CAPITAL GOLD CORP
Form 10KSB
November 12, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-KSB

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JULY 31, 2003

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

Commission File No. 0-13078

CAPITAL GOLD CORPORATION
(Name of Small business issuer in its charter)

State of Nevada	13-31805030
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
76 Beaver Street, 26th Floor, 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 |X| 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. |X|

State issuer's revenues for its most recent fiscal year. $38,265

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 ($0.27) and asked ($0.28) price of the issuer's Common Stock as of November 10, 2003, was $10,907,074 based upon the average between the closing bid and asked price ($0.275) multiplied by the 39,662,086 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 November 7, 2003: 45,716,092.

DOCUMENTS INCORPORATED BY REFERENCE: None.

Transitional Small Business Disclosure Format: Yes |_| No |X|

CAPITAL GOLD CORPORATION
Form 10-KSB
July 31, 2003

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GLOSSARY OF TECHNICAL TERMS

Andesites:	Rocks of volcanic origin
Backfilling:	Putting waste rock in an open stope.
Caliche:	Sediment cemented by calcium carbonate near surface.
Diorite:	Igneous Rock
Dikes:	Tabular, vertical bodies of igneous rock.

Fissility:	Shattered, broken nature of rock
Fracture Foliations:	Fracture pattern in rock, parallel orientation, resulting from pressure.
Heap Leaching:	Broken and crushed ore on a pile subjected to dissolution of metals by leach solution.
Hydrometallurgical Plant:	A metallurgical mineral processing plant that uses water to leach or separate and concentrate elements or minerals.
Intercalated:	Mixed in
Leadville Dolomite:	Name of a specific limestone bed in Leadville, Colorado.
Litho static Pressure:	Pressure brought on by weight of overlaying rocks.
Magnetite Skarn:	The mineral magnetite (iron oxide) in combination with quartz emplaced in limestone. Major
Intrusive Center:	An area where large bodies of intrusive igneous rock exist and through which large amounts of mineralizing fluids rose.
Mesothermal:	A class of hydrothermal ore deposit formed at medium temperatures and a depth over one mile in the earth's crust.
Microporphyritic Latite:	Extremely fine grained siliceous igneous rock with a distribution of larger crystals within.
Mudstone:	Sedimentary bed composed primarily of fine grained material such as clay and silt.

Mineral Deposit or Mineralized Material:	A mineralized rock mass 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 Stope:	A mined area that remains as an open space.
Patented Claim:	Unpatented claim that is now privately owned mineral land after a grant from the federal government.
Placer Claim:	Claim on which minerals are found in sand and gravel - on surface.
PPM:	Part per million.

Pyritized:	Partly replaced by the mineral pyrite.
Reverse Circulation Drilling (or R.C. Drilling):	Type of drilling using air to recover cuttings for sampling through the middle of the drilling rods rather than the outside of the drill rods, resulting in less contamination of the sampled interval.
Replacement Body:	Mineral ore, irregular in form, which is emplaced in limestone.
Sandstone Lenses and Thin Limestone Interbeds:	Thin beds of limestone mixed with thin beds of sandstone.
Sericitized:	Altered by heat, pressure and solutions resulting in the mineral sericite a very fine grained mica.
Silicified:	Partly replaced by silica.
Stockwork Breccia:	Earth's crust broken by two or more sets of parallel faults converging from different directions.
Sills:	Tabular, horizontal bodies of igneous rock.
Square Setting:	A system of timbering a tunnel or opening underground to prevent cave-in.

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Stockwork:	Ore, when not in strata or in veins but in large masses, so as to be worked in chambers or in large blocks.
Surface Mine:	Surface mining by way of an open pit without shafts or underground working.
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.

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PART I

Item 1. Description of Business

Capital Gold Corporation, formerly Leadville Mining And Milling Corp. (the "Company," "we" or "us") was incorporated in the state of Nevada in February 1982. The Company, directly or indirectly owns concessions located in the State of Sonora, Mexico and rights to property located in the California Mining District, Lake County, Colorado and is engaged in the business of exploration for gold and other minerals from its Mexican concessions. During the fiscal year ended July 31, 2003, the Company actively engaged in the evaluation of its

Sonora, Mexico concessions. The future of the Company is dependent upon its ability to continue to fund its activities and eventually produce gold in sufficient quantities in an economically feasible manner. A description of the mining concessions and properties owned by the Company is contained in "Item 2. Description of Properties.". None of our concessions or properties is in production, and consequently we have no operating income or cash flow.

Sonora, Mexico
El Chanate

On June 29, 2001, we purchased 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 at the time of the closing of the purchase consisted of 106 exploitation and exploration concessions in the States of Sonora, Chihuahua and Guerrero, Mexico. By June of 2002, after property reviews and to minimize tax payments, the 106 had been reduced to 12 concessions. To cover certain non-critical gaps between concessions, the number of concessions is now 14. We sometimes refer to these concessions as the El Chanate concessions. See "Item 2. Description of Properties."

Pursuant to the terms of the agreement, on December 15, 2001, we made a $50,000 payment to AngloGold. 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 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 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 agreement, 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 (or such entity that owns the El Chanate concessions at the time of option exercise). 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 El Chanate concessions, when aggregated with any ore that we have mined, produced and sold from such concessions, 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.

Based on current information available to us, we do not believe that a deposit of the size that would trigger these back-in rights is likely to be identified at El Chanate, at this time.

On February 23, 2002, Minera Santa Rita S. de R.L. de C.V., one of our wholly-owned Mexican affiliates ("Santa Rita"), now the leasee of the El Chanate concessions, as discussed below, entered into a joint venture agreement with Grupo Minero FG S.A. de C.V. to explore, evaluate and develop the El Chanate concessions. Grupo Minero FG S.A. de C.V., referred to as FG, is a private Mexican company that owns and operates the La Colorada open-pit gold mine outside of Hermosillo in Sonora, Mexico. FG also is involved in road construction and maintenance for the Sonoran government.

Pursuant to the agreement with FG, the venture is being conducted in five phases. The first two phases entail continued exploration and evaluation of the mining potential of lots within the concessions. Phase two was to culminate with a feasibility study. Phase one was completed during the Fall of 2002 and cost approximately $300,000 (see "2003 Activities and Planned 2004 Activities" below). We estimate that Phase two will cost approximately $783,000. Phase two was extended until the end of December 2003 to allow us to secure funding before starting Phase Four. Phase three consists of FG's contribution to the venture of mining equipment sufficient to develop the lots pursuant to the feasibility study. Phase three will occur only if the parties determine to continue and they are able to obtain outside funding for Phase four. We are unable to estimate Phase four costs at this time. Phase four will involve the building of an access road, the acquisition of water extraction rights and the drilling and equipping of water wells. Phase five would entail exploitation, processing and sale of minerals on a commercial scale.

Pursuant to the agreement, FG paid us $75,000 to participate in the venture and contributed an additional $75,000 towards the first phase of the venture for which it received a 30% interest in the venture. The balance of the costs for Phase one and the costs for Phase two will be split equally between the parties. As mentioned above, Phase four would be funded from outside sources. Phase five funding would be provided by the parties in proportion to their respective interests in the venture.

FG's percentage of the venture can increase to 45%. It increased to 31% upon completion of Phase one and will increase to 33% upon completion of Phase two; 37% upon its contribution of equipment in Phase three; 40% upon completion of Phase four; and 45% upon attaining optimal levels of production in Phase five. Optimal levels of production will be determined by agreement of the parties. Notwithstanding the foregoing, as discussed below, FG has not made all of the payments required to be paid by it under Phase two. If FG does not pay its required share of expenses, it will not earn all of the foregoing increases in its percentage interest in the venture.

The venture is terminable, among other reasons, if:

- its purpose is concluded or can no longer be obtained;
- it experiences continued non-profitability;
- the parties elect to terminate it at a meeting of the parties;
- it loses 2/3 of its assets; or
- the parties fail to obtain the requisite financing to fund Phase four by September 1, 2003. -

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The requisite financing for Phase four has not been obtained as of the date hereof; however, we are in discussions with potential funding sources.

If FG determines that it does not want to continue to participate in the venture, or it cannot provide its share of the funding for Phase two, Santa Rita has a 45 day option to purchase FG's interest in the venture for $127,500. If Santa Rita does not exercise this option within the 45 day period and pay the purchase price within 15 days thereafter, FG may sell its interest to another party. As of the date hereof, FG is behind by about $120,000 in its share of the payments for Phase two.

If additional contributions to the venture are needed as determined by a meeting of the parties, the parties have 30 days to elect whether they will make these contributions and an additional 15 days to make their contribution. To the extent that a party, referred to as the waiving party, does not want to pay its share or does not pay its share, the other party can make the payment and the waiving party's percentage interest in the venture will be diluted proportionately plus 10%. The waiving party can reacquire its lost interest by repaying the amount previously not paid plus a 25% penalty. These dilution provisions do not apply to Santa Rita unless and until FG has contributed $600,000 to the venture. Because its interest in the venture now exceeds 30%, FG now can be diluted for failure to make its required contributions.

On March 30, 2002, we and our wholly-owned subsidiary, Leadville Mining & Milling Holding Corporation ("Holding") sold all of the issued and outstanding shares of stock of Minera Chanate to an unaffiliated party for a purchase price of US$2,131,616, payable in three installments. We received the final installment on December 9, 2002. In connection with the sale of Minera Chanate stock, we incurred approximately $174,000 in commissions.

During March 2002, prior to the sale of Minera Chanate and pursuant to the FG joint venture agreement, Minera Chanate, in a series of transactions, sold all of its surface land and mining claims to Oro de Altar S. de R. L. de C.V. ("Ora"), another of our wholly-owned subsidiaries. Ora, in turn, leased the foregoing land and mining claims to Minera Santa Rita.

2003 Activities and Planned 2004 Activities

During fiscal 2003, we focused our efforts on the evaluation of our Mexican properties - the El Chanate concessions. This evaluation (Phase one and most of phase two of the venture with FG) involved data reviews of existing geologic maps and reports, drill logs, assay results, resource estimates, surface sample results, land titles and a feasibility study. We utilized independent consultants, in conjunction with company personnel, in this evaluation. We, along with our technical consultants, completed reviews and reconnaissance of the 44 remaining early stage exploration concessions. Following this evaluation, we elected to maintain and focus exploration and development attention on 12 of the concessions (increased to 14 concessions in March 2003 to cover certain non-critical fractional gaps between concessions) totaling about approximately 3,497 hectares (8,642 acres or 13.5 square miles). Management believes that the combination of existing data and analysis generally supports the existence of a gold deposit that warrants further exploration work.

