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LEADVILLE MINING & MILLING CORP
Form 10KSB
December 13, 2001

U.S. 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 JULY 31, 2001

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission File No. 0-13078

LEADVILLE MINING AND MILLING CORP.
(Name of Small business issuer in its charter)

| | |
|---------------------------------|---------------------|
| State of Nevada | 13-31805030 |
| (State or other jurisdiction of | (I.R.S. Employer |
| Incorporation or organization) | Identification No.) |

| | |
|--|------------|
| 76 Beaver Street, New York, New York | 10005 |
| (Address of principal executive offices) | (Zip Code) |

Issuer's telephone number, including area code: (212) 344-2785

Securities registered under Section 12(b) of the Exchange Act: none

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, par value \$.001 per share

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 ☐ NO ☒

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulations S-B contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ☐

State issuer's revenues for its most recent fiscal year. \$2,969

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average between the closing bid (\$0.16) and asked (\$0.19) price of the issuer's Common Stock as of December 7, 2001, was \$5,422,758, based upon the average between the closing bid and asked price (0.175) multiplied by the 30,987,188 shares of the issuer's Common Stock held by non-affiliates. (In computing this number, issuer has assumed all record holders of greater than 5% of the common equity and all directors and officers are affiliates of the issuer.)

The number of shares outstanding of each of the issuer's classes of common equity as of December 7, 2001: 35,831,597

DOCUMENTS INCORPORATED BY REFERENCE: None.

Transitional Small Business Disclosure Format: Yes ☐ No ☒

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LEADVILLE MINING AND MILLING CORP. Form 10-KSB July 31, 2001

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GLOSSARY OF TECHNICAL TERMS

Backfilling: Putting waste rock in an open stope.

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| | |
|--------------------------------------|---|
| Ball Mill: | Instrument which reduces rock to powder form. |
| Blanket Ore: | Ore, which usually lies horizontal in the form of a sedimentary bed. |
| Breccia Pipe: | A funnel of broken rock descending into the earth (along a fault line) through which mineralizing solutions may rise. |
| Contact Metamorphic Type of Deposit: | Where minerals result from ion exchange or replacement between an intrusive igneous rock and a host rock. |
| CuSO ₄ : | Copper Sulfate. |
| Feeder Veins: | Small veins. |
| Floatation Plant: | Mechanical system that separates valuable minerals from rock powder using chemical solutions. |
| Gravity Plant: | Mechanical system that separates valuable minerals from rock powder using the force of gravity for separation. |
| Heap Leaching: | Broken and crushed ore on a pile subjected to dissolution of metals by leach solution. |
| Hydrometallurgical Plant: | A smelter that reduces sulfide faults converging from different directions. |
| Jasperoid: | Quartz mineral resulting from hydrothermal alteration. |
| Leadville Dolomite: | Name of a specific limestone bed in Leadville, Colorado. |
| Leadville Silver Gold Process: | Generally similar to the Sherrit Gordon process whereby chemicals are used to produce oxides and sulfates of zinc. |
| Lode Claim: | Claim on which mineral is found underground; i.e., vein. |
| Magnetic Anomaly: | A variation in the earth's magnetic field. |
| Magnetite Skarn: | The mineral magnetite (iron Oxide) in combination with quartz emplaced in limestone. |
| Major Intrusive Center: | An area where large funnels exist and through which large amounts of mineralizing fluids rose. |
| Manto: | A bedded deposit of minerals. |
| Massive Polymetallic Ores: | Large dense mass of sulfide minerals containing several metals. |

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| | |
|--|---|
| MnSO ₄ : | Manganese Sulfate. |
| Mineral Deposit or Mineralized Material: | A mineralized underground body which has been intersected by sufficient closely spaced drill holes and or underground sampling to support sufficient tonnage and average grade of metal(s) to warrant further exploration-development work. This deposit does not qualify as a commercially mineable ore body (Reserves), as prescribed under Commission standards, until a final and comprehensive economic, technical and legal feasibility study based upon the test results is concluded. |
| Open Pit Mine - Strip Mine: | Surface mining without shafts or underground working. |
| Open Stope: | A mined area that remains as an open space. |
| OPT: | Ounces per ton. |
| Patented Claim: | Unpatented claim that is now privately owned mineral land after a grant from the federal government. |
| PbSO ₄ : | Lead Sulfate. |
| Placer Claim: | Claim on which minerals are found in sand and gravel - on surface. |
| Positive Ore: | Ore that is proven (same as proven). |
| Probable Ore: | Inferred ore. Ore that is believed to exist, but not fully proven. |
| Proven Ore: | Minerals that are determined to be recoverable. |
| Reverse Circulation Drilling (or R.C. Drilling): | Type of drilling using air to expel cuttings. |
| Run of the Mill Concentrate: | Unenhanced product directly extracted from a standard milling process. |
| Replacement Ore Body: | Mineral ore, irregular in form, which is emplaced in limestone. |
| Rhyolite Agglomerate: | An igneous rock (rhyolite) which has been fractured (crushed) and recemented. |
| Sherrit Gordon Process: | Hydrometallurgical method of processing (smelting) zinc concentrates into oxides and sulfates. |
| Stockwork Breccia: | Earth's crust broken by two or more sets of parallel faults converging from different directions. |

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Silica Stope: Name of a mine location in the Hopemore mine.

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Square Setting: A system of timbering a tunnel or opening underground to prevent cave-in.

Stockwork: Ore, when not in strata or in veins but in large masses, so as to be worked in chambers or in large blocks.

Unpatented Claim: Mineral land staked on public lands open to appropriation by mineral location, subject to the paramount title of the federal government and maintained by timely payment of an annual fee.

ZnSO4: Zinc Sulfate.

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PART I

Item 1. Description of Business

Leadville Mining and Milling Corp. (the "Company," "we" or "us") was incorporated in the state of Nevada in February 1982. The Company owns rights to property located in the California Mining District, Lake County, Colorado and in the State of Sonora, Mexico and is engaged in the business of exploration for gold and other minerals from these properties. During the fiscal year ended July 31, 2001, the Company actively engaged in the evaluation of these properties as well as others thought to have exploration and development potential. The future of the Company is dependent upon its ability to continue to raise funds for its exploration and development activities and, eventually, produce gold, silver, lead and/or zinc in sufficient quantities in an economically feasible manner. A description of the mining properties owned by the Company is contained in "Item 2. Description of Properties." There can be no assurance that any of our properties contain a commercially viable ore body or reserves until additional work is done and an evaluation based on such work concludes that development of and production from the ore body is technically, economically and legally feasible. None of our properties are in production, and consequently we have no operating income or cash flow

El Chanate

Effective December 15, 2000, we obtained an option from AngloGold North America Inc. to purchase from AngloGold North America Inc. and AngloGold (Jerritt Canyon) Corp. 100% of the issued and outstanding stock of Minera Chanate, S.A. de C.V., a subsidiary of those two companies. Minera Chanate's assets consisted of certain exploitation and exploration concessions in the States of Sonora, Chihuahua and Guerrero, Mexico. See "Item 2. Description of Properties."

Pursuant to the option, during calendar 2001, we provided AngloGold the funds needed to cover all rental and maintenance payments required to hold Minera

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Chanate's concessions (approximately \$145,000).

On June 29, 2001, we exercised our option to obtain 100% of the shares of Minera Chanate, S.A. de C.V. Just prior to closing, based on the results of our due diligence, we caused Minera Chanate to drop 24 of its 106 concessions. With the approval from AngloGold under the option, we caused Minera Chanate to drop an additional 38 concessions, leaving a total of 44 concessions. As a result, the total area covered by the concessions in which Minera Chanate retains an interest is smaller than previously reported.

By December 15, 2001, we must make an additional \$50,000 payment to AngloGold. As of the date of this report, we intend to make this payment and retain ownership of Minera Chanate. If we decide that we do not want to continue to own Minera Chanate, we must offer to sell the shares back to AngloGold for nominal consideration. Assuming, as anticipated, that we retain ownership of Minera Chanate, AngloGold will be entitled to receive the remainder of the purchase price by way of an ongoing percentage of net smelter returns of between 2% and 4% plus a 10% net profits interest (until the total net profits interest payment received by AngloGold

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equals \$1,000,000). AngloGold's right to a payment of a percentage of net smelter returns and the net profits interest will terminate at such point as they aggregate \$18,018,355. In accordance with the option agreement, the foregoing payments are not to be construed as royalty payments. Should the Mexican government or other jurisdiction determine that such payments are royalties, we could be subjected to and would be responsible for any withholding taxes assessed on such payments.

Under the terms of the option, we have granted AngloGold the right to designate one of its wholly-owned Mexican subsidiaries to receive a one-time option to purchase 51% of Minera Chanate. That option is exercisable over a 180 day period commencing at such time as we notify AngloGold that we have made a good faith determination that we have gold-bearing ore deposits on any one of the identified groups of Minera Chanate properties, when aggregated with any ore that we have mined, produced and sold from such properties, of in excess of 2,000,000 troy ounces of contained gold. The exercise price would equal twice our project costs on the properties during the period commencing on December 15, 2000 and ending on the date of such notice.

During fiscal 2001, the Company focused its efforts on the evaluation of its Mexican properties with particular emphasis on the El Chanate deposit. It conducted studies on the archival data pertaining to the El Chanate project. This included drilling logs, metallurgy, surface sampling, assays and maps. Independent consultants were used to evaluate exploration results and metallurgy. Management believes that the combination of existing data and analysis generally supports the existence of a gold deposit that warrants further exploration and development work. Metallurgical studies and tests also were undertaken to evaluate the potential for gold recovery using heap leach technology and showed encouraging recovery rates. These tests will continue. A 50 hole shallow definition drilling program is being prepared at El Chanate to define the gold grade to a depth of two (30 ft.) benches of the proposed open pit. Assuming adequate finding can be obtained, samples would be on five foot centers and the pulps would be tested metallurgically for gold recovery. A three hole deeper core drilling program is also planned at El Chanate. The purpose of these additional activities is to move toward the preparation, if warranted, of a feasibility study and a detailed mine plan for the El Chanate project. During fiscal 2001 our technical staff made a geological reconnaissance of Minera Chanate's other Sonoran holdings. As a result, as discussed above, a total of 62

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claims were dropped.

Management believes that the capital costs to establish an open pit, heap leach mining operation at El Chanate, if economically feasible, could range from \$10 to \$15 million or more. Financing, if available, would be sought through bank loans or a joint venture. Normal expenditures for the next fiscal year, such as holding costs, general administration, accounting and legal are estimated to be \$350,000, with exploration and related activities estimated at \$500,000 . Management believes, but cannot assure, that the Company will be able to obtain funding to accomplish all projected tasks. There can be no assurance that current exploration and development work will lead to the opening of a mine at El Chanate, that any mining will be profitable or that necessary additional funding can be obtained. Assuming that the Company is able to obtain adequate funding, the continuation of the development of the El Chanate project can be maintained. (See "Part II, Item 6, Management's Discussion and Analysis of Financial Condition and Results of Operations; Liquidity and Capital Resources).

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Leadville

During fiscal 2001, at the Breece Hill location in Leadville, Colorado, geological studies and property acquisition continued. Preliminary results from those studies indicate the possible existence of a near surface body of gold/silver mineralization on Breece Hill and several gold/silver lode structures in the Hopemore Mine. A determination of the feasibility of development of an open pit mine on Breece Hill will require additional drilling, significant metallurgical testing and analysis, preparation of feasibility studies and mine plans, as well as an expanded land position.

Sinaloa, Mexico

In March 2001, the Company entered into a binding letter agreement with International Northair Mines Ltd. and Grupo Northair de Mexico, S.A. de C.V., its wholly owned Mexican subsidiary, pursuant to which International Northair granted the Company the right to earn an undivided 51% interest in certain mining concessions. These concessions, known as the Lobos and Los Lobitos concessions, are located in the state of Sinaloa in Mexico.

During the fiscal quarter ended April 30, 2001 we completed Phase 1 exploration drilling on the Lobos property located in Sinaloa, Mexico. Twenty-four reverse circulation holes totaling 2,750 feet were completed at three separate strategic locations along a mineralized corridor of at least 4000 feet in length. Phase II, which was completed during fiscal 2001, consisted of road cuts, trench cuts and sampling of trenches and mineralized outcrop.

Although the initial indications were promising, subsequent exploration did not match expectations and the working interest was dropped.

Company Mill

The Company has a mill situated on a 20.73-acre site in Leadville, Colorado. Construction of the mill began in 1987 and was completed in August of 1989. The mill is not in operation at this time. Milling of ore would not be required if heap leach technology were employed at the Company's property in Colorado. Operations in Mexico, if initiated would be by contract and supervised by the Company's staff or consultants.

Competition

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The Company remains active in trying to identify potential exploration property acquisitions where it believes the possibility of finding ore is promising. There is intense competition in the acquisition of viable exploration and mining properties. Most of the Company's competitors are larger and have greater resources than the Company. The Company believes that there is no material competition in the sale of metallic products because prices are based upon standards established by the commodity exchange (London Metals Exchange market).

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Employees

As of July 31, 2001, the Company had four full time employees, one part time employee and two consultants.

Item 2. Description of Properties

Leadville, Colorado

The Company owns or leases the following patented mining claims (except where noted), all of which are located in California Mining District, Lake County, Colorado.

