impair contract rights or result in the taking of property by nationalization or expropriation without fair compensation.

Gold is sold in the world market in U.S. dollars; however, we may incur a significant amount of our expenses in Mexican pesos. If and when we sell gold, if applicable currency exchange rates fluctuate, our revenues and results of operations may be materially and adversely affected.

If and when we commence sales of gold, such sales will be made in the world market in U.S. dollars. We may incur a significant amount of our expenses in Mexican pesos. As a result, our financial performance would be affected by fluctuations in the value of the Mexican peso to the U.S. dollar. At the present time, we have no plan or policy to utilize forward contracts or currency options to minimize this exposure, and even if these measures are implemented there can be no assurance that such arrangements will be available, be cost effective or be able to fully offset such future currency risks.

Item 3. Controls and Procedures.

Gifford A Dieterle, our Chief Executive Officer and our Chief Financial Officer, has conducted an evaluation of the effectiveness of disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based on that evaluation, taking into account our limited resources and current business operations, he concluded that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this quarterly report has been made known to him in a timely fashion. There have been no significant changes in internal controls, or in other factors that could significantly affect internal controls, subsequent to the date he completed his evaluation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities THIS IS BARRY

During the quarter ended January 31, 2003, we issued the following shares of our Common Stock pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933: We sold an aggregate of 1,187,727 shares for an aggregate of $27,300 to three persons.

Item 3. Defaults Upon Senior Securities

None.

Item 4 Submission of Matters to a Vote of Security Holders

On March 7, 2003, at a special meeting of our stockholders, our stockholders, approved an amendment to our Articles of Incorporation to change our name from Leadville Mining & Milling Corp. to Capital Gold Corporation. Results of the voting on this matter were as follows:

For: 31,880,340
Against: 232,216
Abstain: 103,261

The Certificate of Amendment to our Articles of Incorporation was filed with the Nevada Secretary of State on March 7, 2003 and our name officially changed to Capital Gold Corporation on that date.

Item 5. Other Information

On March 13, 2003, we obtained exclusive options to purchase an ore crusher and related assets (spare parts for the crusher and certain transportable building structures). The total cost will be $700,000. FG, our joint venture partner, has agreed orally that this purchase will be pursuant to the joint venture and that FG will be responsible for 50% of the cost. We paid $25,000 for these options, which expire on April 30, 2003, unless extended to June 30, 2003 upon the payment of an additional $25,000. These assets currently are located in Sonora, Mexico, approximately 70 miles from the El Chanate Concessions. Assuming we can obtain the requisite financing to acquire these assets, we plan to move them to our concession after purchase.

See also, Item 4, above.

Item 6. Exhibits and Reports on Form 8-K

Exhibits:

3.1 Certificate of Amendment to our Articles of Incorporation (name change to Capital Gold Corporation).*

99.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Previously filed as an exhibit to our Current Report on Form 8-K dated March 7, 2003, filed with the Commission on March 10, 2003.

Reports on Form 8-K:

Form 8-K filed on March 11, 2003. Item 5. Name change and results of special meeting of stockholders, approving the name change.

SIGNATURES

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

CAPITAL GOLD CORPORATION

Registrant

By: /s/ Gifford A. Dieterle

Gifford A Dieterle
President/Treasurer

Date: March 20, 2003

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CERTIFICATION

I, Gifford A. Dieterle, Chief Executive Officer and Chief Financial Officer of Capital Gold Corporation (the "Registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of the Registrant;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and I have:

a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and

c) presented in this quarterly report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;

5. I have disclosed, based on my most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could

significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 20, 2003

/s/ Gifford A. Dieterle

Gifford A. Dieterle
Chief Executive Officer and
Chief Financial Officer