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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 mine. 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 (Phase two of the FG venture) and a detailed mine plan for the El Chanate project.

In August 2002, we retained SRK Consulting to conduct a Scoping Study of the proposed project at El Chanate. SRK is an independent, international group of consulting practices with 29 offices on six continents. SRK has worked with top companies in the mining industry as well as performing due diligence for many of the world's largest financial institutions and stock exchanges. A Scoping Study is a preliminary evaluation, based upon existing data, to determine the procedure to follow in the feasibility study for a mining project. The Scoping Study was completed in October 2002. The study results indicate that the prospects for a surface/heap leach mining operation at El Chanate remain positive. SRK has audited and confirmed the geological and deposit models, the metallurgical database and the operating cost parameters used by us, and prepared a preliminary surface mine design, using the floating cone method.

In February 2003, we retained M3 Engineering of Tucson, Arizona to begin working on a feasibility study (the "Study"). M3 completed the study in August 2003. Based on 253 drill holes and more than 22,000 gold assays, the study provides details for an open pit gold mine. The Study indicates that the initial open pit project contains proven and probable reserves of 358,000 ounces of gold within 13.5 million metric tonnes of ore with an average grade of 0.827 grams/tonne. It estimated that the mine could recover approximately 48,000 - 50,000 ounces of gold per year over a five year mine life.

The study assumes a production rate of 2.6 million tonnes of ore per year or 7,500 tonnes per day, operating at 345 days per year. The processing plan for this open pit heap leach gold project calls for crushing the ore to 100% minus 3/8 inch. Carbon columns will be used to recover the gold. If financing for the project is obtained and required permitting is completed by the end of 2003, and if the necessary mining plant, equipment and facilities are acquired, an adequate water supply is secured, and power lines to the mine are constructed, we anticipate, but cannot assure, that the mine will commence full commercial production in January of 2005.

Based on the current reserve calculations, the mine life is estimated to be 62 months. The study forecasts initial capital costs of $13.8 million, which includes $2.1 million of working capital. Average initial annual production is planned at approximately 50,000 ounces per year at an average operating cash cost of $229 per ounce. This cash cost may decrease as the production rate increases. Total costs will vary depending upon the price of gold (due to the nature of underlying payment obligations to the original owner of the property); they are estimated to range between $292 per ounce at a gold price of $310/ounce and $299 per ounce at a gold price of $370 per ounce, although we will be working on measures to attempt to reduce costs going forward. Reserves and production rates are based on a gold price of $325 per ounce, which is the Base Case of the study.

Management believes that the capital costs to establish a surface, heap leach mining operation at El Chanate will be approximately $13.8 million. Financing, is being sought through bank loans, equity and/or royalty arrangements. Normal expenditures for the next fiscal year in New York and Mexico, such as Colorado holding costs, general administration, accounting and legal are estimated to be approximately $866,000 with our portion of non-capital items for the Chanate mine development and related activities being estimated at $280,000. Surface mine development would be funded by senior project financing of $13.8 million. As discussed below in "Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations; Liquidity and Capital Resources," all of our planned activities are dependent upon our ability to obtain adequate financing.

Management continues to be encouraged by results to date however, there can be no assurance that we will be able to establish and open a mine at El Chanate, that any mining will be profitable or that necessary additional funding can be obtained. Assuming that we are able to obtain adequate funding, we intend to continue development work at the El Chanate project. (See "Part II, Item 6, Management's Discussion and Analysis of Financial Condition and Results of Operations; Liquidity and Capital Resources").

On March 13, 2003, we obtained exclusive options to purchase an ore crusher and related assets (spare parts for the crusher and certain transportable building structures). The total cost for these assets (exclusive of the option cost) will be $700,000. FG, our joint venture partner, has agreed orally that this purchase will be pursuant to the joint venture and that FG will be responsible for 50% of the cost. On March 13, 2003, we paid $25,000 for these options. As originally agreed, on April 30,2003, we elected to extend the options to June 30, 2003 by paying an additional $25,000. Pursuant to the options, we were required to enter definitive purchase agreements for these assets on or before June 30, 2003 and, upon execution of these agreements, we were obligated to pay an aggregate of $400,000 towards the purchase price. The owner of these assets is attempting to obtain rights of clear passage from nearby property owners, who have filed suit for back payments and are seeking to attach the assets. Although the June 30, 2003 deadline has passed, we are negotiating with the owner to extend the deadline due to the current legal issues, which call into question the owner's ability to deliver the equipment to us if we exercise the options. These discussions have progressed to the point where we believe the owner has made substantial progress regarding his ability to provide clear passage of the equipment from its current location to the El Chanate Concessions. These assets currently are located in Sonora, Mexico, approximately 70 miles from the El Chanate Concessions. Assuming we can obtain the requisite financing to acquire these assets, and rights of clear passage, we plan to move them to our concessions after purchase. We continue to look for comparable equipment to acquire in the event that we are unable to acquire these assets or comparable assets are available at a better price.

Leadville, Colorado Developments

During the fiscal year ended July 31, 2003, activity at our Leadville, Colorado properties consisted primarily of mine maintenance. Primarily as a result of our focus on El Chanate, we temporarily ceased activities in Leadville, Colorado. During the year ended July 31, 2002, we performed a review of our Leadville mine and mill improvements and determined that an impairment loss should be realized. Therefore, we significantly reduced the carrying value of certain assets relating to our Leadville, Colorado assets (see, "Part II, Item 6, Management's Discussion and Analysis of Financial Condition and Results of Operations; Results of Operations").

Company Mill at Leadville

We have 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.

Competition

The acquisition of gold properties and their exploration and development are subject to intense competition. Companies with greater financial resources, larger staffs, more experience and more equipment for exploration and development may be in a better position than us to compete for such mineral properties. Our lack of revenues and limited financial resources further hinder our ability to acquire additional mineral properties. However, should we commence mining operations at our Leadville property, we believe 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).

Employees

As of July 31, 2003, we had six full time employees and/or consultants.

Item 2. Description of Properties

El Chanate Properties - Sonora, Mexico

Through our wholly-owned subsidiary, Oro de Altar S. de R. L. de C.V., and our affiliate, Santa Rita, we own 100% of the following 14 mining concessions, all of which are located in the Municipality of Altar, State of Sonora Republic of Mexico, subject to the terms of our joint venture agreement with FG which allows FG to earn up to a 45% interest in the venture.

	Concession Name	Title No.	Hectares
1	San Jose	200718	96.0000
2	Las Dos Virgen	214874	132.2350
3	Rono I	206408	82.1902
4	Rono 3	214224	197.2180
5	La Cuchilla	211987	143.3481
6	Elsa	212004	2,035.3997
7	Elisa	214223	78.4717
8	Ena	217495	190.0000
9	Eva	212395	416.8963
10	Mirsa	212082	20.5518
11	Olga	212081	60.5890
12	Edna	212355	24.0431
13	La Tira	219624	1.7975
14	La Tira 1	219623	18.6087
		Total	3497.3491

Surface Property Ownership

Emisa purchased surface property ownership, consisting of 466 Hectares in Altar, Sonora, on January 27, 1998. The ownership was conveyed to our subsidiary, Oro de Altar S.A. de C.V., in 2002. Minera Santa Rita S. de R.L de C.V., one of our wholly-owned Mexican affiliates, has a lease on the property for the purpose of mining the Chanate gold deposit. The purchase transaction was recorded as public deed 19,591 granted by Mr. Jose Maria Morera Gonzalez, Notary Public 102 of the Federal District, registered at the Public Registry of Property of Caborca, Sonora, under number 36026, book one, volume 169 of the real estate registry section on May 7, 1998.

Leadville, Colorado Properties

We own or lease the following patented claims (except where noted), all of which are located in California Mining District, Lake County, Colorado, Township 9 South, Range 79.

Claim Count	Percent Ownership	CLAIM NAME	CLAIM#	Gross Acreage of Claim
1	16%	Ballard	589	3.20
2	50%	Belle Placer	2778	129.00
	13%	Belle Placer	2778	
3	3%	Big Six (West End)	1616	3.70
	6%	Big Six (West End)	1616	
	8%	Big Six (West End)	1616	
5	81%	Blue Belle***	11121	7.594
6	100%	Bonanza	1088	5.92
7	25%	Boulder Nest	3574	6.48
8	100%	Bow****	11777	3.139

9	8%	Chestnut	712	9.40
10	50%	CHICAGO	1295	10.20
11	100%	Chieftain	978	8.55
12	100%	Christmas****	763	5.120
13	100%	Codfish Balls	767	2.60
14	12%	Colman	9747	1.50
	88%	Colman	9747	
15	100%	COLUMBINE	CMC-248958	7.30
16	100%	Comstock	1542	3.50
17	100%	Comstock (unpatented)	3613	9.70
18	100%	Content Liberty &Gold Belt***	9373	21.330
19	100%	Cora Belle	3919	6.70
20	100%	County Line***	11359	7.748
21	100%	Curran	449	8.80
22	100%	Cyclops	1567	8.70
23	100%	Dauntless***	579	10.330
24	100%	Devlin	1579	7.60
25	17%	Dolphin **	719	1.99
26	3%	Elbert	4163	9.90
	6%	Elbert	4163	
	8%	Elbert	4163	
27	11%	Elmore****	636	10.200
28	38%	EMMA	756	8.30
29	50%	Famous***	4554	3.991
30	100%	Fortune***	2309	4.921
31	75%	Free America #2	1177	4.20
32	100%	Gnome****	1010	2.920
33	100%	Golconda****	3690	5.250
34	100%	Golden rod	9441	4.00

35	100%	Grand Prize	473 AM	4.50
36	100%	Grand View***	621	2.450
37	13%	Great Hope	489	10.30
38	50%	Greenback	1043	4.00
39	3%	Greenwood	630	9.40
	6%	Greenwood	630	9.40
40	100%	Herman Placer****	743	95.540
41	100%	Highland Chief	429	2.10
42	100%	Highland Mary	539	6.60
43	100%	Homestake	1540	7.60
44	10%	Horseshoe **	1493	5.48
45	100%	Hubert *	11286	1.14
46	8%	Ishpeming	1018	8.20
	83%	Ishpeming	1018	
47	32%	J G Fraction	13251	1.70
48	100%	Jew****	7141	1.480
49	100%	JFW *	15176	0.02
50	50%	Josephine Plus **	3226	0.02
51	100%	JUDY	CMC-248957	18.00
52	100%	Kokomo***	892	8.211
53	8%	KRL	4299	4.70
54	35%	Little Annie	601	10.33
55	100%	Lady Jane	491	8.90
56	38%	Little Bertha	504	8.40
57	11%	Little Chief	358	6.98
58	100%	Little Chippewa	655	9.90
59	100%	Little Ellen ****	550	10.140
60	13%	Little Galesburg	1176	6.00
	88%	Little Galesburg	1176	
61	3%	Little Maud	758	4.90
	6%	Little Maud	758	
	8%	Little Maud	758	
62	100%	Little Rische***	412	9.710
63	50%	Medium	13344	4.80