Patented Claims

| Percent Ownership | CLAIM NAME | CLAIM# | Gross Acreage of Claim | % Owned | Net Acreage of Claim | Sec |
|----------------------|--------------------|--------|------------------------------|---------|----------------------------|-----|
| 12% | Colman | 9747 | 1.5 | 0.12 | 0.2 | 20- |
| 44% | President | 8942 | | 0.44 | 3.0 | 20- |
| 3% | Big Six (West End) | 1616 | 3.7 | 0.03 | 0.1 | 20- |
| 3% | Elbert | 4163 | 9.9 | 0.03 | 0.3 | 20- |
| 3% | Greenwood | 630 | 9.4 | 0.03 | 0.3 | 19- |
| 3% | Little Maud | 758 | 4.9 | 0.03 | 0.1 | 20- |
| 6% | Big Six (West End) | 1616 | | 0.06 | 0.2 | 20- |
| 6% | Elbert | 4163 | | 0.06 | 0.6 | 20- |
| 6% | Greenwood | 630 | | 0.06 | 0.5 | 19- |
| 6% | Little Maud | 758 | | 0.06 | 0.3 | 20- |
| 50% | Medium | 13344 | 4.8 | 0.50 | 2.4 | 20- |
| 50% | Medium | 13344 | | 0.50 | 2.4 | 20- |
| 13% | Great Hope | 489 | 10.3 | 0.13 | 1.3 | 20- |
| 8% | Big Six (West End) | 1616 | | 0.083 | 0.3 | 20- |

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| | | | | | | |
|------|---------------|------|------|-------|-----|-----|
| 8% | Elbert | 4163 | | 0.083 | 0.8 | 20- |
| 8% | Ishpeming | 1018 | 8.2 | 0.083 | 0.7 | 20- |
| 8% | KRL | 4299 | 4.7 | 0.083 | 0.4 | 20- |
| 8% | Little Maud | 758 | | 0.083 | 0.4 | 20- |
| 8% | Mineral Farms | 1359 | 9.1 | 0.083 | 0.8 | 20- |
| 8% | Minnesota | 2651 | 2.8 | 0.083 | 0.2 | 20- |
| 8% | Park | 838 | 10.3 | 0.083 | 0.9 | 20- |
| 8% | Park#2 | 897 | 9.7 | 0.083 | 0.8 | 20- |
| 8% | Silver Cloud | 1016 | 4.9 | 0.083 | 0.4 | 20- |
| 8% | Snow | 4161 | 3.7 | 0.083 | 0.3 | 20- |
| 8% | XYT | 4162 | 7.1 | 0.083 | 0.6 | 20- |
| 100% | Cora Belle | 3919 | 6.7 | 1.000 | 6.7 | 20- |
| 100% | Comstock | 1542 | 3.5 | 1.00 | 3.5 | 20- |
| 100% | Homestake | 1540 | 7.6 | 1.00 | 7.6 | 20- |

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| | | | | | | |
|------|-----------------|--------|------------|------|-----|-----|
| 100% | Lady Jane | 491 | 8.9 | 1.00 | 8.9 | 20- |
| 100% | Little Chippewa | 655 | 9.9 | 1.00 | 9.9 | 20- |
| 100% | Silver Spray | 1539 | 2.1 | 1.00 | 2.1 | 20- |
| 100% | Wade Hampton | 1538 | 6.1 | 1.00 | 6.1 | 20- |
| 100% | Ohio | 584 | 1.1 | 1.00 | 1.1 | |
| 100% | St. Louis | 558 | 8.0 | 1.00 | 8.0 | 21- |
| 100% | St. Ann | 4640 | 6.7 | 1.00 | 6.7 | 21- |
| 92% | XYT | 4162 | | 0.92 | 6.5 | 20- |
| 83% | Ishpeming | 1018 | | 0.83 | 6.9 | 20- |
| 100% | Grand Prize | 473 AM | 4.5 | 1.00 | 4.5 | 20- |
| 100% | Curran | 449 | 8.8 | 1.00 | 8.8 | 20- |
| 100% | Comstock | 3613 | unpatented | 1.00 | 9.7 | 20- |
| 100% | Golden rod | 9441 | 4.0 | 1.00 | 4.0 | 20- |

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|------|-------------------|----------------|-------|------|------|-----|
| 100% | Highland Chief | 429 | 2.1 | 1.00 | 2.1 | 20- |
| 100% | Highland Mary | 539 | 6.6 | 1.00 | 6.6 | 20- |
| 100% | Robert Burns | 538 | 9.9 | 1.00 | 9.9 | 20- |
| 6% | President | 8942 | 6.9 | 0.06 | 0.4 | 20- |
| 13% | Little Galesburg | 1176 | 6.0 | 0.13 | 0.1 | 20- |
| 16% | Ballard | 589 | 3.2 | 0.16 | 0.5 | 20- |
| 75% | Free America #2 | 1177 | 4.2 | 0.75 | 3.2 | 20- |
| 38% | Little Bertha | 504 | 8.4 | 0.38 | 3.1 | 20- |
| 32% | J G Fraction | 13251 | 1.7 | 0.32 | 0.6 | 20- |
| 50% | Greenback | 1043 | 4.0 | 0.50 | 2.0 | 19- |
| 8% | Chestnut | 712 | 9.4 | 0.08 | 0.8 | 30- |
| 100% | Codfish Balls | 767 | 2.6 | 1.00 | 2.6 | 19- |
| 39% | Pyrenees | 1537 | 6.8 | 0.39 | 2.6 | 19- |
| 100% | R A M | 1566 | 5.9 | 1.00 | 5.9 | 19- |
| 100% | Cyclops | 1567 | 8.7 | 1.00 | 8.7 | 19- |
| 100% | Devlin | 1579 | 7.6 | 1.00 | 7.6 | 19- |
| 50% | PRIDE OF THE WEST | 3963 | 0.9 | 0.50 | 0.4 | 19- |
| 63% | PROSPERINE & | 5214 | 9.9 | 0.63 | 6.2 | 19- |
| 96% | PHARMACIST | 11617 | 1.2 | 0.96 | 1.2 | 19- |
| 38% | EMMA | 756 | 8.3 | 0.38 | 3.1 | 29- |
| 50% | NEW YORK | 1294 | 10.1 | 0.50 | 5.1 | 23- |
| 50% | CHICAGO | 1295 | 10.2 | 0.50 | 5.1 | 23- |
| 50% | BELLE PLACER | 2778 | 129.0 | 0.50 | 64.5 | 14- |
| 13% | BELLE PLACER | 2778 | | 0.13 | 16.8 | 14- |
| 100% | MIKADO | 8015 | 9.3 | 1.00 | 9.3 | 23- |
| 88% | COLMAN | 9747 | 1.5 | 0.88 | 1.3 | 20- |
| 75% | PUEBLO | 12718 | 36.6 | 0.75 | 27.5 | 23- |
| 100% | PT ZUNI PLACER | Personal prop. | 22.0 | 1.00 | 22.0 | |
| 100% | JUDY | CMC-248957 | 18.0 | 1.00 | 18.0 | 1 |
| 100% | COLUMBINE | CMC-248958 | 7.3 | 1.00 | 7.3 | 1 |

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totals owned

540.8

363.2

The Company additionally owns 20.73 acres located in the same area, namely, the California Mining District, Lake County, Colorado on which its mill site for processing of ore is located.

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The Company owns or has rights to explore, develop and mine the foregoing claims as indicated. The Company has not formed any partnership regarding these claims, nor is there any associations whereby profits or expenses are to be shared. The claims are located approximately 2.5 miles northeast of the town of Leadville, Colorado by County Road. The principal acreage forms a contiguous group and is located on a prominent topographic feature known as Breece Hill. See below.

Minera Chanate Properties - Sonora, Mexico

The Company, through its subsidiary, Minera Chanate, S.A. de C.V., owns the following mining concessions, all of which are located in the State of Sonora, Republic of Mexico.

Claims

| Claim Name ----- | Title Number ----- | Hectares ----- | Project Area ----- |
|-----------------------|-----------------------|-------------------|-----------------------|
| San Jose | 200718 | 96.0000 | El Chanate |
| Las dos Virgen | 184213 | 132.2350 | El Chanate |
| Rono #1 | 206408 | 82.1902 | El Chanate |
| Rono #3 | 198040 | 197.2180 | El Chanate |
| La Cuchilla | 196945 | 172.0000 | El Chanate |
| Elsa | 197010 | 2035.3996 | El Chanate |
| Elba | 199046 | 669.9594 | El Chanate |
| Elisa | 197138 | 78.4717 | El Chanate |
| Ema | 199050 | 331.5057 | El Chanate |
| Ena | 199045 | 190.0000 | El Chanate |
| Eva | 197007 | 416.8961 | El Chanate |
| Mirsa | 198242 | 20.5510 | El Chanate |
| Mony | 196078 | 2159.2501 | El Chanate |
| Olga | 198249 | 60.5866 | El Chanate |
| Edna | 199668 | 24.0423 | El Chanate |
| Sol | 201148 | 5.2093 | El Antimonio |
| Susy | 201149 | 27.6548 | El Antimonio |
| Susy I Fraccion 1 | 202656 | 4.2110 | El Antimonio |
| Susy I Fraccion 2 | 202657 | 29.0532 | El Antimonio |
| Luna | 200711 | 2.9402 | Fl Antimonio |
| Luna 1 | 200674 | 3.0000 | El Antimonio |
| Elena | 201970 | 529.2185 | El Antimonio |
| Elena I | 201954 | 589.3471 | El Antimonio |
| Elena IV | 201957 | 371.1251 | El Antimonio |
| Elena VII Fraccion 1 | 201834 | 0.1302 | El Antimonio |
| Elena VII Fraccion 2 | 201835 | 4.0216 | El Antimonio |
| Elena VIII Fraccion 1 | 202650 | 27.6331 | El Antimonio |
| Elena VIII Fraccion 2 | 202649 | 0.0524 | El Antimonio |
| Bolivia | 200919 | 23.4235 | El Aintimonio |
| Elena VI | 201829 | 338.5172 | El Antimonio |
| Elena II | 201955 | 231.8353 | El Antimonio |
| Elena III | 201956 | 52.0000 | El Antimonio |

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| | | | |
|---------------------|--------|----------|------------------|
| Elena V | 201959 | 487.3869 | El Antimonio |
| Oly IV | 206527 | 2.8536 | El Antimonio |
| Oly Iil | 206971 | 97.1572 | El Antimonio |
| Luz | 202063 | 21.0000 | La Gloria |
| Alamo | 199517 | 32.7710 | Sierra del Alamo |
| Eclipse | 200972 | 514.0000 | Sierra del Alamo |
| Chante 1 Fraccion 1 | 208173 | 45.0116 | Sierra del Alamo |
| Chante 1 Fraccion 2 | 208174 | 42.2374 | Sierra del Alamo |

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| | | | |
|--------------------|--------|-----------|------------------|
| Sol 1 | 208077 | 3.1954 | Sierra del Alamo |
| Aries I Fraccion 2 | 203295 | 107.5471 | Aries |
| Aries 4 | 206862 | 12.0656 | Aries |
| Paredones I | 209147 | 91.0000 | Emisa (Aries) |
| Totals owned | | 11,360.89 | |

Hopemore Project

The Leadville mining district is located 100 miles west of Denver, Colorado in the heart of the Rocky Mountains. The weather is harsh with long winters and short summers. The Hopemore Project can be reached by paved state highway and other paved roads. Work by the Company started in 1984 with acquisition of the Comstock Hopemore Group of claims. Retimbering of the entire Hopemore shaft followed along with establishment of the new 7th level, partial rehabilitation of the other levels, several raises, the 5th level connection with the Hunter shaft, construction of a mill and the retimbering of the Hunter escape shaft.

Historically, the Company's properties were worked as separate mining areas, the Hopemore and Hunter shafts in the Ibex area. The ores were not concentrated by milling but were shipped directly to the Arkansas Valley Smelter in Leadville.

The Hopemore shaft was worked as part of the Ibex mines until approximately 1902. The Hopemore shaft was sunk in 1907 to reach the 7th level of the Ibex No. 4 mine. Ore bodies in the Leadville dolomite (Blue limestone) lie on the hanging wall side (southwest) of the Ibex No. 4 vein. The ore is associated with a large magnetite skarn replacement body in the Leadville dolomite. The Leadville dolomite on the footwall (east) side of the Ibex No. 4 vein was mined via the Hunter Shaft.

Ground conditions in the district generally do not allow open stopes, therefore, square setting and backfilling with waste of low-grade ore was commonly practiced. When the large ore bodies of the Hopemore were mined, zinc sulfide ore was of no value. High zinc ore was penalized at the local lead smelter, and it is believed that much of the backfill from historic operations may be high-grade zinc mineralization.

El Chanate Project

The El Chanate project is located in the State of Sonora, Mexico, 37 kilometers northeast of town of Caborca. It is accessible by paved and all weather dirt roads. Driving time from Caborca is approximately 40 minutes. Access is via the village of 16 de September.

The project is situated on the Sonora desert in a harsh, hot and windy climate, generally devoid of vegetation with the exception of cactus. The terrain is generally flat with immense, shallow basins, scattered rock outcropping and low rocky hills and ridges. The desert floor is covered by shallow, fine sediment,

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gravel and caliche. The main body of the known surface gold covers and irregularly shaped area of approximately 1800 feet long by 900 feet wide. Several satellite bodies on surface exist which have not been thoroughly explored. Assays on chip samples taken from trenches at these locations by the Company indicate encouraging grades of gold.

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The general El Chanate mine area has been mined for gold since the early 19th century. A number of old underground workings exist characterized by narrow shafts, to a depth of several hundred feet and connecting drifts and cross cuts. No information exists regarding the amount of gold taken out; however, indications are that mining was conducted on a small scale.

GEOLOGY

Hopemore Project

The Hopemore area has been mined from the Ibex No. 7 level. The lower host rocks of the Manitou and Dyer formations are thought to remain unexplored. Steep sulfide veins commonly control the mineralized zones. Four veins have been identified which could feed replacement mineral bodies in these underlying formations. The potential mineral bodies are massive sulfide and could contain between 25,000 to 80,000 tons each of mineralized material. [Scott Hazlitt Geological Report, Leadville Mining & Milling Properties, January 1993].

Geology

The ore deposits in the Leadville district include precious and base metal massive sulfide veins and carbonate hosted deposits near surface oxidized deposits, gold bearing magnetite skarns, and gold rich veins. The major ore bodies are hosted in Paleozoic aged, shelf carbonate rocks with a total thickness of 600 feet.

These sedimentary rocks have been intruded by a series of sills and dikes and faulted, resulting in complex geology. The Company's properties are located on Breece Hill, which is a major intrusive center, and contain gold, silver and base metal minerals.

Weston Fault Massive Sulfide

The Weston fault forms the western boundary of the down-dropped block that contains the deposits of the Black Cloud mine south and east of the Company's properties. The Black Cloud mine was operated from the early 1970's until 1998 by ASARCO, primarily for lead and zinc. The Hopemore-Hunter workings are separated from the Penn Group by the Weston fault that has had a complex history of movement. Early compressional tectonics are believed to have resulted in minor over thrusting and drag folding, possibly similar to that along the Tucson Main Fault on Iron Hill. Later normal faulting resulted in a near vertical structure with the east side down faulted. These two episodes of movement are believed to have produced two strands of the Western Fault. The ground between the two strands of the fault should have undergone good ground preparation and may contain the favorable carbonate section for massive sulfide blanket mineralization. [Scott Hazlitt Geological Report, Leadville Mining & Milling Properties, January 1993].

Weston Fault Stockwork Breccia

Along the southern strike of the Weston fault zone, intersecting faults have

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hosted stockwork breccia zones that contain precious metals and are low in sulfides. The Antioch mine was mined for precious metals during the early part of the twentieth century, producing a siliceous gold ore contained in a broken and brecciated porphyry body between two fault strands. Another similar

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stockwork breccia zone is known as the South Ibez stockwork or Capital stope that contained approximately 250,000 tons of ore. There are two strands of the Weston fault on the Company's property. The strike length controlled is from 1,400-1,600 feet. [Scott Hazlitt Geological Report, Leadville Mining & Milling Properties, January 1993].