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	50%	Medium	13344	
64	100%	Midnight****	4532	4.310
65	100%	MIKADO	8015	9.30
66	100%	Mill site***	tract	100.633
67	8%	Mineral Farms	1359	9.10
68	8%	Minnesota	2651	2.80
69	100%	Moquito***	4542	2.467
70	11%	New Discovery	286	10.70
71	100%	New Year****	496	9.300
72	50%	NEW YORK	1294	10.10
73	100%	Office Bldg***		
74	100%	Ohio	584	9.24
75	8%	Park	838	10.30
	8%	Park **	838	
76	8%	Park#2	897	9.70
77	88%	Penfield***	2308	3.576
78	96%	PHARMACIST	11617	1.20
79	9%	Pittsburg	422	8.43
80	100%	Polaris #1-3****	12486	5.720
81	44%	President	8942	6.90

	6%	President	8942	
82	50%	PRIDE OF THE WEST	3963	0.90
83	63%	PROSPERINE &	5214	9.90
84	100%	PT ZUNI PLACER	Personal prop.	22.00
85	100%	Pt. Oro***	283	3.366
86	75%	PUEBLO	12718	36.60
87	39%	Pyrenees	1537	6.80
88	100%	R A M	1566	5.90
89	50%	Ready Cash **	304	10.33
90	100%	Resurrection#1-15****	9269	148.169
91	100%	Robert Burns	538	9.90
92	100%	Rocky & Snowflake *	5038	9.40
93	100%	Sailing Cissy #1***	11121	6.336
94	100%	Sailing Cissy #2***	11121	5.412
95	100%	Security	3181	2.85
96	75%	Shale***	11121	9.684
97	28%	Silent Friend****	595	4.650
	40%	Silent Friend****	595	
98	8%	Silver Cloud	1016	4.90
99	100%	Silver Spray	1539	2.10
100	100%	Slide****	6455	2.810
101	8%	Snow	4161	3.70
102	100%	South Fork****	623	10.160
103	100%	St. Ann	4640	6.70
104	100%	St. Louis	558	8.00
105	25%	Stray Horse	301	7.30
106	100%	Summit & Summit #2****	6590	20.156
107	100%	Tokio *	9923	1.01
108	100%	Uintah Placer mill****	2407	4.473
109	100%	Uintah Placer(tract 5)****	2407	2.273
110	100%	Wade Hampton	1538	6.10
111	75%	Wall Street***	1000	3.060
112	100%	What is Left***	4970	7.100
113	8%	XYT	4162	7.10
	92%	XYT	4162	
		totals		1,227.59

* Highland Group Affiliation

** Purchased at tax lien sale/delinquents, pending completion of payments (year 1999).

*** Purchased at tax lien sale, pending completion of payments (year 2001)

**** Purchased at tax lien sale, pending completion of payments, Paid two years taxes (2000, 2001)

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Note: We may have multiple agreements for the same claim that cover fractional ownership interests.

CMC = Unpatented claim

We own or have rights to explore, develop and mine the foregoing claims as indicated. We have not formed any partnership or joint venture regarding these claims, nor have we entered into 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 and are accessible by County Road. The principal acreage forms a contiguous group and is located on a prominent topographic feature known as Breece Hill, as indicated in the discussion of the Hopemore Project below.

General Information

El Chanate Project – Sonora Mexico

The El Chanate project is located in the State of Sonora, Mexico, 37 kilometers northeast of the 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 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, gravel and caliche. The main body of the known surface gold covers and irregularly shaped area of approximately 1,800 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 us indicate the presence of gold mineralization.

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 tens of 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

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 microporphyritic 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 interbreds; it lies below the Chanate fault and is assigned to the Arroyo Sasabe Formation of the Lower Cretaceous Bisbee Group. The Arroyo Sasabe 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 drill holes the fault is often marked the presence of an andesitedike. 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 we have 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 sericised, 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 vein lets form thick, mineralized lenses, within a larger area of sub economic but anomalous gold concentrations. Drill hole data indicates that the mineralized lenses are sub horizontal to gently southwest-dipping and are grossly parallel to the Chanate fault. The fault zone itself is also weakly mineralized, although strata in the near hanging wall and footwall are appreciably mineralized.

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 R.C. 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 test work.

In April and May 2002, to confirm previous results obtained by third parties and to provide specifically located metallurgical test samples, we drilled six diamond core holes totaling 1,508 feet into the main mineralized zone at El Chanate. Management believes that the diamond drill results generally confirmed the previous results and, in June 2002 and January 2003, we drilled an additional 45 reverse circulation holes totaling 9,410 feet. This reverse circulation drill program confirmed previous results and also expanded certain mineralized areas. The total number of holes is now 253. Of these, 235 are reverse circulation drill holes and 18 are diamond drill holes. Detailed check assays were obtained both for core samples and for reverse drill samples that initially assayed greater than 0.3 gm/tonne. Chemex Labs, Vancouver, Canada, preformed both the initial and the check assays, and the check assays supported the initial assay results.

Metallurgical studies and independent tests of El Chanate mineralization continue. Management believes that these tests continue to show promise that heap leach technology can be utilized at El Chanate.

We, along with our joint venture partner, FG, selected M3 Engineering, Tucson, Arizona and their related subcontractors to prepare a bankable feasibility study for the El Chanate Project for the purpose of securing bank financing. This study was completed in August 2003 and includes metallurgy, economics, planning and design. The feasibility study was financed by us and by our partner, FG.

Our Current Plans for the El Chanate Project

Assuming adequate funding can be obtained, that required permits are obtained, and since the feasibility and related engineering studies have yielded positive outcomes, we anticipate beginning project construction before the end of the calendar year 2003 or in early 2004. Our current plans for the rest of calendar year 2003 include:

Environmental and Permitting. We already own the surface over the deposit. We will 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. These permits were recently completed and filed with the proper government agencies.

Site Construction. If warranted, we plan to construct a surface gold mine and facility capable of producing about 2.8 million tons per year of ore and about 50,000 ounces of gold per year, over a five year mine life, at a targeted cash cost of less than $230 per ounce.

Hopemore Project - Leadville, Colorado

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 us started in 1984 with the 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, our 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 historic 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.

The Hopemore area historically 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 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. Our properties are located on Breece Hill, which is a major intrusive center, containing deposits of gold, silver and base metal mineralization.

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 our 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 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

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

Item 3. Legal Proceedings

We are 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 our shareholders during the fourth quarter of fiscal 2003.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters

(a) Marketing Information -- The principal U.S. market in which our common shares (all of which are of one class, $.001 par value Common Stock) are traded or will trade is in the over-the-counter market (Bulletin Board Symbol: "CGLD"). Our 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 our Common Stock per quarter for the past two fiscal years 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).

MARKET PRICE OF COMMON STOCK

Quarter Ending	Bid High	and Low
July 31, 2003	0.43	0.23
April 30, 2003	0.33	0.19
January 31, 2003	0.26	0.12
October 31, 2002	0.18	0.12
July 31, 2002	0.37	0.102
April 30, 2002	0.29	0.10
January 31, 2002	0.25	0.11
October 31, 2001	0.38	0.15

(b) Holders -- The approximate number of recordholders of our Common Stock, as of November 7, 2003 amounts to 1,524 inclusive of those brokerage firms and/or clearing houses holding our 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 45,716,092 as of November 7, 2003.

(c) Dividends - We had not paid or declared any dividends upon our Common Stock since inception and, by reason of our present financial status and our contemplated financial requirements, do not contemplate or anticipate paying any dividends upon our Common Stock in the foreseeable future.

During the quarter ended July 31, 2003, we issued the following shares of our Common Stock pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933: We sold an aggregate of 2,502,579 shares for an aggregate of $416,599 to 14 persons. We also issued 14,348 shares to one individual for administrative services.

The following table gives information about our Common Stock that may be issued upon the exercise of options, warrants and rights under all of our equity compensation plans as of July 31, 2003.

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-aver exercise pric outstandin options, warr and rights

	(a)	(b)
Equity compensation plans approved by security holders:	-0-	$ -0-
Equity compensation plans not approved by security holders:	4,036,363	$ .022
	25,000	.50
	97,826	.115
	3,787,727	.22
	1,450,000	.05
	100,000	.20
	100,000	.24
	200,000	.25
Total	9,796,916	$ .199

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, including the section "Issues and Uncertainties" below, or incorporated by reference into, this report:

- worldwide economic and political events affecting the supply of and demand for gold;
- volatility in market prices for gold and other metals;
- financial market conditions, and the availability of debt or equity financing on terms acceptable to our company;
- uncertainties as to whether additional drilling, testing and feasibility studies will establish reserves at any of our properties;
- uncertainties associated with developing a new mine, including potential cost overruns and the unreliability of estimates in early states of mine development;

- uncertainties as to title to our properties and the availability of sufficient properties to allow for planned activities at Leadville in Colorado and at El Chanate in Mexico.

- variations in ore grade and other characteristics affecting mining, crushing, milling and smelting operations and mineral recoveries;

- geological, metallurgical, technical, permitting, mining and processing problems;

- the availability and timing of acceptable arrangements for power, transportation, mine construction, contract mining, water and smelting; the availability, terms conditions and timing of required government approvals;

- uncertainties regarding future changes in tax and foreign-investment legislation or implementation of existing tax and foreign-investment legislation;

- the availability of experienced employees; and

- political instability, violence and other risks associated with operating in a country like Mexico with a developing economy.

Many of those factors are beyond our ability to control or predict. You should not unduly rely on these forward-looking statements. These statements speak only as of the date of this report on Form 10-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-KSB.

Results of Operations

General

During the fiscal year ended July 31, 2003, we continued to analyze the El Chanate concessions. In fiscal 2002, we conducted data reviews and exploration reconnaissance on 44 remaining mineral concessions. The majority of these concessions were many miles from the El Chanate project and were mostly located over early stage prospects, or along conceptual geologic projections, which did not contain any developed mineral resources. As a result of this review, we succeeded in our objective of reducing property holdings to a coherent package of 14 contiguous, high priority concessions totaling approximately 3,497 hectares (8,642 acres or 13.5 square miles) which now comprise the El Chanate project. Further exploration and development of the El Chanate project, assuming it is economically feasible, will mostly occur on these concessions owned by us. We also own outright 466 hectares (1,151 acres or 1.8 square miles) of surface rights at El Chanate (except for our joint venture agreement with FG) and no third party ownership or leases exist on this fee land or the El Chanate concessions.