El Chanate Project

The project area is underlain by sedimentary rocks of the Late Jurassic - Early Cretaceous Bisbee Group, and the Late Cretaceous Chanate Group, which locally are overlain by andesites of the Cretaceous El Charro volcanic complex. The sedimentary strata are locally intruded by Andesitic sills and dikes, a microporphyrritic latite and by diorite stock. The sedimentary strata are comprised of mudstone, siltstone, sandstone, conglomerate, shale and limestone. Within the drilled resource area, a predecessor exploration company differentiated two units on the basis of their position relative to the Chanate fault. The upper member is an undifferentiated sequence of sandstone, conglomerate and lesser mudstone that lies above the Chanate fault and it is assigned to the Escalante Formation of the Middle Cretaceous Chanate Group. The lower member is comprised of mudstone with intercalated sandstone lenses and thin limestone interbeds; it lies below the Chanate fault and is assigned to the Arroyo Sasabe Formation of the Lower Cretaceous Bisbee Group. The Arroyo Sasabe Fm (formation) overlies the Morita Formation of the Bisbee Group. Both the Escalante and Arroyo Sasabe formations are significantly mineralized proximal to the Chanate fault, while the Morita Formation is barren.

The main structural feature of the project area is the Chanate fault, a 7km long (minimum) northwest-striking, variably southwest-dipping structure that has been interpreted to be a thrust fault. The Chanate fault is overturned (north-dipping) at surface, and is marked by brittle deformation and shearing which has created a pronounced fracture foliation and fissility in the host rocks. In drillholes the fault is often marked the presence of an andesite dike. Reports prepared by a predecessor exploration company describe the fault as consisting of a series of thrust ramps and flats; however, geologic cross sections which the Company has reviewed but did not prepare may negate this interpretation.

Alteration/Mineralization

A predecessor exploration company has defined a 600 meter long, 300 meter wide, 120 meter thick zone of alteration that is centered about the Chanate fault. The strata within this zone have been sericitized, silicified and pyritized to varying degrees. In surface outcrop the altered zone is distinguished by its bleached appearance relative to unaltered rock. The mineralized zone contains only single digit ppm levels of silver. Dense swarms of veinlets form thick, mineralized lenses, within a larger area of subeconomic but anomalous gold concentrations. Drillhole data indicates that the mineralized lenses are subhorizontal to gently southwest-dipping and are grossly parallel to the Chanate fault. The fault zone itself is only weakly mineralized, although strata in the near hangingwall and footwall are appreciably mineralized. A fluid inclusion study by an independent geologist concluded, on the basis of the high CO₂ content of three phase (H₂O - CO₂liquid- CO₂gas) inclusions, that the deposit could not have formed under pressures typical of epithermal and porphyry

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environments, and that quartz textures are consistent with formation at lithostatic pressures at greater than 6 kilometers depth. That study characterized the deposit as mesothermal.

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Work to Date

The El Chanate property has been the site of small scale mining of high grade quartz veins (La Cuchilla mine) during the last century. Modern exploration includes a few core holes drilled by Phelps Dodge in the 1960's as part of a copper exploration program. Kennecott conducted geologic mapping and geochemical sampling in 1991 and dropped the property. A Mexican subsidiary of AngloGold explored the property intermittently between 1992 and 1997, and has conducted extensive surface geologic mapping, geochemical sampling, geophysical studies and drilling, including 11,000 meters of trenching, over 14 line-kilometers of induced polarization geophysical surveys, 61 line-kilometers of VLF-magnetometry geophysical surveys, 87 line-kilometers of enzyme leach geochemical surveys and 34,000 meters of RC drilling in 190 holes and 1080 meters of diamond drilling in 9 holes. That company also commissioned various consultant studies concerning petrography, fluid inclusions, air photo interpretation and structural analyses, and conducted some metallurgical testwork.

Further Development

As indicated above, the Company has had preliminary analysis of the deposit performed by an independent consultant, based on the drilling logs, metallurgy, results of surface sampling and assays in Minera Chanate's possession. Management believes that the results of that analysis are sufficiently encouraging that, assuming the necessary funding can be obtained, management intends to perform further exploration and development work at the El Chanate project (see the discussion below) and, if warranted, to commission the preparation of a feasibility study for a small open-pit, heap-leaching operation at El Chanate.

Our Preliminary Property Development Outline for the El Chanate Project

Assuming sufficient funding is available, the following steps are those that we currently believe are necessary at the El Chanate project as we continue to work toward making a decision about development of a mine at that project:

Confirming Drilling. Drill four or five deep core holes in the heart of the Chanate deposit to confirm existing exploration results. Drill 50 shallow RC holes to confirm the deposit grade in the upper portion of the proposed location of the pit. These holes may increase the grade as previously estimated by RC drilling. The core samples will be utilized in further metallurgical testing.

Metallurgical Testing. The test work will utilize drill core for further studies of the metallurgical recovery. It is important to know what the recoveries will be in the heart of the deposit from where initial production will come. The design of a crusher and/or grinding system and a gold recovery plant will be based on the test work.

Refined Economic Optimization Studies. Calculate engineered capital costs using contract mining and new metallurgical recovery information. Calculate operating cost estimates. Include Mexican tax considerations and labor rates as well as currency fluctuations

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Mine Planning and Design of Service Facilities. Develop an engineered mine plan with detailed month by month production schedules. Mine planning will include: equipment types and sizes, bench heights and haul road design; leach pad design and site location; access road location; fuel location and storage; administration facility; maintenance shop and warehouse complex; assay laboratory; gate house and ambulance shelter; power and electrical supplies and distribution lines; water supply and distribution lines; security provisions; sewage disposal sites; propane supply; and fire protection.

Environmental and Permitting. We already own the surface over the deposit. We need to obtain mining permits from state, federal and local governments, including water permits for processing ores and electrical permits to purchase or produce our own power. We also need to establish reclamation plans.

Site Construction. If warranted, construct an open pit gold mine and facility capable of producing about 2.5 million tons per year of ore and about 50,000 ounces of gold per year at a targeted cash cost of less than \$200 per ounce.

Planned Activities. Activities are planned for the fiscal year ending July 31, 2002 as indicated in Item 6. "Management's Discussion and Analysis of Financial Condition and Results of Operations; Liquidity and Capital Resources."

Item 3. Legal Proceedings

The Company is not presently a party to any material litigation.

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

No matters were submitted to a vote of the Company's shareholders during the fourth quarter of fiscal 2001.

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PART II

Item 5. Market for Common Equity and Related Stockholder Matters

(a) Marketing Information -- The principal U.S. market in which the Company's common shares (all of which are of one class, \$.0001 par value Common Stock) are traded or will trade is in the over-the-counter market (Bulletin Board Symbol: "LMMI"). The Company's stock is not traded or quoted on any Automated Quotation System.

The following table sets forth the range of high and low bid quotes of the Company's Common Stock per quarter for the past two fiscal years and the first quarter of fiscal 2002 as reported by the OTC Bulletin Board (which reflect inter-dealer prices without retail mark-up, mark-down or commission and may not necessary represent actual transactions).

| Quarter Ending ----- | MARKET PRICE OF COMMON STOCK | | |
|-------------------------|------------------------------|------------|-------|
| | High | Bid and | Low |
| ----- | ----- | ----- | ----- |
| October 31, 2001 | 0.38 | | 0.15 |
| July 31, 2001 | 0.43 | | 0.19 |

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| | | |
|------------------|---------|--------|
| April 30, 2001 | 1.03125 | 0.35 |
| January 31, 2001 | 1.70 | 0.4375 |
| October 31, 2000 | 0.85 | 0.40 |
| July 31, 2000 | 0.5313 | 0.36 |
| April 30, 2000 | 2.8125 | 0.3438 |
| January 31, 2000 | 1.875 | 0.5313 |
| October 31, 1999 | 1.2813 | 0.7813 |

(b) Holders -- The approximate number of recordholders of the Company's Common Stock, as of December 5, 2001 amounts to 1,528 inclusive of those brokerage firms and/or clearing houses holding the Company's common shares for their clientele (with each such brokerage house and/or clearing house being considered as one holder). The aggregate number of shares of Common Stock outstanding is 35,831,597 as of December 5, 2001.

(c) Dividends -- The Company has not paid or declared any dividends upon its Common Stock since its inception and, by reason of its present financial status and its contemplated financial requirements, does not contemplate or anticipate paying any dividends upon its Common Stock in the foreseeable future.

During the quarter ended July 31, 2001, the Company issued the following shares of its common stock pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933. The Company sold an aggregate of 716,611 shares for an aggregate of \$ 136,440 to 15 persons. The Company also issued 433,772 shares to three individuals for services of \$78,072.

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Item 6. 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-KSB 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:

- o worldwide economic and political events affecting the supply of and demand for gold;
- o volatility in market prices for gold and other metals;
- o financial market conditions, and the availability of debt or equity financing on terms acceptable to our company;
- o uncertainties as to whether additional drilling, testing and feasibility studies will establish reserves at any of our properties;

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- o uncertainties associated with developing a new mine, including potential cost overruns and the unreliability of estimates in early states of mine development;
- o uncertainties as to title to our properties and the availability of sufficient properties to allow for planned activities in the Leadville District;
- o variations in ore grade and other characteristics affecting mining, crushing, milling and smelting operations and mineral recoveries;
- o geological, metallurgical, technical, permitting, mining and processing problems;
- o 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;
- o uncertainties regarding future changes in tax and foreign-investment legislation or implementation of existing tax and foreign-investment legislation;

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- o the availability of experienced employees; and
- o 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-KSB. 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-K.

Fiscal 2001 Compared to Fiscal 2000

Results of Operations

During the fiscal year ended July 31, 2001, we continued our due diligence with regards to the mineral concessions located in Northwest Mexico owned by Minera Chanate. Based upon the results of our due diligence, we dropped 62 of the 106 concessions, leaving 44 concessions. We exercised the option to obtain 100% of the shares of Minera Chanate and closed the transaction in June 2001. We are seeking joint venture partners to participate in the further exploration and development of the Minera Chanate concessions. These claims are in excess of 44 square miles of terrain.

During the year, we also continued geological evaluation of several areas within the concessions to determine whether they have open pit potential. These properties will be subject to further evaluation and possible reverse circulation ("R.C.") drilling.

El Chanate, one of the primary targets within the Minera Chanate concessions, was also subject to further economic evaluation. Scott Hazlitt, our mining project manager, conducted reserve evaluation and computer simulations together

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with the independent services of Mine Reserve Associates of Lakewood, Colorado. Minerals Advisory Group, LLC of Tucson, Arizona conducted mine planning and equipment. Kappes, Cassidy and Associates of Reno, Nevada is studying the metallurgy by conducting grinding studies with bottle roll and column tests for solubility on El Chanate mineral samples. The result of the grinding studies shows that the gold recovery increases significantly as grinding reduces the ore particle size. Metallurgical studies by R.D.I. of Denver, Colorado indicated encouraging gold recoveries using heap leach cyanide technology.

Our evaluation of the Minera Chanate properties remains an on-going project. Upon completion of our evaluation, provided we determine that the results are satisfactory, we hope to be ready for development and subsequent production. We currently anticipate additional exploratory drilling will be conducted, assuming adequate funding is available, to expand the known deposits in addition to, infill-drilling, which would expand the present drill pattern to improve drill hole density.

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During the fiscal year ended July 31, 2001 we completed Phase I and Phase II exploration on the Lobos property located in Sinaloa, Mexico at a total cost of \$ 232,378. The Lobos property consists of two concessions totaling over 7,000 acres (the "Lobos Program"). The Lobos Program was carried out under an option agreement with International Northair Mines Ltd. ("INM"), of Vancouver, BC (CDNX:INM) and its wholly-owned Mexican subsidiary pursuant to which we can earn a 51% interest in INM's Lobos Project. The Company subsequently dropped its interest in the Lobos Program.

During the fiscal year ended July 31, 2000, the Company continued exploration and development activity at its gold/silver/base metal mining project in Colorado. During this time, the Company did not receive revenue from its operations although it expended considerable sums for the development of its proposed mining and milling operation. (See "Liquidity and Capital Resources").

The primary effort during fiscal 2000 was exploration of the Hopemore mine by longhole, diamond core drilling, tunneling and drifting. In addition, an R.C. drilling program was initiated on Breece Hill in search of a surface mineable deposit of gold and silver.

During the year, the Company drilled approximately 7,800 feet of diamond core hole in the Hopemore mine, directing the drill towards projected targets associated with the #4, #5, #69 and #70 veins and B-Zone. Much of the drill core exhibited low-grade gold/silver mineralization and included a number of high-grade gold and silver intervals that require further drilling to determine size and grade. The exploratory effort was judged to have served its primary purpose to test promising targets and to locate sites of potential, high-grade gold ore. The underground drilling program also provided vital information which, when combined with surface geological data such as oxidized material, casts, box works, and jasperoid from old mine dumps, contributed to the decision to initiate the R.C. drilling program, in search of a surface mineable deposit of gold and silver.

The Phase #1 R.C. drilling program on Breece Hill generally covered the area occupied by the Hunter, Old Highland Chief, Highland Mary and President mines. The drill site measured 1/4 mile in length and 500 feet in width. The drill results were logged, mapped and digitized. The evaluation is continuing. The Phase #2 program followed Phase #1 after a short time interval and covered the northwest end of the Breece Hill magnetic anomaly near Adelaide Park, but also included additional drilling at the Hunter location. The Phase #2 drilling program and evaluation is also continuing. A total number of 34 R.C. holes have

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been drilled to date, each varying in depth from 350 to 600 feet, totaling 15,950 feet of hole. The preliminary results of drilling suggest the possible existence of a body of near surface gold/silver mineralization that may be amendable to open pit-mining methods. More information is needed before this can be confirmed.

During fiscal year 2000, the Company engaged in an effort to acquire new mineral leases on Breece Hill. This effort has been successful and is continuing. As a result, the Company was able to acquire an additional 150.5 gross acres and 63.0 net acres. This acreage was leased on a royalty basis for a period of 10 to 20 years.

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The Company generated no revenues from operations during the fiscal years ended July 31, 2001 and 2000. There were de minimis non-operating revenues during these periods of \$2,969 and \$1,945, respectively.

Over all, costs and expenses increased by \$7,888,733 (approximately 515%) from 2000 (\$1,531,285) to 2001 (\$9,420,018).

Mine expenses increased by \$196,225 (approximately 25.0%) from 2000 (\$786,360) to 2001 (\$982,585). The increase in mine expenses resulted primarily from expanded work at the mine and exploration at the Mexican properties.

Selling, general and administrative expenses increased by \$913,092 (approximately 176%) from 2000 (\$518,018) to 2001 (\$1,431,110) primarily due to an increase in the cost of raising capital.

Stock based compensation increased by \$6,780,915 (3,060%) from 2000 (\$221,585) to 2001 (\$7,002,500) primarily due to the excess of market value of the options granted to the exercise price of the options.

As a result, the Company's net loss for 2001 was \$9,418,266, which was \$7,888,246 (approximately 516%) more than its 2000 loss of \$1,530,020.

Liquidity and Capital Resources

As of July 31, 2001, the Company had working capital deficit of \$3,301. The Company can only continue as a going concern in the event that it obtains additional capital. As noted below, management anticipates that it will need at least \$10,787,500 in order to carry out its plans for fiscal 2002 which includes the costs of administration and mine related activities. To the extent that cash flow is unavailable, management intends to raise all necessary capital through the sale of its securities and/or debt financing.

Specific plans to obtain financing will most likely include bank financing and/or private placements of the Company's securities to institutions; private individuals and/or investment groups. During fiscal 2001, the Company raised approximately \$1,775,716 through the sale of common stock. These investments have enabled the Company to proceed with its exploration of the El Chanate concessions and the Lobos properties and the acquisition of Minera Chanate.

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Assuming that the Company is able to obtain funds, planned activities over the

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next year in Mexico, in order of priority, are as set forth below. Some of these activities may not be completed by July 31, 2002, the end of the Company's current fiscal year.

| Activity ----- | Estimated Cost ----- |
|---------------------------------|-------------------------|
| Core Drilling and Assaying | \$200,000 |
| Resource Estimation | \$10,000 |
| Metallurgical Testing | \$20,000 |
| Mine Planning | \$15,000 |
| Process Design/Planning | \$10,000 |
| Reserve Estimation | \$2,500 |
| Site Layout | \$2,500 |
| Capital Budget Estimation | \$2,500 |
| Operating Cost Estimation | \$2,500 |
| Life of Mine Cash Flow Analysis | \$2,500 |
| Engineering & Holding Costs- | \$25,000 |
| Mine Construction (El Chanate) | \$10,000,000 |
| | ----- |
| TOTAL | \$10,292,500 |

Aside from the above planned activities, the Company's basic administrative capitals needs (e.g. rent, salaries, utilities, etc.) are approximately \$41,000 per month (\$495,000 per year). Management has been funding these basic requirements and hopes to continue to fund these requirements through the private sale of its Common Stock. During the year ended July 31, 2001, the Company obtained approximately \$1,775,716 from the private sale of Common Stock.

During the fiscal year 2002 the Company needs approximately \$10,787,500 in order to complete the planned projects. In the event not all funds are available, some projects could be curtailed or eliminated

There is no assurance whatsoever that the Company will generate any revenues during the fiscal year ending July 31, 2002 or that any of the Company's proposed plans to raise capital and otherwise fund operations will prove successful. The Company's inability to obtain sufficient funding will delay the Company's planned operations or, possibly, force the Company to go out of business.

Environmental Issues

Management does not expect that environmental issues will have an adverse material effect on the Company's liquidity or earnings. Before any mining development or mining exploration or construction of milling facilities could begin at the Company's Leadville properties, it was necessary to meet all environmental requirements and to satisfy the regulatory agencies in Colorado that the Company's proposed procedures fell within the boundaries of sound environmental practice. The Company is bonded to insure procedures and reclamation of any

areas disturbed by the Company's activities. In 1997, the Colorado Mined Land Reclamation Board reviewed the Company's permit and bond and determined that an increase in the bond was necessary. At that time, the Company placed an additional \$6,000 in escrow against any future indemnity. The Company again increased the bond by an additional \$24,550 and \$6,600, respectively on March 14, 2000 and July 25, 2000. The current amount of this bond is \$37,150. In Mexico, we are not aware of any significant environmental concerns or existing

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reclamation requirements at the Minera 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. 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 was declared a Superfund site. Several mining companies and one individual were declared defendants in a possible lawsuit. The Company was not named a defendant or Possible Responsible Party. The Company did respond in full detail to a lengthy questionnaire prepared by the Environmental Protection Agency ("EPA") regarding the Company's proposed procedures and past activities in November 1990. To the Company's knowledge, the EPA has initiated no further comments or questions.

The Company does include in all its 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 does not appear to be any environmental costs to be incurred by the Company beyond those already addressed above. No assurance can be given that environmental regulations will not be changed in a manner that would adversely affect the Company's planned operations.

Item 7. Financial Statements.

For the Financial Statements required by Item 7 see the Financial Statements included at the end of this Form 10-KSB.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.

There have been no changes in or disagreements with accountants with respect to accounting and/or financial disclosure.

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PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

The following table sets forth certain information concerning the directors and executive officers of the Company:

| Name | Age | First Became Director | Position |
|---------------------|-----|-----------------------------|---|
| ---- | --- | ----- | ----- |
| Gifford A. Dieterle | 69 | 9/22/82 | President, Treasurer & Chairman of the Board |
| Robert Roningen | 68 | 9/14/93 | Senior Vice President, Secretary |
| Jack V. Everett | 80 | 1/25/95 | Director, Vice President - Exploration |
| Roger A Newell | 57 | 8/28/00 | Director, Vice President - Development |

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Jeffrey W. Pritchard

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1/27/00

Director, Vice President -
Investor Relations

Directors are elected at the meeting of shareholders called for that purpose and hold office until the next shareholders meeting called for that purpose or until their resignation or death. Officers of the corporation are elected by the directors at meetings called by the directors for its purpose.

GIFFORD A. DIETERLE, President, Treasurer and Chairman of the Board of Directors of the Company. Mr. Dieterle was appointed President in September 1999 following the resignation of Donald W. Wilson. His highest educational degree is a M.S. in Geology obtained from New York University. From 1977 until July 1993, he was Chairman, Treasurer, and Executive Vice-President of Franklin Consolidated Mining Company. From 1965 to 1987, he was lecturer in geology at the City University of N.Y. (Hunter Division). Since 1962, he has been a consulting geologist engaged in the geological evaluation of oil and mineral properties.

ROBERT RONINGEN, Senior Vice President, Secretary and Director, has been engaged in the practice of law as a sole practitioner and is a self-employed consultant geophysicist in Duluth, Minnesota. From 1988 to August 1993, he was an officer and director of Franklin Consolidated Mining Company, Inc. He graduated from the University of Minnesota in 1957 with a B.A. in geology and in 1962 with a degree in Law.

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JACK V. EVERETT, Vice President - Exploration and Director, has been a consulting mining geologist for 25 years, with expertise in all phases of exploration for base and precious metals. Following his 1947 graduation from Michigan State University, he was District Geologist for Pickands Mather & Company on the Cuyuna Iron Range, Minnesota. From 1951 to 1970, he was Chief Geologist and Exploration Manager for W.S. Moore Company, Duluth, Minnesota an iron mining company with gold and base metal sulfide holdings in the U.S. and Canada.

ROGER A. NEWELL, Vice President - Development and Director, has been in the mining industry for over 30 years. From 1977 through 1989, he served as Exploration Manager/Senior Geologist for the Newmont Mining Company and, from 1989 through 1995, was the Exploration Manager for Gold Fields Mining Company. He was Vice President Development, for Western Exploration Company from 1997 through 2000. His highest educational degree is a Ph.D. in mineral exploration from Stanford University.

JEFFREY W. PRITCHARD, Vice President - Investor Relations and Director, has worked for the Company for the past five years. He has been in the marketing/public relation's field since receiving a Bachelor's degree from the State University of New York in 1979. Jeff has served as the Director of Marketing for the New Jersey Devils, July 1987-April 1990, and as the Director of Sales for the New York Islanders from May 1985-June 1987. He also was an Executive Vice President with Long Island based Performance Network, a marketing and publishing concern, from May 1990 through October 1995.

Compliance with Section 16(a) of The Securities Exchange Act of 1934

To the Company's knowledge, based solely on a review of such materials as are required by the Securities and Exchange Commission, no officer, director or beneficial holder of more than ten percent of the Company's issued and

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outstanding shares of Common Stock failed to timely file with the Securities and Exchange Commission any form or report required to be so filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, except that Messrs. Dieterle, Roningen, Everett, Pritchard, Newell and Shevchenko failed to timely file Forms 4.

Item 10. Executive Compensation

The following table shows all the cash compensation paid or to be paid by the Company or any of its subsidiaries, as well as certain other compensation paid or accrued, during the fiscal years indicated, to the Chief Executive Officer for such period in all capacities in which he served. Information concerning the Chief Executive Officer relates to Gifford Dieterle. Donald W. Wilson, the former Chief Executive Officer, retired in September 1999. No other Executive Officer received total annual salary and bonus in excess of \$100,000.

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SUMMARY COMPENSATION TABLE

| (a) | Annual Compensation | | | | Awards | |
|-----------------------------|---------------------|--------|------|--------------------------------|-----------------------------|--------------|
| | (b) | (c) | (d) | (e) | (f) | (g) |
| Name and Principal Position | Year | Salary | (\$) | Other Annual Compensation (\$) | Restricted Stock Award (\$) | Options/SARs |
| Gifford A. Dieterle | 2001 | 96,350 | -0- | -0- | -0- | 2,000 |
| Chief Executive Officer | 2000 | 47,473 | -0- | -0- | -0- | 1,000 |
| Donald W. Wilson | 2000 | 13,368 | -0- | -0- | -0- | -0- |
| Chief Executive Officer | 1999 | 76,998 | -0- | -0- | -0- | -0- |

The following table sets forth information with respect to the Company's Executive Officers concerning the grants of options and Stock Appreciation Rights ("SAR") during the past fiscal year:

OPTION/SAR GRANTS IN LAST FISCAL YEAR
Individual Grants

| (a) | (b) | (c) | (d) | (e) |
|-----|----------|--|-----|-----|
| | Options/ | Percent of Total Options/SARs Granted to | | |

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| Name | SARs Granted | Employee in Fiscal Year | Exercise or Base Price (\$/SH) | Expira Date |
|-------------------|-----------------|----------------------------|-----------------------------------|----------------|
| Gifford Dieterle | 2,000,000 | 22.0% | \$.22 | 11-16 |
| Robert Roningen | 500,000 | 5.5% | \$.22 | 11-16 |
| Jack Everett | 500,000 | 5.5% | \$.22 | 11-16 |
| Horst Scherp | -0- | | | |
| Jeffrey Pritchard | 500,000 | 5.5% | \$.22 | 11-16 |

The following table sets forth information with respect to the Company's Executive Officers concerning exercise of options during the last fiscal year and unexercised options and SARs held as of the end of the fiscal year:

| Aggregated Option/SAR Exercises and Fiscal Year-End Option/SAR | | | | |
|--|---------------------------------------|-------------------|--|--|
| (a) | (b) | (c) | (d) | (e) |
| Name | Shares Acquired on Exercise (#) | Value Realized | Number of Unexercised Options/SARs at FY-End(##) Exercisable/ Unexercisable | Value of Unexercised In-the-Money Option/SARs at FY-End(##) Exercisable/ Unexercisable |
| Donald W. Wilson | -0- | -0- | 500,000 | - |
| Gifford Dieterle | -0- | -0- | 3,500,000 | - |
| Robert Roningen | -0- | -0- | 1,650,000 | - |
| Jack Everett | -0- | -0- | 750,000 | - |
| Horst Scherp | -0- | -0- | 10,000 | - |
| Jeffrey Pritchard | -0- | -0- | 600,000 | - |

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The following table sets forth information with respect to the Executive Officers concerning awards under long term incentive plans during the last fiscal year:

| Estimated Future Payouts under No Price Based Plans | | | | |
|--|--|--|-------------------------------|-----------|
| (a) | (b) | (c) | (d) | (e) |
| Name | Number of Shares, Units or Other Rights(##) | Performance or Other Period Until Maturation or Payout | Threshold Target (\$ or #) | (\$ or #) |
| ----- | ----- | ----- | ----- | ----- |

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| | |
|------------------|-----|
| Donald W. Wilson | -0- |
| Gifford Dieterle | -0- |
| Robert Roningen | -0- |
| Jack. Everett | -0- |
| Horst Scherp | -0- |

Directors are not compensated for acting in their capacity as Directors. Directors are reimbursed for their accountable expenses incurred in attending meetings and conducting their duties.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Certain Beneficial Owners -- The persons set forth on the charts below are known to the Company to be the beneficial owners of more than 5% of the Company's outstanding voting Common Stock as of December 5, 2001.

(b) Security Ownership of Management - Information concerning the number and percentage of shares of voting Common Stock of the Company owned of record and beneficially by management as of December 5, 2001, is set forth on the charts below.

| Title of Class ----- | Name of Beneficial Owner ----- | Amount & Nature of Beneficial Ownership 12/5/01 ----- | Approximate Percentage (1) (2) ----- |
|---|---|--|--|
| Common Stock | Gifford A. Dieterle* | 4,714,106 (2) (3) | 12.1% |
| Common Stock | Jack Everett* | 975,000 (2) | 2.7% |
| Common Stock | Robert Roningen* | 2,100,000 (2) (4) | 5.6% |
| Common Stock | Horst Scherp* | 25,000 (2) | ** |
| Common Stock | Jeffrey W. Pritchard* | 706,354 (2) | 1.9% |
| Common Stock | Roger A Newell* | 800,000 (2) | 2.2% |
| Common Stock | Donald W. Wilson* | 701,000 (2) | 1.9% |
| Common Stock | Richard Shevchenko | 5,233,857 (2) (5) | 13.3% |
| All Officers and Directors as a Group (7) * | | 10,021,460 (2) (3) (4) | 23.3% |

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* Officer and/or Director of the Company, including Mr. Wilson who resigned as President and a Director of the Company in September 1999 and Horst Scherp, who resigned as a Director in January 2000.

** Less than one percent.

(1) Based upon 35,831,597 shares issued and outstanding as of December 5, 2001.

(2) For Messrs. Wilson, Dieterle, Everett, Roningen, Scherp, Pritchard, Shevchenko and Newell, includes, respectively, 500,000 shares, 3,272,727 shares, 522,727 shares, 1,622,727 shares, 20,000 shares, 600,000 shares, 3,500,000 shares and 572,727 shares issuable upon exercise of options

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and/or warrants.

- (3) Includes shares owned by Mr. Dieterle's wife.
- (4) Includes shares owned by Mr. Roningen's wife.
- (5) Includes shares owned by Mr. Shevchenko's wife.

Item 12. Certain Relationships and Related Transactions.