Through our engineering consultants and with FG, we continue to conduct metallurgical tests to determine the most optimal and economically feasible crushing and or grinding sizes for processing the El Chanate deposit. Management believes that these studies showed that El Chanate deposits are generally well suited for treatment using dilute cyanide solutions, and ore grade samples from

El Chanate have shown recoveries from rock tested after crushing to minus 1/2 inch size. The result of the crushing and grinding studies show that the gold recovery increases significantly as the rock is reduced to finer particle sizes. Current plans call for crushing 100 percent of the rock through to minus 3/8 inch size. Test work was conducted at Resources Development Inc. in Wheat Ridge, Colorado, Metcon's laboratory in Tucson, Arizona and in Mexico at the La Colorada mine laboratory, which is owned by FG, our joint venture partner. We are generally encouraged by these results.

Fiscal year ended July 31, 2003 compared to fiscal year ended July 31, 2002

Revenues.

We generated no revenues from mining operations during the fiscal year ended July 31, 2003 and 2002. We generated interest income during the 12 moths ended July 31, 2003 of approximately $32,000, an increase of $29,000 from the 12 month period ended July 31, 2002 ($3,000). This increase resulted from higher cash balances and interest collected on the sale of our subsidiary, Minera Chanate.

Costs and Expenses.

Over all, costs and expenses during the 12 months ended July 31, 2003 ($2,088,000) decreased by $487,000 (approximately 18.9%) from the 12 months ended July 31, 2002 ($2,575,000). However, this decrease primarily relates to a decrease in the write down of mining and milling properties ($999,500) offset by an increase in other costs and expenses.

In accordance with SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," we review our long-lived assets for impairments. Impairment losses on long-lived assets are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses then are measured by comparing the fair value of assets to their carrying amounts. Primarily as a result of our focus on El Chanate, we temporarily ceased activities in Leadville, Colorado. During the year ended July 31, 2003, we performed a review of our Colorado mine and mill improvements and determined that an additional impairment loss need not be recognized. Accordingly, at July 31, 2002, we reduced by approximately $999,000 the carrying value of certain assets relating to our Leadville, Colorado facility to $300,000, which approximates our management's estimate of fair value. No additional impairment loss was recognized at July 31, 2003.

Mine expenses during the 12 months ended July 31, 2003 ($1,029,000) increased by $319,000 (approximately 44.9%) from the 12 months ended July 31, 2002 ($710,000). We believe that the increase in mine expenses resulted primarily from increased research activities at the Mexican property.

Selling, general and administrative expenses during the 12 months ended July 31, 2003 ($771,000) increased by $131,000 (approximately 20.5%) from the 12 months ended July 31, 2002 ($640,000). We believe that the increase is due to increased rent and related expenses ($30,000), public relations ($68,000) costs and miscellaneous administrative costs ($33,000).

Stock based compensation increased $67,000 approximately (30.1%) during the 12 months ended July 31, 2003 ($289,000) from the 12 months ended July 31, 2002 ($222,000).

Net Income.

As a result, our net loss for the 12 months ended July 31, 2003 was $1,919,000, which was $1,427,000 more than our $492,000 loss for the 12 months ended July 31, 2002. .

Liquidity and Capital Resources

As of July 31, 2003, we had working capital of approximately $106,000. As noted below, management anticipates that we will need at least $1,182,400 in order to carry out our plans for fiscal 2004 which includes the costs of administration and mine related activities and an additional $13.8 million in order to develop a surface mine at the El Chanate project if it continues to be deemed economically feasible. To the extent that cash flow is unavailable, management intends to raise all necessary capital through bank financing and/or the sale of our securities, or the sale of a royalty interest in the future production from the Chanate properties.

Assuming that we are able to obtain funds, planned activities over the next year in Mexico, in order of priority, are as set forth below. Some of these activities may not be completed by July 31, 2004, the end of our current fiscal year.

Activity	Estimated Cost*
Sonora, Mexico (assumes FG pays an equal amount)	
Permitting and Public Relations	11,000
Water Rights Acquisition	50,000
Water Well Drill (test hole)	25,000
Road Construction	30,000
Building down payment	20,000
Land Taxes	19,500
Employee Salaries, and Consultants	124,500
Subtotal	280,000
Leadville, Colorado	
Holding cost, maintenance, insurance	36,200
New York, NY - Admin	
New York Office	648,000**
Mexican legal, accounting,	71,200
Mining and Geological Consultants	147,600
Subtotal	866,200
Project Development (Senior financing)	13,800,000
Total	14,982,400

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*   Does not include contributions by FG.

**   Includes rent and related costs, New York Salaries, taxes, U.S. legal and accounting expenses, and other U.S. general and administrative costs.

Management had been funding these basic requirements through funds obtained from our sale of Minera Chanate. All of the proceeds from the sale have been expended. During the year ended July 31, 2003, we obtained approximately $380,000 from the issuance of Common Stock. All of our planned activities are dependent upon our ability to obtain adequate financing. Financing, is being sought through bank loans, the sale of equity and/or royalty arrangements.

There is no assurance whatsoever that we will generate any operating revenues during the fiscal year ending July 31, 2003 or that any of our proposed plans to raise capital and otherwise fund operations will prove successful. Our inability to obtain sufficient funding will delay our planned operations or, possibly, force us to go out of business.

Environmental Issues

Management does not expect that environmental issues will have an adverse material effect on our liquidity or earnings. Before any additional exploration or any development or mining or construction of milling facilities could begin at our Leadville properties, it would be necessary to meet all environmental requirements and to satisfy the regulatory agencies in Colorado that our

proposed procedures fell within the boundaries of sound environmental practice. We currently are bonded to insure reclamation of any areas disturbed by our past activities. The current amount of this bond is $35,550.

In Mexico, we are not aware of any significant environmental concerns or existing reclamation requirements at the El Chanate properties. However, we will be required to obtain various environmental and related permits in order to engage in our planned activities at El Chanate. This has presently been undertaken. The costs and any delays associated with obtaining these required permits could have an impact on our ability to timely complete our planned activities at El Chanate and ultimately on the feasibility of opening a mine.

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

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

Off-Balance Sheet Transactions

We do not have any transactions, agreements or other contractual arrangements that constitute off-balance sheet arrangements.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

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

In accordance with SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," we review our long-lived assets for impairments. Impairment losses on long-lived assets are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be

recoverable. Impairment losses then are measured by comparing the fair value of assets to their carrying amounts. During the year ended July 31, 2002, we performed a review of our Colorado mine and mill improvements and determined that an impairment loss should be recognized. Accordingly, at July 31, 2002, we reduced by $999,445 the net carrying value of certain assets relating to our Leadville, Colorado facility to $300,000, which approximates management's estimate of fair value. No additional impairment loss was recognized in 2003.

Environmental remediation costs are accrued based on estimates of known environmental remediation exposure. Such accruals are recorded even if significant uncertainties exist over the ultimate cost of the remediation. It is reasonably possible that our estimates of reclamation liabilities, if any, could change as a result of changes in regulations, extent of environmental remediation required, means of reclamation or cost estimates. Ongoing environmental compliance costs, including maintenance and monitoring costs, are expensed as incurred. There were no environmental remediation costs accrued at July 31, 2003.

ISSUES AND UNCERTAINTIES

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

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

To date, we have no producing properties. As a result, we have no current source of operating revenue and we have historically operated and continue to operate at a loss. Our ultimate success will depend on our ability to generate profits from our properties. Our viability is largely dependent on the successful commercial development of the El Chanate project.

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

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

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

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

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

Our ability on a going forward basis to discover viable and economic mineral reserves is subject to numerous factors, most of which are beyond our control and are not predictable.

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

- the location of economic ore bodies,
- development of appropriate metallurgical processes,
- receipt of necessary governmental approvals and
- construction of mining and processing facilities at any site chosen for mining.

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

- the price of gold,
- exchange rates,
- the particular attributes of the deposit, such as its
  - size,
  - grade and
  - proximity to infrastructure,
- financing costs,
- taxation,
- royalties,
- land tenure,

- land use,
- water use,
- power use,
- importing and exporting gold and
- environmental protection.

The effect of these factors cannot be accurately predicted.

Aside from our El Chanate concessions, the mineral properties in which we have an interest or right are in the exploration stages and are without reserves of gold or other minerals. We cannot assure that current or proposed exploration or development on our other properties in which we have an interest will result in the discovery of gold mineralization reserves or will result in a profitable commercial mining operation.

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

Our only current properties are the El Chanate concessions and our Leadville properties. At present, we are not doing any substantive work at our Leadville properties. Our El Chanate

concessions are owned by one of our wholly-owned subsidiaries Oro de Altar. FG, our joint venture partner, has a 31% interest in the operating profits of the El Chanate project with a right to increase its interest to 45%. We currently do not have operations on either of our properties, and we must commence such operations to receive revenues. Accordingly, we are dependent upon the success of the El Chanate concessions.

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

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

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

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

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

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

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

Any such changes may affect our ability to undertake exploration and development activities in respect of present and future properties in the manner currently contemplated, as well as our ability to continue to explore, develop and operate those properties in which we have an interest or in respect of which we have obtained exploration and development rights to date. The

possibility, particularly in Mexico, that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

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

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

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

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

Mining Risks and Potential Inadequacy of Insurance Coverage could adversely affect us

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

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

Such risks could result in:

- damage to, or destruction of, mineral properties or production facilities,
- personal injury or death,
- environmental damage,
- delays in mining,
- monetary losses and
- possible legal liability.

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

We do not currently have liability insurance in place. Although we are currently seeking to obtain insurance, if we are unable to obtain adequate insurance and someone is injured on our property, our financial condition could be materially and adversely affected.

At present we do not have liability insurance coverage in place. We are currently seeking to obtain such insurance and hope to have it soon. If we are unable to obtain adequate insurance and/or prior such insurance taking effect, someone is injured on our property and we are determined to be liable, our financial condition could be materially and adversely affected.

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

Reserve estimates may not be accurate. There is a degree of uncertainty attributable to the calculation of reserves, resources and corresponding grades being dedicated to future production. Until reserves or resources are actually mined and processed, the quantity of reserves or resources and grades must be considered as estimates only. In addition, the quantity of reserves or resources may vary depending on metal prices. Any material change in the quantity of reserves, resource grade or stripping ratio may affect the economic viability of our properties. In addition, there can be no assurance that mineral recoveries in small scale laboratory tests will be duplicated in large tests under on-site conditions or during production.