On November 16, 2000, the Company issued to the following members of the Board, Officers and others as compensation for services rendered during the past 12 months. These services are in the form of geology, property acquisition and leasing, public relations, administration and capital acquisition. The options are granted for a period of 3 years and are exercisable at a price of \$.22 per share, except as noted. The quantities of options issued per individual are based upon their contribution to the company: Gifford Dieterle- 2,000,000 shares, Robert Roningen - 500,000, Jack V. Everett - 500,000 shares, Jeffrey Pritchard - 500,000 shares (the exercise price with regard to 127,273 options was reduced on November 26, 2001 to \$.22 per share), Roger Newell - 500,000 shares (the exercise price was reduced on April 17, 2001 to \$.022 per share) and Richard Shevchenko - 2,500,000 shares (the exercise price with regard to 227,273 options was reduced November 26, 2001 to \$.022 per share). The options are granted for a period of 3 years and are exercisable at a price of \$.22 per share.

On September 13, 2000, the Company issued to Roger A. Newell an option to purchase 300,000 shares of stock at \$.22 per share (this exercise price was reduced on April 17, 2001 to \$.022 per share).

On March 6, 2000, the Company issued to Jeffrey W. Pritchard, a Vice President and Director of the Company, options to purchase 100,000 shares. These options expire on March 6, 2003 and are exercisable at \$.022 per share.

On November 1, 1999, the Company issued the following options to certain officers, directors and principal shareholders: Gifford Dieterle- option to purchase 1,000,000 shares, Robert Roningen - option to purchase 1,000,000 shares, Richard Shevchenko - option to purchase

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1,000,000 shares, Jack Everett 250,000 shares. All options granted on that date expire on November 1, 2002 and are exercisable at \$.022 per share.

On June 5, 1998, the Company issued the following options to certain officers and directors. Donald Wilson - option to purchase 150,000 shares; Gifford Dieterle - option to purchase 150,000 shares; Robert Roningen option to purchase 150,000 shares; Jack Everett -option to purchase 150,000 shares; Horst Scherp - option to purchase 10,000 shares. All options granted on that date expire on June 5, 2001. All shares held by Messrs. Wilson and Scherp are exercisable at \$.22 per share. The exercise price of the other options were reduced on July 15, 2000 to \$.022 per share.

Effective April 11, 1997, the Company reverse split its outstanding shares of Common Stock on a one-for-ten basis and adjusted the terms of all outstanding options and warrants accordingly. Unless the context specifically indicates otherwise, all references herein to Shares, options and warrants have been adjusted to take into account the reverse split.

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On April 2, 1997, the Company issued the following options to certain officers and directors. Donald Wilson - option to purchase 350,000 shares; Gifford Dieterle - option to purchase 350,000 shares; Robert Roningen option to purchase 350,000 shares; Jack Everett -option to purchase 50,000 shares; Horst Scherp - option to purchase 10,000 shares. All options granted On that date expire on April 2, 2001. The options were exercisable at \$.35 per share. On November 10, 1997 the exercise price decreased to \$0.10 per share. On July 15, 2000 the exercise price was reduced to \$0.022 per share for Messrs. Dieterle and Everett.

On January 5, 1996, the Company issued the following options to certain officers and directors. Donald Wilson - option to purchase 200,000 shares; Gifford Dieterle - option to purchase 220,000 shares; Robert Roningen - option to purchase 150,000 shares; Jack Everett -option to purchase 25,000 shares; Horst Scherp - option to purchase 5,000 shares. All options granted on that date were to expire on January 5, 1998 and were to be exercisable at \$.35 per share. On November 20, 1997 the Board of Directors approved a 3-year extension expiring January 5, 2001 at an exercisable price decrease to \$.10 per share.

Item 13. Exhibits and Reports on Form 8-K.

Exhibits

- 3.a Certificate of Incorporation of Company(1)
- 3.b Amendments to Certificate of Incorporation of Company (1)
- 3.c By-Laws of Company (1)

- 10.a Mining Claims (1)
- 10.b Stock Purchase Option Agreement from AngloGold (2)
- 10.c Letter of Intent with International Northair Mines Ltd. (2)

- 21.1 Subsidiaries of the Company

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- (1) Previously filed as an exhibit to the Company's Registration Statement on Form S-18 (SEC File No. 2-86160-NY) filed on or about November 10, 1983, and incorporated herein by this reference.
- (2) Previously filed as an exhibit to the Company's Quarterly Report on Form 10-QSB for the quarter ended January 31, 2001 filed with the Commission on or about March 16, 2001, and incorporated herein by this reference.

Reports of Form 8-K

8-K dated July 16, 2001. Item 2

Statements contained in this Form 10-KSB as to the contents of any agreement or other document referred to are not complete, and where such agreement or other document is an exhibit to this Report or is included in any forms indicated above, each such statement is deemed to be qualified and amplified in all respects by such provisions.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LEADVILLE MINING AND MILLING CORP.

By: /s/ Gifford A. Dieterle, Pres.

Gifford A. Dieterle, President

Dated: December 12, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| SIGNATURES ----- | TITLE ----- | DATE ---- |
|---|--|-------------------|
| /s/ Gifford A. Dieterle ----- Gifford A. Dieterle | President, Treasurer, Principal Financial and Accounting Officer and Chairman of the Board of Directors | December 12, 2001 |
| /s/ Jack V. Everett ----- Jack Everett | V.P, Director | December 12, 2001 |
| /s/ Robert Roningen ----- Robert Roningen | Senior V.P, Secretary, Director | December 12, 2001 |
| /s/ Roger A. Newell ----- Roger A. Newell | Director | December 12, 2001 |
| /s/ Jeffrey W. Pritchard ----- Jeffrey W. Pritchard | Director | December 12, 2001 |

SUPPLEMENTAL INFORMATION

Supplemental Information to be Furnished With Reports Filed Pursuant to Section 15(d) of the Act by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Act.

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NOT APPLICABLE.

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
FILED WITH THE ANNUAL REPORT OF THE
COMPANY ON FORM 10-KSB

FOR THE YEAR ENDED JULY 31, 2001

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

CONSOLIDATED BALANCE SHEET AS OF JULY 31, 2001, LEADVILLE MINING AND MILLING
CORP.

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEARS ENDED JULY 31, 2001 AND JULY
31, 2000, AND FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2001,
LEADVILLE MINING AND MILLING CORP.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE PERIOD
SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2001, LEADVILLE MINING AND MILLING
CORP.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JULY 31, 2001 AND JULY
31, 2000, AND FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2001,
LEADVILLE MINING AND MILLING CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other schedules not submitted are omitted, because the information is included
elsewhere in the financial statements or the notes thereto, or the conditions
requiring the filing of these schedules are not applicable.

As to certain matters, the financial statements herein differ in presentation
from, and include data which are not contained in, the Company's published
financial statements to stockholders. Such presentation and additional data are
submitted solely for the purpose of complying with the applicable accounting
requirements of Form 10-KSB and Regulation S-X.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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To The Board of Directors & Shareholders of
Leadville Mining and Milling Corp.

We have audited the accompanying consolidated balance sheet of Leadville Mining and Milling Corp. and subsidiaries (A Development Stage Enterprise) as of July 31, 2001, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the two years in the period ended July 31, 2001 and for the period September 17, 1982 (Inception) to July 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Leadville Mining and Milling Corp. and subsidiaries (A Development Stage Enterprise) as of July 31, 2001 and the consolidated results of their operations and their cash flows for each of the two years in the period ended July 31, 2001 and for the period September 17, 1982 (Inception) to July 31, 2001 in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred recurring losses through July 31, 2001 of \$19,228,130 and has a working capital deficiency of \$3,301 that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

WOLINETZ, LAFAZAN & COMPANY, P.C.

Rockville Centre, New York
December 3, 2001

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED BALANCE SHEET
JULY 31, 2001

ASSETS

Current Assets:
Cash

\$ 63,920

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| | |
|--|--------------|
| Loans Receivable - Related Party | 11,000 |
| Loans Receivable - Others | 41,300 |
| Other Current Assets | 6,316 |
| | ----- |
| Total Current Assets | 122,536 |
| | ----- |
| Property and Equipment (Net of Accumulated Depreciation of \$364,622) | 1,390,475 |
| | ----- |
| Other Assets: | |
| Mining Reclamation Bonds | 47,750 |
| Security Deposit | 3,667 |
| | ----- |
| Total Other Assets | 51,417 |
| | ----- |
| Total Assets | \$ 1,564,428 |
| | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|---|--------------|
| Current Liabilities: | |
| Accounts Payable | \$ 70,636 |
| Notes Payable | 5,201 |
| Option Payment Payable | 50,000 |
| | ----- |
| Total Current Liabilities | 125,837 |
| | ----- |
| Commitments and Contingencies | |
| Stockholders' Equity: | |
| Common Stock, Par Value \$.001 Per Share; Authorized 150,000,000 shares; Issued and Outstanding 33,539,597 Shares | 33,540 |
| Capital Paid In Excess of Par Value | 20,633,674 |
| Deficit Accumulated in the Development Stage | (19,228,130) |
| Accumulated Other Comprehensive Income (Loss) | (493) |
| | ----- |
| Total Stockholders' Equity | 1,438,591 |
| | ----- |
| Total Liabilities and Stockholders' Equity | \$ 1,564,428 |
| | ===== |

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

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF OPERATIONS

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| | For The Year Ended July 31, | | For The Per September 17, (Inception) To July 31, 2001 |
|--|--------------------------------|----------------|--|
| | 2001 | 2000 | |
| | (Unconsolidated) | | |
| Revenues: | | | |
| Interest Income | \$ 2,969 | \$ 1,475 | \$ 714,47 |
| Miscellaneous | -- | 470 | 26,27 |
| | ----- | ----- | ----- |
| Total Revenues | 2,969 | 1,945 | 740,75 |
| | ----- | ----- | ----- |
| Costs and Expenses: | | | |
| Mine Expenses | 982,585 | 786,360 | 4,400,62 |
| Selling, General and Administrative Expenses | 1,431,110 | 518,018 | 6,731,31 |
| Stock Based Compensation | 7,002,500 | 221,585 | 8,332,00 |
| Depreciation | 3,823 | 5,322 | 364,62 |
| Loss on Write-Off of Investment | -- | -- | 10,00 |
| Loss on Joint Venture | -- | -- | 101,70 |
| | ----- | ----- | ----- |
| Total Costs and Expenses | 9,420,018 | 1,531,285 | 19,940,26 |
| | ----- | ----- | ----- |
| Loss Before Provision For Income Taxes | (9,417,049) | (1,529,340) | (19,199,51) |
| Provision For Income Taxes | 1,217 | 680 | 28,61 |
| | ----- | ----- | ----- |
| Net Loss | \$ (9,418,266) | \$ (1,530,020) | \$ (19,228,12) |
| | ===== | ===== | ===== |
| Net Loss Per Share | \$ (. 31) | \$ (.07) | |
| | ===== | ===== | |
| Average Common Shares Outstanding | 30,100,496 | 21,783,072 | |
| | ===== | ===== | |

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

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2001

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| | Common Stock Shares | Amount | Capital Paid In Excess of Par Value | Deficit Accumulated In The Development Stage |
|-----------------------------------|------------------------|--------|---|--|
| | ----- | ----- | ----- | ----- |
| Balance | | | | |
| September 17, 1982 | | | | |
| (Inception) | -0- | \$ -0- | \$ -0- | \$ -0- |
| Initial Cash | | | | |
| Officers - At \$.001 Per Share | 1,575,000 | 1,575 | -- | -- |
| Other Investors - | | | | |
| At \$.001 Per Share | 1,045,000 | 1,045 | -- | -- |
| Initial - Mining Claims | -- | | | |
| Officer - At \$.002 Per Share | 875,000 | 875 | 759 | -- |
| Common Stock Issued For: | | | | |
| Cash At \$.50 Per Share | 300,000 | 300 | 149,700 | -- |
| Net Loss | -- | -- | -- | (8,486) |
| | ----- | ----- | ----- | ----- |
| Balance - July 31, 1983 | 3,795,000 | 3,795 | 150,459 | (8,486) |
| Common Stock Issued For: | | | | |
| Cash Pursuant to Initial Offering | | | | |
| At \$1.50 Per Share, Net of | | | | |
| Offering Costs of \$408,763 | 1,754,741 | 1,755 | 2,221,594 | -- |
| Net Income | -- | -- | -- | 48,890 |
| | ----- | ----- | ----- | ----- |
| Balance - July 31, 1984 | 5,549,741 | 5,550 | 2,372,053 | 40,404 |
| Net Income | -- | -- | -- | 18,486 |
| | ----- | ----- | ----- | ----- |
| Balance - July 31, 1985 | 5,549,741 | 5,550 | 2,372,053 | 58,890 |
| Common Stock Issued For: | | | | |
| Mineral Lease At \$1.00 Per Share | 100 | -- | 100 | -- |
| Net Income | -- | -- | -- | 4,597 |
| | ----- | ----- | ----- | ----- |
| Balance - July 31, 1986 | 5,549,841 | 5,550 | 2,372,153 | 63,487 |

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

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CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2001

| | Common Stock Shares | Amount | Capital Paid In Excess of Par Value | Deficit Accumulated In The Development Stage |
|--|------------------------|--------|---|--|
| | ----- | ----- | ----- | ----- |
| Net Loss | -- | \$ -- | \$ -- | \$ (187,773) |
| Balance - July 31, 1987 | 5,549,841 | 5,550 | 2,372,153 | (124,286) |
| Common Stock Issued For: Services Rendered At \$1.00 Per Share | 92,000 | 92 | 91,908 | -- |
| Net Loss | -- | -- | -- | (328,842) |
| Balance - July 31, 1988 | 5,641,841 | 5,642 | 2,464,061 | (453,128) |
| Net Loss | -- | -- | -- | (379,852) |
| Balance - July 31, 1989 | 5,641,841 | 5,642 | 2,464,061 | (832,980) |
| Common Stock Issued For: Cash: | | | | |
| At \$.70 Per Share | 269,060 | 269 | 194,219 | -- |
| At \$.50 Per Share | 387,033 | 387 | 199,443 | -- |
| Services: | | | | |
| At \$.50 Per Share | 68,282 | 68 | 34,073 | -- |
| Commissions: | | | | |
| At \$.70 Per Share | 15,000 | 15 | (15) | -- |
| Commissions Paid | -- | -- | (2,100) | -- |
| Net Loss | -- | -- | -- | (529,676) |
| Balance - July 31, 1990 | 6,381,216 | 6,381 | 2,889,681 | (1,362,656) |
| Common Stock Issued For: Cash At \$.60 Per Share | 318,400 | 319 | 180,954 | -- |
| Net Loss | -- | -- | -- | (356,874) |
| Balance - July 31, 1991 | 6,699,616 | 6,700 | 3,070,635 | (1,719,530) |

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

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2001

| | Common Stock | | Capital Paid | Deficit |
|--------------------------|--------------|--------|--------------|-------------|
| | Shares | Amount | In Excess of | Accumulated |
| | ----- | ----- | Par Value | In The |
| | | | | Development |
| | | | | Stage |
| | | | | ----- |
| Common Stock Issued For: | | | | |
| Cash: | | | | |
| At \$.30 Per Share | 114,917 | \$ 115 | \$ 34,303 | \$ -- |
| At \$.50 Per Share | 2,000 | 2 | 998 | -- |
| At \$.60 Per Share | 22,867 | 23 | 13,698 | -- |
| At \$.70 Per Share | 10,000 | 10 | 6,990 | -- |
| At \$.80 Per Share | 6,250 | 6 | 4,994 | -- |
| At \$.90 Per Share | 5,444 | 5 | 4,895 | -- |
| Services: | | | | |
| At \$.32 Per Share | 39,360 | 39 | 12,561 | -- |
| At \$.50 Per Share | 92,353 | 93 | 46,084 | -- |
| Exercise of Options: | | | | |
| At \$.50 Per Share By | | | | |
| Related Party | 100,000 | 100 | 49,900 | -- |
| Net Loss | -- | -- | -- | (307,477) |
| Balance - July 31, 1992 | 7,092,807 | 7,093 | 3,245,058 | (2,027,007) |
| Common Stock Issued For: | | | | |
| Cash: | | | | |
| At \$.30 Per Share | 176,057 | \$ 176 | \$ 51,503 | \$ -- |
| At \$.50 Per Share | 140,000 | 140 | 69,964 | -- |
| At \$.60 Per Share | 10,000 | 10 | 5,990 | -- |
| At \$.70 Per Share | 17,000 | 17 | 11,983 | -- |
| At \$1.00 Per Share | 50,000 | 50 | 49,950 | -- |
| Services: | | | | |
| At \$.50 Per Share | 495,556 | 496 | 272,504 | -- |
| Commissions: | | | | |
| At \$.50 Per Share | 20,220 | 20 | (20) | -- |
| Commissions Paid | -- | -- | (1,500) | -- |
| Net Loss | -- | -- | -- | (626,958) |
| Balance - July 31, 1993 | 8,001,640 | 8,002 | 3,705,432 | (2,653,965) |

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

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2001

| | Common Stock | | Capital Paid | Deficit |
|--------------------------|--------------|--------|--------------|-------------|
| | Shares | Amount | In Excess of | Accumulated |
| | ----- | ----- | Par Value | In The |
| | ----- | ----- | ----- | Development |
| | ----- | ----- | ----- | Stage |
| | ----- | ----- | ----- | ----- |
| Common Stock Issued For: | | | | |
| Cash: | | | | |
| At \$.30 Per Share | 249,330 | \$ 150 | \$ 43,489 | \$ -- |
| At \$.50 Per Share | 377,205 | 377 | 189,894 | -- |
| Services: | | | | |
| At \$.30 Per Share | 500,000 | 500 | 149,500 | -- |
| At \$.50 Per Share | 130,000 | 130 | 71,287 | -- |
| At \$.50 Per Share | | | | |
| By Related Party | 56,000 | 156 | 77,844 | -- |
| At \$.70 Per Share | 4,743 | 4 | 3,316 | -- |
| Exercise of Options For | | | | |
| Services: | | | | |
| At \$.50 Per Share | 35,000 | 35 | 17,465 | -- |
| At \$.50 Per Share | | | | |
| By Related Party | 150,000 | 150 | 74,850 | -- |
| Net Loss | -- | -- | -- | (665,909) |
| Balance - July 31, 1994 | 9,503,918 | 9,504 | 4,333,077 | (3,319,874) |
| Common Stock Issued For: | | | | |
| Cash: | | | | |
| At \$.30 Per Share | 150,000 | \$ 150 | \$ 49,856 | \$ -- |
| At \$.40 Per Share | 288,200 | 288 | 115,215 | -- |
| At \$.50 Per Share | 269,611 | 270 | 132,831 | -- |
| At \$.60 Per Share | 120,834 | 121 | 72,379 | -- |
| At \$.70 Per Share | 23,000 | 23 | 16,077 | -- |
| Services: | | | | |
| At \$.40 Per Share | 145,000 | 145 | 60,755 | -- |
| At \$.50 Per Share | 75,000 | 75 | 34,925 | -- |
| Exercise of Options For: | | | | |
| Cash: | | | | |
| At \$.50 Per Share | | | | |
| By Related Party | 350,000 | 350 | 174,650 | -- |
| Services: | | | | |
| At \$.50 Per Share | 35,000 | 35 | 17,465 | -- |
| Commissions Paid | -- | -- | (1,650) | -- |
| Net Loss | -- | -- | -- | (426,803) |
| Balance - July 31, 1995 | 10,960,563 | 10,961 | 5,005,580 | (3,746,677) |

The accompanying notes are an integral part of the financial statements

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2001

| | Common Stock | | Capital Paid | Deficit |
|--------------------------|--------------|--------|--------------|-------------|
| | ----- | | In Excess of | Accumulated |
| | Shares | Amount | Par Value | In The |
| | ----- | ----- | ----- | Development |
| | | | | Stage |
| | | | | ----- |
| Common Stock Issued For: | | | | |
| Cash: | | | | |
| At \$.40 Per Share | 75,972 | \$ 76 | \$ 30,274 | \$ -- |
| At \$.50 Per Share | 550,423 | 550 | 270,074 | -- |
| At \$.60 Per Share | 146,773 | 147 | 87,853 | |
| At \$.70 Per Share | 55,722 | 56 | 38,949 | |
| At \$.80 Per Share | 110,100 | 110 | 87,890 | |
| Services: | | | | |
| At \$.40 Per Share | 104,150 | 104 | 38,296 | -- |
| At \$.50 Per Share | 42,010 | 42 | 20,963 | -- |
| At \$.60 Per Share | 4,600 | 5 | 2,755 | |
| At \$.70 Per Share | 154,393 | 155 | 107,920 | |
| Commissions: | | | | |
| At \$.35 Per Share | 23,428 | 23 | (23) | |
| At \$.50 Per Share | 50,545 | 50 | (50) | |
| At \$.60 Per Share | 2,000 | 2 | (2) | |
| At \$.70 Per Share | 12,036 | 12 | (12) | |
| Exercise of Options: | | | | |
| Cash: | | | | |
| At \$.35 Per Share | | | | |
| By Related Party | 19,571 | 20 | 6,830 | |
| Services: | | | | |
| At \$.35 Per Share | | | | |
| By Related Party | 200,429 | 200 | 69,950 | -- |
| At \$.50 Per Share | 95,000 | 95 | 47,405 | -- |
| Compensation Portion of | | | | |
| Options Exercised | -- | -- | 261,500 | -- |
| Net Loss | -- | -- | -- | (956,043) |
| Balance - July 31, 1996 | 12,607,715 | 12,608 | 6,076,152 | (4,702,720) |

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

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2001

| | Common Stock | | Capital Paid | Deficit |
|--------------------------|--------------|----------|--------------|----------------|
| | ----- | | In Excess of | Accumulated |
| | Shares | Amount | Par Value | In The |
| | ----- | ----- | ----- | Development |
| | | | | Stage |
| | | | | ----- |
| Common Stock Issued For: | | | | |
| Cash: | | | | |
| At \$.35 Per Share | 50,000 | \$ 50 | \$ 17,450 | \$ -- |
| At \$.40 Per Share | 323,983 | 324 | 128,471 | -- |
| At \$.50 Per Share | 763,881 | 762 | 381,174 | -- |
| At \$.60 Per Share | 16,667 | 17 | 9,983 | -- |
| At \$.70 Per Share | 7,143 | 7 | 4,993 | -- |
| At \$.80 Per Share | 28,750 | 29 | 22,971 | -- |
| Services: | | | | |
| At \$.50 Per Share | 295,884 | 296 | 147,646 | -- |
| Commissions: | | | | |
| At \$.35 Per Share | 44,614 | 45 | (45) | |
| At \$.40 Per Share | 41,993 | 42 | (42) | |
| At \$.50 Per Share | 37,936 | 38 | (38) | |
| Expense: | | | | |
| At \$.35 Per Share | 8,888 | 9 | 3,099 | |
| At \$.40 Per Share | 9,645 | 10 | 3,848 | |
| Property and Equipment | | | | |
| At \$.60 Per Share | 7,500 | 8 | 4,492 | |
| Exercise of Options | | | | |
| Services: | | | | |
| At \$.35 Per Share | | | | |
| By Related Party | 136,301 | 136 | 47,569 | |
| Net Loss | -- | -- | -- | (805,496) |
| Balance - July 31, 1997 | 14,380,900 | \$14,381 | \$6,847,723 | \$ (5,508,216) |

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

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2001

| | Common Stock | | Capital Paid | Deficit |
|--------------------------|--------------|--------|--------------|-------------|
| | ----- | | In Excess of | Accumulated |
| | Shares | Amount | Par Value | In The |
| | ----- | ----- | ----- | Development |
| | | | | Stage |
| | | | | ----- |
| Common Stock Issued For: | | | | |
| Cash: | | | | |
| At \$.20 Per Share | 10,000 | \$ 10 | \$ 1,990 | \$ -- |
| At \$.25 Per Share | 100,000 | 100 | 24,900 | -- |
| At \$.27 Per Share | 45,516 | 46 | 12,244 | -- |
| At \$.28 Per Share | 150,910 | 151 | 41,349 | -- |
| At \$.30 Per Share | 60,333 | 60 | 18,040 | -- |
| At \$.31 Per Share | 9,677 | 10 | 2,990 | -- |
| At \$.32 Per Share | 86,750 | 87 | 27,673 | -- |
| At \$.33 Per Share | 125,364 | 125 | 41,245 | -- |
| At \$.35 Per Share | 75,144 | 75 | 26,225 | -- |
| At \$.38 Per Share | 49,048 | 49 | 18,311 | -- |
| At \$.40 Per Share | 267,500 | 268 | 106,732 | -- |
| At \$.45 Per Share | 65,333 | 65 | 29,335 | -- |
| At \$.50 Per Share | 611,184 | 610 | 304,907 | -- |
| Services: | | | | |
| At \$.23 Per Share | 48,609 | 49 | 11,131 | -- |
| Exercise of Options: | | | | |
| Services: | | | | |
| At \$.22 Per Share | 82,436 | 82 | 18,054 | -- |
| At \$.35 Per Share | 183,846 | 184 | 64,162 | -- |
| Compensation: | | | | |
| At \$.22 Per Share | 105,000 | 105 | 22,995 | -- |
| At \$.35 Per Share | 25,000 | 25 | 8,725 | -- |
| Commissions: | | | | |
| At \$.22 Per Share | 67,564 | 68 | (68) | -- |
| At \$.35 Per Share | 291,028 | 291 | (291) | -- |
| Net Loss | -- | -- | -- | (807,181) |
| Balance - July 31, 1998 | 16,841,142 | 16,841 | 7,628,372 | (6,315,397) |

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

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LEADVILLE MINING AND MILLING CORP.

(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)

FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2001

| | Common Stock | | Capital Paid | Deficit |
|--------------------------|--------------|--------|--------------|-------------|
| | ----- | | In Excess of | Accumulated |
| | Shares | Amount | Par Value | In The |
| | ----- | ----- | ----- | Development |
| | | | | Stage |
| | | | | ----- |
| Common Stock Issued For: | | | | |
| Cash: | | | | |
| At \$0.20 Per Share | 12,500 | \$ 13 | \$ 2,487 | \$ -- |
| At \$0.22 Per Share | 45,454 | 45 | 9,955 | -- |
| At \$0.25 Per Share | 248,788 | 249 | 61,948 | -- |
| At \$0.27 Per Share | 132,456 | 132 | 35,631 | -- |
| At \$0.28 Per Share | 107,000 | 107 | 30,493 | -- |
| At \$0.29 Per Share | 20,000 | 20 | 5,780 | -- |
| At \$0.30 Per Share | 49,333 | 49 | 14,751 | -- |
| At \$0.32 Per Share | 152,725 | 153 | 48,719 | -- |
| At \$0.33 Per Share | 149,396 | 149 | 49,151 | -- |
| At \$0.35 Per Share | 538,427 | 538 | 187,912 | -- |
| At \$0.40 Per Share | 17,000 | 17 | 6,783 | -- |
| At \$0.50 Per Share | 53,000 | 53 | 26,447 | -- |
| At \$0.55 Per Share | 6,000 | 6 | 3,294 | -- |
| At \$0.65 Per Share | 33,846 | 34 | 21,966 | -- |
| At \$0.68 Per Share | 13,235 | 13 | 8,987 | -- |
| At \$0.70 Per Share | 153,572 | 154 | 107,346 | -- |
| At \$0.90 Per Share | 57,777 | 58 | 51,942 | -- |
| At \$1.00 Per Share | 50,000 | 50 | 49,950 | -- |
| At \$1.10 Per Share | 150,000 | 150 | 164,850 | -- |
| Expenses: | | | | |
| At \$0.21 Per Share | 37,376 | 37 | 7,812 | -- |
| At \$0.30 Per Share | 19,450 | 19 | 5,816 | -- |
| At \$0.36 Per Share | 34,722 | 35 | 12,465 | -- |
| Commission: | | | | |
| At \$0.21 Per Share | 158,426 | 158 | (158) | -- |
| At \$0.25 Per Share | 28,244 | 28 | (28) | -- |
| At \$0.30 Per Share | 132,759 | 133 | (133) | -- |
| At \$0.35 Per Share | 40,000 | 40 | (40) | -- |
| Services: | | | | |
| At \$0.25 Per Share | 17,000 | 17 | 4,233 | -- |
| At \$0.30 Per Share | 145,941 | 146 | 43,636 | -- |
| At \$0.50 Per Share | 71,808 | 72 | 35,832 | -- |