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

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

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

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

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

The acquisition of gold properties and their exploration and development are subject to intense competition. Companies with greater financial resources, larger staffs, more experience and more equipment for exploration and development may be in a better position than us to compete for such mineral properties.

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

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

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

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

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

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

RECENT ACCOUNTING PRONOUNCEMENTS

In July 2001 the Financial Accounting Standards Board, ("FASB") issued Statement No. 141, "Business Combinations" ("SFAS 141"). SFAS 141 replaces APB Opinion No. 16 and eliminates pooling-of-interest accounting prospectively. It also requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method and provides guidance on purchase accounting related to the recognition of intangible assets and accounting for negative goodwill. There have been no acquisitions completed since June 30, 2001 and all previous acquisitions have been accounted for using the purchase method.

In October 2001, FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 clarifies the accounting for the impairment of long-lived assets and for long-lived assets to be disposed of, including the disposal of business segments and major lines of business. We will adopt SFAS 144 in fiscal 2003 and do not expect that the application of the provisions of SFAS 144 will have a material impact on our consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure". SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounts for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS No. 148 are effective for financial statements for the year ended July 31, 2003. SFAS No. 148 did not have a material impact on our consolidated financial statements, as the adoption of this standard does not require us to change, and we do not plan to change, to the fair value based method of accounting for stock-based compensation

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.

Item 8A. Controls and Procedures.

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

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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	71	9/22/82	President, Treasurer & Chairman of the Board
Robert Roningen	69	9/14/93	Director, Senior Vice President, Secretary
Jack V. Everett	82	1/25/95	Director, Vice President - Exploration
Roger A. Newell	60	8/28/00	Director, Vice President - Development
Jeffrey W. Pritchard	45	1/27/00	Director, Vice President - Investor Relations
J. Scott Hazlitt	51		Vice President - Mine Development

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 1997 following the resignation of Donald W. Wilson. He has been the Company's Chairman and Treasurer since 1981. 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. Mr. Dieterle has been Secretary-Treasurer of South American Minerals Inc. since 1997 and a director of that company since 1996.

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.

JACK V. EVERETT, Vice President - Exploration and Director, has been a consulting mining geologist since 1971, 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 1974 through 1977, he was a geologist with Kennecott Copper Copper Corporation. From 1977 through 1989, he served as Exploration Manager/Senior Geologist for the Newmont Mining Corporation 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. He has been self-employed as a geologist since 2001. 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 since 1996. He has been in the marketing/public relations 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 (1987-1990) and as the Director of Sales for the New York Islanders (1985-1987). He also was an Executive Vice President with Long Island based Performance Network, a marketing and publishing concern from 1990 through 1995.

J. SCOTT HAZLITT, Vice President - Mine Operations, has been a geologist since 1974. He has been providing geological consulting services to the Company since November 1999. From 1995 to 1999, he was Chief Geologist for Getchell Gold Corp. Mr. Hazlitt received a B.Sc. degree in Geology from Fort Lewis College in Durango, Colorado in 1974 and a M.Sc. degree in Economic Geology from Colorado State University in Fort Collins, Colorado in 1985.

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

To our 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 our issued and 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.

Code of Ethics

We recently adopted a Code of Ethics that applies to our officers, directors and employees, including our principal executive officer, principal financial officer and principal accounting officer. The Code of Ethics is publicly available on our Website at www.capitalgoldcorp.com. If we make any substantive amendments to this code of ethics or grant any waiver, including any implicit waiver, from a provision of the code to our chief executive officer, principal financial officer or principal accounting officer, we will disclose the nature of such amendment or waiver on that Website or in a report on Form 8-K.

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.

SUMMARY COMPENSATION TABLE

					Long-T	
	Annual Compensation				Awards	
(a)	(b)	(c)	(d)	(e)	(f)	(g
Name and Principal Position	Year	Salary	Bonus ($)	Other Annual Compen-sation($)	Restrict-ed Stock Award ($)	Optio SAR
Gifford A. Dieterle	2003	70,856	23,400	-0-	-0-	
Chief Executive	2002	70,642	-0-	-0-	-0-	
Officer	2001	96,350	-0-	-0-	-0-	2,000

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)	
Name	Options/ SARs Granted	Percent of Total Options/SARs Granted to Employee in Fiscal Year	Exercise or Base Price ($/SH)	E
Scott Hazlitt	300,000	20.8%	$.05	
Scott Hazlitt	400,000	20.5%	$.05	

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) Name	(b) Shares Acquired on Exercise (#)	(c) Value Realized	(d) Number of Unexercised Options/SARs at FY-End(#) Exercisable/ Unexercisable	(e) Value of Unexercise In-the-Mon Option/SAR at FY-End(Exercisabl Unexercisa
Gifford A. Dieterle	--	--	1,250,000	$287,50
Robert N. Roningen	922,727	$90,427	500,000	$115,00
Jack V. Everett	200,000	$36,000	300,000	$ 69,00
Jeffrey W. Pritchard	--	--	372,727	$ 85,72
Roger A. Newell	--	--	1,000,000	$230,00
Scott Hazlitt	--	--	725,000	$166,75

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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 and Related Stockholder Matters

(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 November 10, 2003.

(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 November 10, 2003, is set forth on the charts below.

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership 11/10/03	Approximate Percentage(1)(2)
Common Stock	Gifford A. Dieterle*	2,783,379(2)	5.9%
Common Stock	Jack Everett*	975,000(2)	2.1%
Common Stock	Robert Roningen*	1,800,000(2)(3)	3.9%
Common Stock	Jeffrey W. Pritchard*	706,354(2)	1.5%
Common Stock	Roger A Newell*	1,227,273(2)	2.6%
Common Stock	Scott Hazlitt*	1,025,000(2)	2.2%
Common Stock	Richard Shevchenko	3,912,000(2)(4)	8.1%
All Officers and Directors as a Group(6)		8,517,006(2)(3)	17.2%

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* Officer and/or Director of the Company.

(1) Based upon 45,716,092 shares issued and outstanding as of November 7, 2003.

(2) For Messrs. Dieterle, Everett, Roningen, Pritchard, Newell, Hazlitt and Shevchenko, includes, respectively, 1,250,000 shares, 100,000 shares, 500,000 shares, 372,727 shares, 927,273 shares, 725,000 shares and 2,500,000 issuable upon exercise of options and/or warrants.

(3) Includes shares owned by Mr. Roningen's wife and children.

(4) Includes shares owned by Mr. Shevchenko's wife. The number of shares is based upon our review of our records and the records at our transfer agent. The actual number, to the extent that he owns stock in street name may be different.

Item 12. Certain Relationships and Related Transactions.

During the fiscal years ended July 31, 2003 and 2002, we paid Roger Newell $60,000 and $60,000, respectively, for professional geologist services rendered to us. In addition, during the fiscal year ended July 31, 2003 and 2002, we paid Mr. Newell a bonus of $35,000 and $15,000, respectively. During the fiscal years ended July 31, 2003 and 2002, we paid Scott Hazlitt $96,000 per year, for professional geologist and mine management services rendered to us, plus expenses. In addition, during the fiscal year ended July 31, 2003 and 2002, we paid Mr. Hazlitt a bonus of $10,000 and $5,000, respectively. During the fiscal year ended July 31, 2003 and 2002, we paid Jack Everett consulting fees of $42,000 and $30,000, respectively. In addition, during the fiscal year ended July 31, 2003 and 2002, we paid Mr. Everett a bonus of $35,000 and $15,000, respectively. During the fiscal year ended July 31, 2003 and 2002, we paid Robert Roningen legal fees of $2,300 and $22,500, respectively. In addition, during the fiscal year ended July 31, 2003 and 2002, we paid Mr. Roningen a bonus of $10,000 and $5,000, respectively. During the fiscal year ended July 31, 2003, we paid Gifford Dieterle a bonus of $23,400. During the fiscal year ended July 31, 2003 and 2002, we paid Jeff Pritchard a bonus of $10,000 and $5,000, respectively.

At July 31, 2003 we had outstanding salary advances of $10,020 to an officer/director. Subsequent to July 31, 2003, we made additional salary advances to this officer of $9,000. The officer has agreed to transfer his net paychecks to us until such time as all salary advances have been exhausted. To date, repayments are being made according to the arrangement.

On October 29, 2002, we issued to Scott Hazlitt options to purchase 400,000 shares that expire on March 15, 2005 and are exercisable at $.22 per share, and options to purchase 300,000 shares that expire on February 1, 2007 and are exercisable at $.22 per share.

On February 14, 2002, we issued to Scott Hazlitt an option to purchase 300,000 shares. These options expire November 16, 2003 and were exercisable at $.22 per share (the exercise price was subsequently reduced to $.022 per share). Mr. Hazlitt exercised these options.

On June 4, 2002, we issued to Roger Newell an option to purchase 227,273 shares. These options expire June 4, 2005 and are exercisable at $.022 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)(5)
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)
10.d	March 30, 2002 Minera Chanate Stock Purchase and Sale and Security Agreement (Sale by us and Holding of all of the stock of Minera Chanate) (In Spanish).(3)

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10.e	English summary of March 30, 2002 Minera Chanate Stock Purchase and Sale and Security Agreement.(3)
10.f	Agreement between Santa Rita and Grupo Minero FG.(4)
21.1	Subsidiaries of the Company
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Executive Officer
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Financial Officer
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Executive Officer
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Financial Officer

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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.

(3) Previously filed as an exhibit to the Company's Quarterly Report on Form 10-QSB for the quarter ended April 30, 2002 filed with the Commission on or about June 20, 2002, and incorporated herein by this reference.

(4) Previously filed as an exhibit to the Company's Quarterly Report on

Form 10-QSB for the quarter ended January 31, 2002 filed with the Commission on or about March 25, 2002, and incorporated herein by this reference.

(5) Previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on or about April 11, 2003, and incorporated herein by this reference.

Reports of Form 8-K

None.

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.

Item 14. Principal Accountant Fees And Services.

Wolinetz, Lafazan & Company, P.C. ("WL"), Certified Public Accountants, are the Company's independent auditors that examined the financial statements of the Company for the fiscal years ended July 31, 2003 and 2002. WL has performed the following services and has been paid the following fees for these fiscal years.

Audit Fees

WL billed $39,000 and $43,000 for our audit of Company's financial statements for the fiscal years ended July 31, 2003 and 2002 and our review of the financial statements included in the Company's filing of its quarterly reports on form 10-QSB during these fiscal years.

Audit-Related Fees

WL was not paid any additional fees for the fiscal years ended July 31, 2003 and 2002 for assurance and related services reasonably related to the performance of the audit or review of the Company's financial statements.

Tax Fees

WL billed $12,000 for the fiscal years ended July 31, 2003 and 2002 for professional services rendered for tax compliance, tax advice and tax planning.

Other Fees

WL was paid no other fees for professional services during the fiscal years ended July 31, 2003 and 2002.

Audit Committee Pre-Approval Policies

The Board of Directors, which performs the equivalent functions of an audit committee, currently does not have any pre-approval policies or procedures concerning services performed by WL. All the services performed by WL that are described above were pre-approved by the Board of Directors. Less than 50% of the hours expended on WL's engagement to audit the Company's financial statements for the fiscal years ended July 31, 2003 and 2002 were attributed to work performed by persons other than WL's full-time, permanent employees.

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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.

CAPITAL GOLD CORPORATION

By: /s/ Gifford A. Dieterle

Gifford A. Dieterle, President

Dated:
Dated: November 12, 2003

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	November 12, 2003
/s/ Jack V. Everett Jack V. Everett	Director	November 12, 2003
/s/ Robert Roningen Robert Roningen	Director	November 12, 2003
/s/ Roger A. Newell Roger A. Newell	Director	November 12, 2003
/s/ Jeffrey W. Pritchard Jeffrey W. Pritchard	Director	November 12, 2003

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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.

NOT APPLICABLE.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Board of Directors and Shareholders of
Capital Gold Corporation

We have audited the accompanying consolidated balance sheet of Capital Gold Corporation (F/K/A Leadville Mining and Milling Corp.) and Subsidiaries (A Development Stage Enterprise) ("the Company") as of July 31, 2003, 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, 2003 and for the period September 17, 1982 (Inception) to July 31, 2003. These consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capital Gold Corporation and Subsidiaries as of July 31, 2003 and the consolidated results of their operations and their cash flows for each of the two years in the period ended July 31, 2003 and for the period September 17, 1982 (Inception) to July 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

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 is a development stage enterprise whose operations have generated recurring losses and cash flow deficiencies from its inception. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 17. 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
October 17, 2003

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CAPITAL GOLD CORPORAITON
F/K/A LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED BALANCE SHEET
JULY 31, 2003

ASSETS

Current Assets:

Cash and Cash Equivalents	$ 246,410
Loans Receivable - Related Party	20,180
Loans Receivable - Others	18,365
Other Current Assets	14,978
Prepaid Expenses	10,027
Marketable Securities	50,000
Total Current Assets	359,960
Mining, Milling and Other Property and Equipment (Net of Accumulated Depreciation of $358,230)	344,780
Other Assets:	
Other Investments	12,882
Mining Reclamation Bonds	35,550
Security Deposits	8,435
Total Other Assets	56,867
Total Assets	$ 761,607

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Accounts Payable	$ 132,017
Accrued Expenses	122,282
Total Current Liabilities	254,299
Minority Interest	(143,692)
Commitments and Contingencies	
Stockholders' Equity:	
Common Stock, Par Value $.001 Per Share; Authorized 150,000,000 shares; Issued and Outstanding 44,677,534 Shares	44,677
Additional Paid-In Capital	22,192,229
Deficit Accumulated in the Development Stage	(21,639,539)
Accumulated Other Comprehensive Income (Loss)	53,633
Total Stockholders' Equity	651,000
Total Liabilities and Stockholders' Equity	$ 761,607

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

CAPITAL GOLD CORPORATION
F/K/A LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENT OF OPERATIONS

	For The Year Ended July 31, 2003	For The Year Ended July 31, 2002	For The P September (Incept To July 31,
Revenues:			
Sales	$ --	$ --	$
Interest Income	31,864	3,103	749
Miscellaneous	6,401	--	32
Total Revenues	38,265	3,103	782
Costs and Expenses:			
Mine Expenses	1,028,899	709,961	6,139
Write-Down of Mining, Milling and Other Property and Equipment	--	999,445	999
Selling, General and Administrative Expenses	770,629	639,652	8,170
Stock Based Compensation	288,623	222,338	8,842
Depreciation	--	3,105	367
Total Costs and Expenses	2,088,151	2,574,501	24,519
Loss Before Other Income (Expense)	(2,049,886)	(2,571,398)	(23,737
Other Income (Expense):			
Gain on Sale of Property and Equipment	--	46,116	46
Gain on Sale of Subsidiary	--	1,907,903	1,907
Option Payment	--	70,688	70
Loss on Write-Off of Investment	--	--	(10
Loss on Joint Venture	--	--	(101
Loss on Option	(50,000)	--	(50
Total Other Income (Expense)	(50,000)	2,024,707	1,863
Loss Before Minority Interest	(2,099,886)	(546,691)	(21,874
Minority Interest in Net Loss of Subsidiary	180,625	54,543	235
Net Loss	$ (1,919,261)	$ (492,148)	$(21,639
Net Loss Per Common Share - Basic and Diluted	$ (.05)	$ (.01)	
Weighted Average Common Shares Outstanding	41,892,989	37,499,663	

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

CAPITAL GOLD CORPORATION
F/K/A 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, 2003

	Common Stock		Additional	Ac
	Shares	Amount	Paid-In Capital	De
Balance September 17, 1982 (Inception)	-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	--	--	--	
Balance - July 31, 1983	3,795,000	3,795	150,459	
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	--	--	--	
Balance - July 31, 1984	5,549,741	5,550	2,372,053	
Net Income	--	--	--	
Balance - July 31, 1985	5,549,741	5,550	2,372,053	
Common Stock Issued For: Mineral Lease At $1.00 Per Share	100	--	100	
Net Income	--	--	--	

Balance - July 31, 1986	5,549,841	5,550	2,372,153	

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

CAPITAL GOLD CORPORATION
F/K/A 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, 2003

	Common Stock		Additional Paid-In Capital	Deficit Accumulated In The Development Stage
	Shares	Amount		
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.

CAPITAL GOLD CORPORATION
F/K/A 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, 2003

	Common Stock		Additional	Defici Accumula In Th
	Shares	Amount	Paid-In Capital	Developm 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,
Balance - July 31, 1992	7,092,807	7,093	3,245,058	(2,027,
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,
Balance - July 31, 1993	8,001,640	8,002	3,705,432	(2,653,

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

CAPITAL GOLD CORPORATION
F/K/A 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, 2003

	Common Stock		Additional
	Shares	Amount	Paid-In Capital
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	--	--	--
Balance - July 31, 1994	9,503,918	9,504	4,333,077
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	--	--	--
Balance - July 31, 1995	10,960,563	10,961	5,005,580

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

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CAPITAL GOLD CORPORATION
F/K/A LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2003

	Common Stock		Additional	Defic Accumul In Th
	Shares	Amount	Paid-In Capital	Develop Stag
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	--	--	261,500	
Net Loss	--	--	--	(956
Balance - July 31, 1996	12,607,715	12,608	6,076,152	(4,702

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

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CAPITAL GOLD CORPORATION
F/K/A LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2003

	Common Stock		Additional	Defi Accumu In Develo
	Shares	Amount	Paid-In Capital	St
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	--	--	--	(80

Balance - July 31, 1997	14,380,900	14,381	6,847,723	(5,50

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

CAPITAL GOLD CORPORATION
F/K/A 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, 2003

	Common Stock		Additional	Defi Accumu In
	Shares	Amount	Paid-In Capital	Develo Sta
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	--	--	--	(80
Balance - July 31, 1998	16,841,142	16,841	7,628,372	(6,31

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

CAPITAL GOLD CORPORATION
F/K/A 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, 2003

	Common Stock		Additional	Defi
			Paid-In	Accumu In Develo
	Shares	Amount	Capital	Sta
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:	95,238	95	19,905	
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	

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CAPITAL GOLD CORPORATION
F/K/A 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, 2003

	Common Stock - Shares	Common Stock - Amount	Additional Paid-In Capital	Defici Accumulat In The Developm Stage
Compensation portion of Cash Issuances	--	$ --	$ 618,231	$
Compensation Portion of Options	--	--	304,900	
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	
Net Loss	--	--	--	(1,964,
Balance - July 31, 1999	20,222,615	20,221	9,689,625	(8,279,
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	

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CAPITAL GOLD CORPORATION
F/K/A 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, 2003

	Common Stock		Additional
	Shares	Amount	Paid-In Capital
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	--	--	--
Balance - July 31, 2000 (Unconsolidated)	24,024,096	24,023	11,178,748
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
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.

CAPITAL GOLD CORPORATION
F/K/A 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, 2003

	Common Stock		Additional Paid-In Capital	Deficit Accumulated In The Development Stage
	Shares	Amount		
Compensation Portion:	--	$ --	$ 24,000	$ --
Expenses:				
At $.27 Per Share	30,000	30	8,070	--
Services:				
At $0.20 Per Share	33,850	34	6,736	--
At $0.23 Per Share	15,000	15	3,435	--
At $0.11 Per Share	87,272	87	9,513	--
At $0.34 Per Share	50,000	50	16,950	--
Compensation Portion:	--	--	21,777	--
Commission:				
At $0.11 Per Share	266,500	267	(267)	--
At $0.20 Per Share	26,150	26	(26)	--
At $0.22 Per Share	15,000	15	(15)	--
Compensation Portion:	--	--	36,595	--
Exercise of Options:				
Cash:				
At $0.02 Per Share By Related Party	225,000	225	4,725	--
At $0.10 Per Share	200,000	200	19,800	--
Expenses:				
At $0.02 Per Share By Related Party	53,270	53	1,120	--
Compensation Portion:	--	--	25,463	--
Commission:				
At $0.02 Per Share	350,000	350	(350)	--

Compensation Portion:	--	--	132,300	--
Commission:				
At $0.05 Per Share	1,000,000	1,000	(1,000)	--
Compensation Portion:	--	--	400,000	--
Stock Based Compensation	--	--	7,002,500	--

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

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CAPITAL GOLD CORPORATION
F/K/A LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2003

	Common Stock		Additional Paid-In Capital	Deficit Accumulated In The Development Stage
	Shares	Amount		
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
Common Stock Issued For:				
Cash:				
At $.022 Per Share	1,400,976	1,401	29,420	--
At $.08 Per Share	250,000	250	19,750	--
At $.10 Per Share	980,000	980	97,020	--
At $.11 Per Share	145,456	145	15,855	--
At $.115 Per Share	478,260	478	54,522	--
At $.12 Per Share	500,000	500	59,500	--
At $.125 Per Share	40,000	40	4,960	--
At $.14 Per Share	44,000	44	6,116	--
At $.15 Per Share	383,667	384	57,166	--
At $.18 Per Share	25,000	25	4,475	--
Commissions:				
At $.115 Per Share	69,565	70	(70)	--
At $.22 Per Share	100,000	100	(100)	--