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

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2001

| | Common Stock | | Capital Paid | Deficit |
|--------------------------|--------------|--------|--------------|-------------|
| | Shares | Amount | In Excess of | Accumulated |
| | ----- | ----- | Par Value | In The |
| | | | | Development |
| | | | | Stage |
| | | | | ----- |
| Compensation portion of | | | | |
| Cash Issuances | -- | \$ -- | \$ 618,231 | \$ -- |
| Compensation Portion of | | | | |
| Options Granted | -- | -- | 48,000 | -- |
| Exercise of Options: | | | | |
| Cash | | | | |
| At \$0.10 Per Share | 510,000 | 510 | 50,490 | -- |
| Services: | | | | |
| At \$0.70 Per Share | 100,000 | 100 | 69,900 | -- |
| Compensation Portion of | | | | |
| Options Exercised | -- | -- | 256,900 | -- |
| Net Loss | -- | -- | -- | (1,964,447) |
| | ----- | ----- | ----- | ----- |
| Balance - July 31, 1999 | 20,222,615 | 20,221 | 9,689,625 | (8,279,844) |
| Common Stock Issued For: | | | | |
| Cash: | | | | |
| At \$.18 Per Share | 27,778 | 28 | 4,972 | -- |
| At \$.20 Per Share | 482,500 | 483 | 96,017 | -- |
| At \$.21 Per Share | 47,500 | 47 | 9,953 | -- |
| At \$.22 Per Share | 844,821 | 845 | 185,012 | -- |
| At \$.30 Per Share | 100,000 | 100 | 29,900 | -- |
| At \$.35 Per Share | 280,000 | 280 | 97,720 | -- |
| At \$.37 Per Share | 56,000 | 56 | 19,944 | -- |
| At \$.38 Per Share | 100,000 | 100 | 37,900 | -- |
| At \$.40 Per Share | 620,000 | 620 | 247,380 | -- |
| At \$.42 Per Share | 47,715 | 48 | 19,952 | -- |
| At \$.45 Per Share | 182,445 | 182 | 81,918 | -- |
| At \$.50 Per Share | 313,000 | 313 | 156,187 | -- |
| At \$.55 Per Share | 122,778 | 123 | 67,377 | -- |
| At \$.58 Per Share | 12,069 | 12 | 6,988 | -- |
| Expenses: | | | | |
| At \$.20 Per Share | 4,167 | 4 | 829 | -- |
| At \$.22 Per Share | 46,091 | 46 | 10,094 | -- |
| Compensation Portion | -- | -- | 94,430 | -- |

The accompanying notes are an integral part of the financial statements

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2001

| | Common Stock | | Capital Paid | Deficit | |
|--------------------------|--------------|--------|--------------|-------------|----|
| | Shares | Amount | In Excess of | Accumulated | |
| | ----- | ----- | Par Value | In The | |
| | ----- | ----- | ----- | Development | |
| | ----- | ----- | ----- | Stage | |
| Exercise of Options: | | | | | |
| Services: | | | | | |
| At \$.25 Per Share | 30,000 | \$ 30 | \$ 7,470 | \$ -- | \$ |
| At \$.40 Per Share | 95,000 | 95 | 37,905 | -- | |
| At \$.50 Per Share | 25,958 | 26 | 12,954 | -- | |
| Commissions: | | | | | |
| At \$.20 Per Share | 26,750 | 27 | (27) | -- | |
| At \$.22 Per Share | 86,909 | 87 | (87) | -- | |
| Exercise of Options: | | | | | |
| Cash: | | | | | |
| At \$.10 Per Share | 100,000 | 100 | 9,900 | -- | |
| Exercise of Options: | | | | | |
| Services: | | | | | |
| At \$.22 Per Share | 150,000 | 150 | 32,850 | -- | |
| Stock Based Compensation | -- | -- | 221,585 | -- | |
| Net Loss | -- | -- | -- | (1,530,020) | (|
| | ----- | ----- | ----- | ----- | |
| Balance - July 31, 2000 | | | | | |
| (Unconsolidated) | 24,024,096 | 24,023 | 11,178,748 | (9,809,864) | |
| Common Stock Issued For: | | | | | |
| Cash: | | | | | |
| At \$.15 Per Share | 120,000 | 120 | 17,880 | -- | |
| At \$.17 Per Share | 80,000 | 80 | 13,520 | -- | |
| At \$.18 Per Share | 249,111 | 249 | 44,591 | -- | |
| At \$.19 Per Share | 70,789 | 71 | 13,379 | -- | |
| At \$.20 Per Share | 1,322,500 | 1,323 | 261,677 | -- | |
| At \$.21 Per Share | 33,810 | 34 | 7,066 | -- | |
| At \$.22 Per Share | 2,472,591 | 2,473 | 541,497 | -- | |
| At \$.23 Per Share | 65,239 | 65 | 14,935 | -- | |
| At \$.24 Per Share | 123,337 | 123 | 29,477 | -- | |
| At \$.25 Per Share | 610,400 | 611 | 151,884 | -- | |
| At \$.26 Per Share | 625,769 | 626 | 162,074 | -- | |
| At \$.27 Per Share | 314,850 | 315 | 84,695 | -- | |
| At \$.28 Per Share | 7,143 | 7 | 1,993 | -- | |
| At \$.30 Per Share | 33,333 | 33 | 9,967 | -- | |

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| | | | | |
|--------------------|---------|-----|---------|----|
| At \$.35 Per Share | 271,429 | 272 | 94,728 | -- |
| At \$.38 Per Share | 453,158 | 453 | 169,547 | -- |
| At \$.40 Per Share | 300,000 | 300 | 119,700 | -- |
| At \$.50 Per Share | 10,000 | 10 | 4,990 | -- |

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

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LEADVILLE MINING AND MILLING CORP. (A DEVELOPMENT STAGE ENTERPRISE) CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued) FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2001

| | Common Stock | | Capital Paid | Deficit | |
|-----------------------|--------------|--------|--------------|-------------|--|
| | Shares | Amount | In Excess of | Accumulated | |
| | ----- | ----- | Par Value | In The | |
| | ----- | ----- | ----- | Development | |
| | ----- | ----- | ----- | Stage | |
| Compensation Portion: | -- | \$ -- | \$ 24,000 | \$ -- | |
| Expenses: | | | | | |
| At \$.27 Per Share | 30,000 | 30 | 8,070 | -- | |
| Services: | | | | | |
| At \$.02 Per Share | 33,850 | 34 | 6,736 | -- | |
| At \$.03 Per Share | 15,000 | 15 | 3,435 | -- | |
| At \$.11 Per Share | 87,272 | 87 | 9,513 | -- | |
| At \$.34 Per Share | 50,000 | 50 | 16,950 | -- | |
| Compensation Portion: | -- | -- | 21,777 | -- | |
| Commission: | | | | | |
| At \$.11 Per Share | 266,500 | 267 | (267) | -- | |
| At \$.20 Per Share | 26,150 | 26 | (26) | -- | |
| At \$.22 Per Share | 15,000 | 15 | (15) | -- | |
| Compensation Portion: | -- | -- | 36,595 | -- | |
| Exercise of Options: | | | | | |
| Cash: | | | | | |
| At \$.02 Per Share By | | | | | |
| Related Party | 225,000 | 225 | 4,725 | -- | |
| At \$.10 Per Share | 200,000 | 200 | 19,800 | -- | |
| Expenses: | | | | | |
| At \$.02 Per Share By | | | | | |
| Related Party | 53,270 | 53 | 1,120 | -- | |
| Compensation Portion: | -- | -- | 25,463 | -- | |
| Commission: | | | | | |
| At \$.02 Per Share | 350,000 | 350 | (350) | -- | |

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| | | | | |
|--|-----------|-------|-----------|----|
| Compensation Portion: | -- | -- | 132,300 | -- |
| Commission: | | | | |
| At \$0.05 Per Share | 1,000,000 | 1,000 | (1,000) | -- |
| Compensation Portion: | -- | -- | 400,000 | -- |
| Compensation Portion of Options Granted | -- | -- | 7,002,500 | -- |

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

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LEADVILLE MINING AND MILLING CORP. (A DEVELOPMENT STAGE ENTERPRISE) CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued) FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2001

| | Common Stock | | Capital Paid | Deficit | Acc |
|---|--------------|----------|--------------|----------------|-------|
| | ----- | | In Excess of | Accumulated | Com |
| | Shares | Amount | Par Value | In The | |
| | ----- | ----- | ----- | Development | |
| | | | | Stage | |
| | ----- | ----- | ----- | ----- | ----- |
| Comprehensive Loss: | | | | | |
| Net Loss | -- | -- | -- | (9,418,266) | |
| Equity Adjustment from Foreign Currency Translation | -- | -- | -- | -- | |
| Total Comprehensive Loss | -- | -- | -- | -- | |
| Balance - July 31, 2001 | 33,539,597 | \$33,540 | \$20,633,674 | \$(19,228,130) | |
| | ===== | ===== | ===== | ===== | ===== |

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

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LEADVILLE MINING AND MILLING CORP. (A DEVELOPMENT STAGE ENTERPRISE)

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CONSOLIDATED STATEMENT OF CASH FLOWS

| | For The Year Ended July 31, | |
|---|--------------------------------|----------------|
| | 2001 | 2000 |
| | (Unconsolidated) | |
| Cash Flow From Operating Activities: | | |
| Net Loss | \$ (9,418,266) | \$ (1,530,020) |
| Adjustments to Reconcile Net Loss to | | |
| Net Cash Used By Operating Activities: | | |
| Depreciation | 3,823 | 5,322 |
| Loss on Write-Off of Investment | -- | -- |
| Loss From Joint Venture | -- | -- |
| Value of Common Stock Issued For Services | 686,226 | 196,882 |
| Stock Based Compensation | 7,002,500 | 221,585 |
| Changes in Operating Assets and Liabilities: | | |
| (Increase) Decrease in Other Current Assets | (3,137) | (714) |
| Increase in Security Deposit | -- | -- |
| Increase (Decrease) in Accounts Payable | 9,315 | 128 |
| | ----- | ----- |
| Net Cash Used By Operating Activities | (1,719,539) | (1,106,817) |
| | ----- | ----- |
| Cash Flow From Investing Activities: | | |
| Purchase of Property and Equipment | -- | -- |
| Investment in Joint Venture | -- | -- |
| Investment in Privately Held Company | -- | -- |
| Net Assets of Business Acquired (Net of Cash) | (42,130) | -- |
| Increase in Option Payment Payable | 50,000 | -- |
| | ----- | ----- |
| Net Cash Used By Investing Activities | -- | -- |
| | ----- | ----- |

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

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CASH FLOWS
(Continued)

| | For The Year Ended July 31, | | F Sep |
|--|--------------------------------|-------|----------|
| | 2001 | 2000 | |
| | ----- | ----- | |

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(Unconsolidated)

| | | |
|--|-------------|-----------|
| Cash Flow From Financing Activities: | | |
| Increase in Loans Receivable - Related Party | \$ (11,000) | \$ -- |
| Increase in Loans Receivable - Others | (26,750) | (5,360) |
| Increase in Loans Payable - Officers | -- | -- |
| Repayment of Loans Payable - Officers | -- | -- |
| Increase in Note Payable | -- | 11,218 |
| Payments of Note Payable | (5,199) | (818) |
| Proceeds From Sale of Common Stock | 1,775,716 | 1,074,456 |
| Commissions on Sale of Common Stock | -- | -- |
| Expenses of Initial Public Offering | -- | -- |
| Purchase of Certificate of Deposit - Restricted | -- | -- |
| Purchase of Mining Reclamation Bond | (6,600) | (30,150) |
| | ----- | ----- |
| Net Cash Provided By Financing Activities | 1,726,167 | 1,049,346 |
| | | |
| Increase (Decrease) In Cash | 14,498 | (57,471) |
| | | |
| Cash - Beginning | 49,422 | 106,893 |
| | ----- | ----- |
| Cash - Ending | \$ 63,920 | \$ 49,422 |
| | ===== | ===== |
| Supplemental Cash Flow Information: | | |
| Cash Paid For Interest | \$ -- | \$ -- |
| | ===== | ===== |
| | | |
| Cash Paid For Income Taxes | \$ 1,217 | \$ 680 |
| | ===== | ===== |
| Non-Cash Financing Activities: | | |
| Issuances of Common Stock as Commissions on Sales of Common Stock | \$ 95,545 | \$ 24,370 |
| | ===== | ===== |
| | | |
| Issuance of Common Stock as Payment for Expenses | \$ -- | \$ 78,335 |
| | ===== | ===== |
| | | |
| Issuance of Common Stock as Payment for Property and Equipment | \$ -- | \$ -- |
| | ===== | ===== |

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

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2001

NOTE 1 - Organization and Basis of Presentation

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Leadville Mining and Milling Corp. ("Leadville") was incorporated in February 1982 in the State of Nevada. Leadville owns rights to property located in the California Mining District, Lake County, Colorado and in the State of Sonora, Mexico and is engaged in the business of mining and exploration of gold and other minerals from its properties. Leadville is a development stage enterprise and has elected July 31 as its fiscal year.

On February 1, 2001 Leadville established a wholly owned subsidiary, Leadville Mining and Milling Holding Corporation (a Nevada Corporation) ("Holding").

Effective December 15, 2000, Leadville obtained an option from AngloGold North America Inc. to purchase from AngloGold North America Inc, and AngloGold (Jerritt Canyon) Corp. 100% of the issued and outstanding stock of Minera Chanate, S.A. de C.V., ("Minera") a subsidiary of those two companies. Minera's assets consist of certain exploitation and exploration concessions of the States of Sonora, Chihuahua and Guerrero, Mexico.

Pursuant to the option, during fiscal 2001, Leadville provided AngloGold funds needed of approximately \$145,000 to cover all rental and maintenance payments required to hold Minera's concessions.

On June 29, 2001 Leadville exercised its option to purchase all of the stock of Minera. In addition, although it exercised such option, Leadville must make a payment of \$50,000 to AngloGold pursuant to the option agreement. If such \$50,000 payment is not made by December 15, 2001, Leadville must sell back to AngloGold the Minera shares for nominal consideration (see Note 3).

Leadville and its two wholly owned subsidiaries Holding and Minera are hereafter collectively referred to as the Company.

Under the terms of the option, Leadville has granted AngloGold the right to designate one of its wholly-owned Mexican subsidiaries to receive a one-time option to purchase 51% of Minera Chanate. That Option is exercisable over a 180 day period commencing at such time as Leadville notifies AngloGold that we have made a good faith determination that we have gold-bearing ore deposits on any one of the identified group of Minera Chanate properties, when aggregated with any ore that Leadville has mined, produced and sold from such properties, of in excess of 2,000,000 troy ounces of contained gold. The exercise price would equal twice Leadville's project costs on the properties during the period commencing on December 15, 2000 and ending on the date of such notice.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. However, as of July 31, 2001, the Company was a development stage enterprise and has incurred recurring losses aggregating \$19,228,130 which raises substantial doubt about its ability to continue as a going concern. As indicated in Note 10, the Company is in the process of raising additional capital and financing. Continuation of the Company is dependent on (1) consummation of the contemplated financings, (2) achieving sufficiently profitable operations (3) subsequently maintaining adequate financing arrangements and (4) its exiting the development stage. These financial statements do not reflect any adjustments relating to the recoverability and classification of assets carrying amounts and classification of liabilities should the Company be unable to continue as a going concern.