At $.08 Per Share	20,625	21	(21)	--
At $.14-$.22 Per Share	282,475	282	(282)	--
Services:				
At $.10 Per Share	35,950	36	3,559	--
Exercise of Options:				
Non Cash:				
At $.022 Per Share by Related Party:	227,273	227	4,773	--
Exercise of Options:				
Cash:				
At $.022 Per Share by Related Parties	909,092	909	19,091	--
At $.022 Per Share by Others	1,205,929	1,206	25,325	--

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

CAPITAL GOLD CORPORATION
F/K/A 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, 2003

	Common Stock		Additional Paid-In Capital	Deficit Accumulated In The Development Stage
	Shares	Amount		
Additional Paid-In Capital Arising From Investment In Joint Venture Subsidiary by Minority Interest	--	--	51,934	--
Stock Based Compensation	--	--	222,338	--
Comprehensive Loss:				
Net Loss	--	--	--	(492,148
Equity Adjustment from Foreign Currency Translation	--	--	--	--
Total Comprehensive Loss	--	--	--	--
Balance - July 31, 2002	40,637,865	40,638	21,309,005	(19,720,278
Common Stock Issued for:				

Cash:				
At $.022 Per Share	250,000	250	5,250	--
At $.10 Per Share	50,000	50	4,950	--
At $.12 Per Share	1,250,000	1,250	148,750	--
At $.14 Per Share	235,714	236	32,764	--
At $.15 Per Share	1,016,865	1,017	151,513	--
Exercise of Options:				
Cash:				
At $.022 Per Share by Related Party	922,727	923	19,377	--
At $.05 Per Share by Related Party	200,000	200	9,800	--
At $.05 Per Share by Others	100,000	100	4,900	--
Services:				
At $4.00 Per Share	14,363	13	57,378	--
Additional Paid-In Capital Arising from Investment In Joint Venture Subsidiary By Minority Interest	--	--	159,919	--
Stock Based Compensation	--	--	288,623	--
Comprehensive Loss:				
Net Loss	--	--	--	(1,919,261
Equity Adjustment from Foreign Currency Translation	--	--	--	--
Total Comprehensive Loss	--	--	--	--
Balance - July 31, 2003	44,677,534	$ 44,677	$ 22,192,229	$(21,639,539

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

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

For The Year Ended July 31,	
2003	2

Cash Flow From Operating Activities:		
Net Loss	$ (1,919,261)	$ (
Adjustments to Reconcile Net Loss to		
Net Cash (Used) By Operating Activities:		
Depreciation	--	
Gain on Sale of Subsidiary	--	(1,
Minority Interest in Net Loss of Subsidiary	(180,625)	
Write-Down of Impaired Mining, Milling and Other Property and Equipment	--	
Gain (Loss) on Sale of Property and Equipment	--	
Loss on Write-Off of Investment	--	
Loss From Joint Venture	--	
Value of Common Stock Issued for Services	57,391	
Stock Based Compensation	288,623	
Changes in Operating Assets and Liabilities:		
(Increase) in Prepaid Expenses	(10,027)	
(Increase) Decrease in Other Current Assets	(11,654)	
(Increase) in Security Deposits	--	
Increase (Decrease) in Accounts Payable	(51,015)	
Increase (Decrease) in Accrued Expenses	(62,781)	
Net Cash (Used) By Operating Activities	(1,889,349)	(1,
Cash Flow From Investing Activities:		
Purchase of Other Investments	(12,882)	
Purchase of Mining, Milling and Other Property and Equipment	--	
Proceeds on Sale of Mining, Milling and Other Property and Equipment	--	
Proceeds From Sale of Subsidiary	1,492,131	
Expenses of Sale of Subsidiary	--	(
Advance Payments - Joint Venture	--	
Investment in Joint Venture	--	
Investment in Privately Held Company	--	
Net Assets of Business Acquired (Net of Cash)	--	
(Decrease) in Option Payment Payable	--	
Investment in Marketable Securities	(50,000)	
Net Cash Provided By Investing Activities	1,429,249	

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

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

For The Year En
July 31,

	2003
Cash Flow From Financing Activities:	
(Increase) Decrease in Loans Receivable - Related Party	$ (20,180)
Increase (Decrease) in Loans Receivable - Others	(3,365)
Increase in Loans Payable - Officers	--
Repayment of Loans Payable - Officers	--
Increase in Note Payable	--
Payments of Note Payable	--
Proceeds From Issuance of Common Stock	381,330
Commissions on Sale of Common Stock	--
Expenses of Initial Public Offering	--
Capital Contributions - Joint Venture Subsidiary	130,216
Purchase of Certificate of Deposit - Restricted	
(Purchase) Sale of Mining Reclamation Bonds	6,600
Net Cash Provided By Financing Activities	494,601
Effect of Exchange Rate Changes	62,476
Increase In Cash and Cash Equivalents	96,977
Cash and Cash Equivalents - Beginning	149,433
Cash and Cash Equivalents - Ending	$ 246,410
Supplemental Cash Flow Information:	
Cash Paid For Interest	$ --
Cash Paid For Income Taxes	$ 2,433
Non-Cash Financing Activities:	
Issuances of Common Stock as Commissions on Sales of Common Stock	$ --
Issuance of Common Stock as Payment for Mining, Milling and Other Property and Equipment	$ --

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

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

NOTE 1 - Organization and Basis of Presentation

Leadville Mining and Milling Corp. ("Leadville", "the Company", "we" or "us") was incorporated in February 1982 in the State of Nevada. During March 2003 the Company's stockholders approved an amendment to the Articles of Incorporation to change its name from Leadville Mining and Milling Corp. to Capital Gold Corporation. 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 exploration for gold and other minerals from its properties. Substantially all of the Company's mining activities are now being performed in Mexico. The Company is a development stage enterprise.

On June 29, 2001 the Company exercised an option and purchased 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. We sometimes refer to these concessions as the El Chanate Concessions.

Pursuant to the terms of the agreement, on December 15, 2001, the Company made a $50,000 payment to AngloGold. 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 10% net profits interest (until the total net profits interest payment received by AngloGold 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 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 agreement, the Company 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 (or such entity that owns the Minera Chanate concessions at the time of option exercise). That Option is exercisable over a 180 day period commencing at such time as the Company notifies AngloGold that it has made a good faith determination that it has gold-bearing ore deposits on any one of the identified group of El Chanate Concessions, when aggregated with any ore that the Company has mined, produced and sold from such concessions, of in excess of 2,000,000 troy ounces of contained gold. The exercise price would equal twice the Company'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, the Company is a development stage enterprise and since its inception has had no mining revenues and has incurred recurring losses aggregating $21,639,539. These factors raise substantial doubt about the Company's ability to continue as a going concern. As indicated in Note 19, 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. The achievement and/or success of the Company's planned measures, however, cannot be determined at this time. 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.

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

NOTE 2 - Summary of Significant Accounting Policies

Principals of Consolidation

The consolidated financial statements include the accounts of Capital Gold Corporation and its wholly owned and majority owned subsidiaries. The Company accounts for its Mexican joint venture operation (see Note 6) as a subsidiary since it controls the decision making process and at July 31, 2003 it owned 70% of the venture and at no time can the ownership go below 55%. All significant intercompany accounts and transactions are eliminated in consolidation.

Cash and Cash Equivalents

The Company considers those short-term, highly liquid investments with original maturities of three months or less as cash and cash equivalents.

Marketable Securities

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

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

Mining, Milling and Other Property and Equipment

Mining, milling and other 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 properties. General exploration costs and costs to maintain rights and leases are expensed as incurred. Management of the Company periodically reviews the recoverability of the capitalized mineral properties and mining equipment. Management takes into consideration various information including, but not limited to, historical production records taken from previous mine operations, results of exploration activities conducted to date, estimated future prices and reports and opinions of outside geologists, mine engineers, and consultants. When it is determined that a project or property will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or property.

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 for the years ended July 31, 2003 and 2002 as the mine and mill in Colorado were not in operation during these years. 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 5 to 7 years for personal property and 32 years for real property.

CAPITAL GOLD CORPORATION
F/K/A LEADVILLE MINING AND MILLING CORP.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2003

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

In accordance with SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," the Company reviews its long-lived assets for impairments. Impairment losses on long-lived assets are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses then are measured by comparing the fair value of assets to their carrying amounts. During the year ended July 31, 2002 the Company performed a review of its Colorado mine and mill improvements and determined that an impairment loss should be recognized. Accordingly, at July 31, 2002 the Company reduced by $999,445 the net carrying value of certain assets relating to its Leadville, Colorado facility to $300,000, which approximates management's estimate of fair value. The Company recognized no impairment loss at July 31, 2003.

Fair Value of Financial Instruments

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

Revenue Recognition

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

Foreign Currency Translation

Assets and liabilities of the Company's Mexican subsidiaries are translated to US dollars using the current exchange rate for assets and liabilities. 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) which is reported on the accompanying consolidated statement of stockholders' equity as a component of accumulated other comprehensive income (loss) consists of accumulated foreign translation gains and losses and net unrealized gains and losses on available-for-sale securities.

Income Taxes

The Company records deferred income taxes using the liability method as prescribed under the provisions of SFAS No. 109. 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 recorded by the Company.

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 in accordance with provisions of the Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations 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 complies with the disclosure provisions of Statement of Financial Accounting Standards No. 123 "Accounting for Stock Based Compensation" ("SFAS 123") and 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 in accordance with SFAS 123.

Net Loss Per Common Share

The computation of net loss per share of common stock is computed by diving 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 net loss per share is the same as that of basic net loss per share.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents and marketable securities. The Company maintains cash balances at financial institutions which exceed the Federal Deposit Insurance Corporation limit of $100,000 at times during the year.

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. It is reasonably possible that the Company's estimates of reclamation liabilities, if any, could change as a result of changes in regulations, extent of environmental remediation required, means of reclamation or cost estimates. Ongoing environmental compliance costs, including maintenance and monitoring costs, are expensed as incurred. There were no environmental remediation costs accrued at July 31, 2003.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In July 2001 the Financial Accounting Standards Board, ("FASB") issued Statement No. 141, "Business Combinations" ("SFAS 141"). SFAS 141 replaces APB Opinion No. 16 and eliminates pooling-of-interest accounting prospectively. It also requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method and provides guidance on purchase accounting related to the recognition of intangible assets and accounting for negative goodwill. There have been no acquisitions completed since June 30, 2001 and all previous acquisitions have been accounted for using the purchase method.