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2001

NOTE 2 - Summary of Significant Accounting Policies

Principals of Consolidation

The consolidated financial statements include the accounts of Leadville Mining and Milling Corp. and its subsidiaries, all of which are wholly-owned. All significant intercompany accounts and transactions are eliminated in consolidation.

Fair Value of Financial Instruments

The carrying value of the Company's financial instruments, including cash, loans receivable, accounts payable, and notes payable approximated fair value because of the short maturity of these instruments.

Revenue Recognition

Revenues, if any, from sales of minerals are recognized only upon receipt of final settlement funds.

Property and Equipment

Property and equipment is reported at cost. It is the Company's policy to capitalize costs incurred to improve and develop the mining and milling property. General and administrative expenses are expensed as incurred.

Depletion of mining and milling improvements will be computed at cost using the units of production method. The Company has made no provision for depletion as the mine and mill are not in the production stage. Provision is made for the depreciation of office furniture fixtures and equipment, machinery and equipment, and building. Depreciation is computed using both straight-line and accelerated methods over the estimated useful lives of the related assets which are 7 years for personal property and 32 years for real property.

Foreign Currency Translation

Assets and liabilities of the Company's Mexican subsidiary are translated to US dollars using the current exchange rate at the balance sheet date. Amounts on the statement of operations are translated at the average exchange rates during the year. Gains or losses resulting from foreign currency translation are included as a component of other comprehensive income (loss).

Comprehensive Income (Loss)

Comprehensive income (loss) consists of accumulated foreign translation adjustments.

Income Taxes

The Company records deferred income taxes using the liability method. Under the liability method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement and income tax bases of the Company's assets and liabilities. An allowance is recorded, based upon currently available information, when it is more likely than not that any or all of the deferred tax assets will not be realized. The provision for income taxes includes taxes currently payable, if any, plus the net change during the year in deferred tax assets and liabilities

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recorded by the Company.

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2001

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Stock-Based Compensation

The Company accounts for stock-based compensation to its employees using the intrinsic value method, which requires the recognition of compensation expense over the vesting period of the option when the exercise price of the stock option granted is less than the fair value of the underlying common stock. Additionally, the Company provides pro forma disclosure of net loss and loss per share as if the fair value method has been applied in measuring compensation expense for stock options granted. Stock-based compensation related to options granted to non-employees is recognized using the fair value method.

Loss Per Share

The computation of loss per share of common stock is computed by dividing net loss for the period by the weighted average number of common shares outstanding during that period.

Because the Company is incurring losses, the effect of stock options and warrants is antidilutive. Accordingly, the Company's presentation of diluted earnings per share is the same as that on basic earnings per share.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Environmental Remediation Costs

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. Ongoing environmental compliance costs, including maintenance and monitoring costs are expensed as incurred. There were no environmental remediation costs accrued at July 31, 2001.

Reclassifications

Certain items in these financial statements have been reclassified to conform to the current period presentation.

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2001

NOTE 3 - Acquisition

On June 29, 2001, Leadville completed the acquisition of all of the issued and outstanding common stock of Minera Chanate, S.A. de C.V. ("Minera") a Mexican corporation, at an aggregate purchase price of approximately \$50,000. This transaction was accounted for under the purchase method. Accordingly, the consolidated balance sheet includes the assets and liabilities of Minera at July 31, 2001 and the consolidated statement of operations include the results of Minera operations from June 29, 2001.

On the basis of a pro forma consolidation of the results of operations as if the acquisition had taken place at the beginning of fiscal 2000, unaudited consolidated net loss and basic loss per share for the year ended July 31, 2000 would have been approximately, \$(1,530,020) and \$(.07) and for the year ended July 31, 2001 would have been approximately \$(9,946,046) and \$(.33) respectively. The pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transaction been effected at the beginning of fiscal 2000.

NOTE 4 - Mining Reclamation Bonds

These represent certificates of deposit that have been deposited as security for Mining Reclamation Bonds. They bear interest at rates varying from 5.01% to 6.64% annually and mature at various dates in 2004 and 2005

NOTE 5 - Loans Receivable - Related Party

Loans receivable - related party consists of short-term revolving loans made by the Company to an employee who is also a director. This loan is non-interest bearing and due on demand.

NOTE 6 - Loans Receivable - Others

Loans receivable - others consists of the following:

| | |
|--|-----------|
| WCM Capital, Inc., a publicly traded Corporation. This short-term revolving loan is non-interest bearing and due on demand. | \$ 22,300 |
| South American Minerals, Inc., a publicly traded Corporation. This -term revolving loan is non-interest bearing and due on demand. | 4,000 |
| The Company made a short-term loan to an individual. It is non-interest and due on demand. | 15,000 |
| | ----- |
| | \$ 41,300 |
| | ===== |

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LEADVILLE MINING AND MILLING CORP. (A DEVELOPMENT STAGE ENTERPRISE) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JULY 31, 2001

NOTE 7 - Property and Equipment

Property and equipment consists of the following:

| | |
|--|-------------|
| Land | \$ 24,364 |
| Building | 22,655 |
| Machinery and Equipment | 358,230 |
| Mining Claims and Leasehold Improvements | 156,231 |
| Mill and Mining Improvements | 1,192,658 |
| Office Furniture, Fixtures and Equipment | 959 |
| | ----- |
| | 1,755,097 |
| Less: Accumulated Depreciation | 364,622 |
| | ----- |
| | \$1,390,475 |
| | ===== |

NOTE 8 - Stockholders' Equity

At various stages in the Company's development, shares of common stock have been issued in exchange for the fair market value, as determined by the Board of Directors, for services received with a corresponding charge to operations, property and equipment or capital paid in excess of par value depending on the nature of the services provided.

Common Stock Reserved For Issuance

The following is a table with respect to common stock reserved for options as of July 31, 2001:

| | Options Outstanding | |
|-------------------------------------|---------------------|-------------|
| | Number of | Price Range |
| | Shares | Per Share |
| | ----- | ----- |
| Balance - July 1, 1991 | -0- | \$ -- |
| Options Granted: | | |
| Services | 400,000 | .10 - .50 |
| Services - Related Parties | 225,000 | .50 |
| Options Exercised - Related Parties | (100,000) | .50 |
| | ----- | ----- |
| Outstanding - July 31, 1992 | 525,000 | .10 - .50 |
| Options Granted: | | |
| Services | 200,000 | .50 |
| | ----- | ----- |
| Outstanding - July 31, 1993 | 725,000 | .10 - .50 |
| Options Granted: | | |
| Services | 310,000 | .50 |
| Services - Related Parties | 350,000 | .50 |
| Exercised: | | |

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| | | |
|-----------------------------|-----------|-----------|
| Services | (35,000) | .50 |
| Services - Related Parties | (150,000) | .50 |
| Expired: | (525,000) | .10 - .50 |
| | ----- | ----- |
| Outstanding - July 31, 1994 | 675,000 | .50 |

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LEADVILLE MINING AND MILLING CORP. (A DEVELOPMENT STAGE ENTERPRISE) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JULY 31, 2001

NOTE 7 - Stockholders' Equity (Continued)

Common Stock Reserved For Issuance (Continued)

| | Options Outstanding | |
|-----------------------------|---------------------|--------------------------|
| | Number of Shares | Price Range Per Share |
| | ----- | ----- |
| Exercised: | | |
| Services | (35,000) | \$.50 |
| Services - Related Parties | (350,000) | .50 |
| | ----- | ----- |
| Outstanding - July 31, 1995 | 290,000 | .50 |
| Options Granted: | | |
| Services - Related Parties | 600,000 | .10 |
| Exercised: | | |
| Cash - Related Parties | (17,500) | .40 |
| Services | (95,000) | .50 |
| Services -Related Parties | (202,500) | .35 |
| Expired: | (165,000) | .50 |
| | ----- | ----- |
| Outstanding - July 31, 1996 | 410,000 | .35 - .50 |
| Options Granted | | |
| Services - Related Party | 1,545,000 | .022 |
| Services | 10,000 | .35 |
| Exercised | | |
| Service - Related Party | (101,730) | .35 |
| Expired | (30,000) | .35 |
| | ----- | ----- |
| Outstanding July 31, 1997 | 1,833,270 | .22 |
| Options Granted: | | |
| Services - Related Parties | 610,000 | .022 |
| Services | 755,000 | .22-.40 |
| Exercised: | | |
| Services | (720,000) | .22-.35 |

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| | | |
|-----------------------------|-----------|----------|
| | ----- | ----- |
| Outstanding - July 31, 1998 | 2,478,270 | .022-.40 |
| Options Granted: | | |
| Services | 100,000 | .70 |
| Exercised: | | |
| Services | (260,000) | .10-.70 |
| Services - Related Party | (350,000) | -- |
| | ----- | ----- |
| Outstanding - July 31, 1999 | 1,968,270 | .10-.40 |
| Options Granted: | | |
| Services - Related Parties | 2,350,000 | .22 |
| Services | 1,210,000 | .22-.50 |
| Exercised: | | |
| Services | (250,000) | .10-.22 |
| | ----- | ----- |
| Outstanding - July 31, 2000 | 5,278,270 | .022-.50 |

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LEADVILLE MINING AND MILLING CORP. (A DEVELOPMENT STAGE ENTERPRISE) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JULY 31, 2001

NOTE 8 - Stockholders' Equity (Continued)

Common Stock Reserved For Issuance (Continued)

| | Options Outstanding | |
|-----------------------------|---------------------|--------------|
| | Number of | Price Range |
| | Shares | Per Share |
| | ----- | ----- |
| Options Granted: | | |
| Services - Related Parties | 4,500,000 | \$.022-.22 |
| Services | 4,615,000 | .022- 1.75 |
| Exercised: | | |
| Services - Related Parties | (278,270) | .022 |
| Services | (550,000) | .022-.22 |
| Expires | (10,000) | .22 |
| | ----- | ----- |
| Outstanding - July 31, 2001 | 13,555,000 | \$.022-.175 |
| | ===== | ===== |

Stock Options

The Company recognized approximately \$7,002,500 and \$221,585 of stock-based compensation expense during the years ended July 31, 2001 and 2000 respectively, relating to options granted with exercise prices below the estimated fair market value of the Company's common stock at the date of grant. The Company applies APB Opinion No. 25 and related Interpretations in accounting for these options. Statements of Financial Accounting Standards No. 123, "Accounting for

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Stock-Based Compensation" ("SFAS") was issued by the FASB in 1995 and, if fully adopted, changes the methods for recognition of cost on options similar to those of the Company. The Company has adopted the disclosures-only provision of SFAS 123. Pro forma information regarding net income and earnings per share is required by Statement 123, and has been determined as if the Company has accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes options pricing model with the following weighted-average assumptions: risk-free interest rate of 5.5%; volatility factor of the expected market price of the Company's common stock of .50; and a weighted-average expected life of the option of 3 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2001

NOTE 8 - Stockholders' Equity (Continued)

Stock Options (Continued)

Had compensation cost for stock options granted been determined based on the fair value at the grant date consistent with the provisions of SFAS 123, the Company's net loss and loss per share would have been increased to the pro forma amounts indicated below:

| | Year Ended July 31, 2001 ----- |
|-------------------------------|--------------------------------------|
| Net loss- as reported | \$ (9,418,266) |
| Net loss - pro forma | (11,114,098) |
| Loss per shares - as reported | |
| Basic | \$ (.31) |
| Loss per share - pro forma | |
| Basic | \$ (.37) |

The effects of applying the pro forma disclosures of SFAS 123 are not likely to be representative of the effects on reported net earnings for future years.

Authorized Common Stock

In September 1993 the Company's shareholders approved an increase in the authorized common stock from 100,000,000 shares to 150,000,000 shares.

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Effective April 11, 1998 the Company underwent a 1 for 10 reverse split with all fractions being rounded up into new common stock.

All references to common stock are restated to reflect the 1 for 10 reverse split.

NOTE 9 - Income Taxes

For income tax purposes, the Company has a net operating loss carryforward ("NOL") at July 31, 2001 of approximately \$9,093,000 beginning to expire in 2002 if not offset against future federal taxable income. There may be certain limitations as to the future annual use of the NOLs due to certain changes in the Company's ownership.

Income tax benefit attributable to net loss differed from the amounts computed by applying the statutory Federal Income tax rate applicable for each period as a result of the following:

| | Year Ended July 31, | |
|---|---------------------|-------------|
| | 2001 | 2000 |
| Computed "expected" tax benefit | \$3,091,620 | \$2,269,500 |
| Decrease in tax benefit resulting from net operating loss for which no benefit is currently available | 3,091,620 | 2,269,500 |
| | \$ -- | \$ -- |
| | ===== | ===== |

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2001

NOTE 9 - Income Taxes (Continued)

The Company had deferred tax assets of approximately \$3,091,620 at July 31, 2001 resulting primarily from net operating loss carryforwards. The deferred tax assets have been fully offset by a valuation allowance resulting from the uncertainty surrounding their future realization.

NOTE 10 - Liquidity and Going Concern Uncertainty

The Company has incurred recurring losses amounting to \$19,228,130 at July 31, 2001, and has working capital deficiency of \$3,301. This raises substantial doubt about the Company's ability to continue as a going concern.

Specific plans to obtain financing for a full scale mining and milling operation include the following:

Private placements of the Company's securities to institutions, private individuals, mining companies, and/or investment groups. During the fiscal year

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ended July 31, 2001 the Company raised approximately \$1,776,000 through the sales of common stock to investors.

The Company plans to further develop its newly acquired Mexican properties.

There is no assurance whatsoever that any of the Company's proposed plans to raise capital and otherwise fund operations will prove successful. The Company's ability to continue as a going concern is dependent upon its ability to obtain sufficient funding as discussed above and its inability to do so will delay or cease the Company's planned operations as discussed above.

NOTE 11 - Commitments and Contingencies

Legal Proceedings

From time to time, the Company may be named in legal actions which are incidental to the industry in which the Company operates. Currently, the Company is not a party to any legal proceedings.

Lease Commitments - New York

The Company entered into an operating lease for its office facility that terminates on August 31, 2002. In addition to base rent, the lease calls for payment of utilities and other occupancy costs.

Approximate future minimum payments under this lease are as follows:

| | |
|----------------------|-----------|
| Year Ending July 31, | |
| 2002 | \$ 22,600 |
| 2003 | 1,900 |
| | ----- |
| | \$ 24,500 |
| | ===== |

Rent expense under this lease was approximately \$21,500 and \$22,600 for the years ended July 31, 2001 and 2000, respectively.