In October 2001, FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 clarifies the accounting for the impairment of long-lived assets and for long-lived assets to be disposed of, including the disposal of business segments and major lines of business. The Company adopted SFAS 144 for the year ended July 31, 2003 and the application of the provisions of SFAS 144 did not have a material impact on the Company's consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure". SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS No. 148 are effective for financial statements for the year ended July 31, 2003. SFAS No. 148 did not have a material impact on the Company's consolidated financial statements, as the adoption of this standard does not require the Company to change, and the Company does not plan to change, to the fair value based method of accounting for stock-based compensation.

Reclassifications

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

NOTE 3 - Marketable Securities

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

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

NOTE 4 - Loans Receivable - Others

Loans receivable - others are short-term non-interest bearing loans made to two individuals.

NOTE 5 - Joint Venture

On February 23, 2002, Minera Santa Rita S. de R.L. de C.V., one of our wholly-owned Mexican subsidiaries, entered into a joint venture agreement with Grupo Minero FG S.A. de C.V. to explore, evaluate and develop the El Chanate concessions. Grupo Minero FG S.A. de C.V., referred to as FG, is a private Mexican company.

Pursuant to the agreement with FG, the venture is being conducted in five phases. The first two phases entail continued exploration and evaluation of the mining potential of lots within the concessions. Phase one was completed during the Fall of 2002 and cost approximately $300,000. A feasibility study was completed during Phase two. We estimate that Phase two will cost approximately $783,000. Phase three consists of FG's contribution to the venture of mining equipment sufficient to develop the lots pursuant to the feasibility study. Phase three will occur only if the parties determine to continue and they are able to obtain outside funding for Phase four. We are unable to estimate Phase four costs at this time. Phase four will involve the building of an access road, the acquisition of water extraction rights and the drilling and equipping of water wells. Phase five would entail exploitation, processing and sale of minerals on a commercial scale.

Pursuant to the agreement, FG has paid us $75,000 to participate in the venture and contributed an additional $75,000 towards the first phase of the venture for which it received a 30% interest in the venture. The balance of the costs for Phase one and the costs for Phase two will be split equally between the parties. As mentioned above, Phase four would be funded from outside sources. Phase five funding would be provided by the parties in proportion to their respective interests in the venture.

FG's percentage of the venture can increase to 45%. It increased to 31% upon completion of Phase one; and will increase to 33% upon completion of Phase two; 37% upon its contribution of equipment in Phase three; 40% upon completion of Phase four; and 45% upon attaining optimal levels of production in Phase five. Optimal levels of production will be determined by agreement of the parties.

The venture is terminable, among other reasons, if:

- its purpose is concluded or can no longer be obtained;
- it experiences continued non-profitability;
- the parties elect to terminate it at a meeting of the parties;
- it loses 2/3 of its assets; or
- the parties fail to obtain the requisite financing to fund phase four by September 1, 2003.

The requisite financing for Phase four has not been obtained as of July 31, 2003; however, we are in discussions with potential funding sources.

If FG determines that it does not want to continue to participate in the venture after the parties agree to commence Phase two, or it cannot provide its share of the funding for Phase two, Santa Rita has a 45 day option to purchase FG's interest in the venture for $127,500. If Santa Rita does not exercise this option within the 45 day period and pay the purchase price within 15 days thereafter, FG may sell its interest to another party.

NOTE 5 - Joint Venture (Continued)

If additional contributions to the venture are needed as determined by a meeting of the parties, the parties have 30 days to elect whether they will make these contributions and an additional 15 days to make their contribution. To the extent that a party, referred to as the waiving party, does not want to pay its share or does not pay its share, the other party can make the payment and the waiving party's percentage interest in the venture will be diluted proportionately plus 10%. The waiving party can reacquire its lost interest by repaying the amount previously not paid plus a 25% penalty. These dilution provisions do not apply to Santa Rita unless and until FG has contributed $600,000 to the venture. Because its interest in the venture now exceeds 30%, FG now can be diluted for failure to make its required contributions.

NOTE 6 - Sale of Subsidiary Stock

On March 20, 2002, the Company sold all of the issued and outstanding shares of stock of its wholly-owned subsidiary, Minera Chanate S.A. de C.V. ("Minera Chanate"), to an unaffiliated party for a purchase price of $2,131,616, payable in three installments. We received the first installment of $639,485 and paid commissions of $51,159 in March 2002. A second payment of $497,377 plus interest at the rate of 4.5% per annum was Paid-In August 2002. A third payment of $994,754 plus interest at the rate of 4.5% per annum, was paid in December 2002. Commissions of $41,733 and $80,821 were paid in connection with the second and third installments, respectively. In connection with the above transaction the Company recognized a gain of $1,907,903.

During March 2002, prior to the sale of Minera Chanate and pursuant to the FG joint venture agreement, Minera Chanate, in a series of transactions, sold all of its surface land and mining claims to Oro de Altar S. de R.L. de C.V. ("Ora"), another of our wholly-owned subsidiaries. Ora, in turn, leased the foregoing land and mining claims to Minera Santa Rita.

NOTE 7 - Mining Reclamation Bonds

These represent certificates of deposit that have been deposited as security for Mining Reclamation Bonds in Colorado. They bear interest at rates varying from 5.1% to 5.87% annually and mature at various dates in 2004 through 2005.

CAPITAL GOLD CORPORAITON
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2003

NOTE 8 - Mining, Milling and Other Property and Equipment

Mining, milling and other property and equipment consists of the following:

Land and Mine Improvements - Mexico	$ 44,780
Machinery and Equipment	358,230
Mining Claims and Leasehold Improvements	106,786
Mill and Mining Improvements	193,214
	703,010
Less: Accumulated Depreciation	358,230
	$ 344,780

NOTE 9 - Minority Interest

Minority interest in the Company's 69% owned joint venture subsidiary at July 31, 2003 represents the excess of the minority interest loss over its proportionate capital.

NOTE 10 - Loans Receivable - Related Party

Loans receivable-related party consist of expense reimbursements from this entity. They are non-interest bearing and due on demand (see Notes 3 and 13).

NOTE 11 - Other Investments

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

NOTE 12 - Other Comprehensive Income (Loss) - Supplemental Non-Cash Investing Activities

Other comprehensive income (loss) consists of accumulated foreign translation gains and losses and is summarized as follows:

Balance - July 31, 2001	$ (493)
Equity Adjustments from Foreign Currency Translation	(6,753)
Balance - July 31, 2002	(7,246)
Equity Adjustments from Foreign Currency Translation	60,879
Balance - July 31, 2003	$ 53,633

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JULY 31, 2003

NOTE 13 - Related Party Transactions

In August 2002 the Company purchased marketable equity securities of a related company (see Notes 4 and 12). The Company recorded approximately $19,000 in expense reimbursements due from this entity for the year ended July 31, 2003 (see Notes 3 and 10).

NOTE 15 - Stockholders' Equity

Common Stock

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.

During the year ended July 31, 2002, the Company issued 4,247,359 shares for gross proceeds of $353,031. During the year ended July 31, 2002 the Company issued 2,342,294 shares of common stock upon exercising of stock options with gross proceeds of $46,531.

During the year ended July 31, 2003, the Company issued 2,802,579 shares for gross proceeds of $346,030. During the year ended July 31, 2003 the Company issued 1,222,727 shares of common stock upon exercising of stock options with gross proceeds of $35,300.

Stock Options

A summary of stock option activity for the years ended July 31, 2003 and 2002 is as follows:

	Options Outstanding		
	Number of Shares	Price Range Per Share	Weighted Average Exercise Price

Outstanding - July 31, 2001	13,555,000	.022-.1.75	.181
Options Granted:			
Related Parties	227,273	.022	.022
Others	1,217,391	.022-.22	.094
Exercised:			
Related Parties	(1,136,365)	.022	.022
Others	(1,205,929)	.022	.022
Expired	(930,000)	.022-.10	.071
Outstanding - July 31 2002	11,727,370	.022-.50	.199

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NOTE 14 - Stockholders' Equity (Continued)

	Options Outstanding		
	Number of Shares	Price Range Per Share	Weighted Average Exercise Price
Options Granted:			
Related Parties	700,000	.05	.05
Others	1,250,000	.05-.25	.11
Exercised:			
Related Parties	(1,122,727)	.022-.05	.03
Others	(100,000)	.05	.05
Expired	(2,657,727)	.022-.22	.08
Outstanding - July 31, 2003	9,796,916	$ .022-.50	$ .11

Options to purchase 9,796,916 shares of common stock were exercisable at July 31, 2003 at a weighted average exercise price of $.11 with a weighted average contractual life of .75 years as follows:

Options Outstanding and Exercisable by Price Range as of July 31, 2003

	Options Outstanding			Opti
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisab

$.022	4,036,363	.36	$ .022	4,036,36
.50	25,000	2.40	.50	25,00
.115	97,826	1.25	.115	97,82
.22	3,787,727	.42	.22	3,787,72
.25	200,000	1.67	.25	200,00
.05	1,450,000	2.34	.05	1,450,00
.20	100,000	1.50	.20	100,00
.24	100,000	2.91	.24	100,00
$.022-.22	9,796,916	.75	$ .11	9,796,91
=========	=========			========

The Company recognized approximately $289,000 and $222,000 of stock-based compensation expense during the years ended July 31, 2003 and 2002 respectively, relating to options granted.

NOTE 14 - Stockholders' Equity (Continued)

Stock Options (Continued)

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.

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, there would have been no material effect on the Company's net loss and net loss per share for the years ended July 31, 2003 and 2002.

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.

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 15 - Income Taxes

For income tax purposes, the Company had available net operating loss carry forwards ("NOL") at July 31, 2003 of approximately $9,863,000 to reduce future federal taxable income, if any. The NOL's expire at various date through 2023. There may be certain limitations as to the future annual use of the NOLs due to certain changes in the Company's ownership.

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NOTE 15 - Income Taxes (Continued)

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,	
	2003	2002
Computed "expected" tax benefit	$3,353,517	$3,163,020
Decrease in tax benefit resulting from net operating loss for which no benefit is currently available	3,353,517	3,163,020
	$ --	$ --

The Company had deferred tax assets of approximately $3,353,517 at July 31, 2003 resulting primarily from net operating loss carry forwards. The deferred tax assets have been fully offset by a valuation allowance resulting from the uncertainty surrounding their future realization. The difference between the federal statutory rate of 34% and the Company's effective tax rate of 0% is due to an increase in the valuation allowance of $190,497 and $71,400 in 2003 and 2002, respectively.

sNOTE 16 - Loss on Option

In March 2003 the Company obtained exclusive non-refundable options to purchase an ore crusher and related assets for a total cost of $700,000. The Company paid $50,000 for these options, which ultimately expired. Accordingly, the Company has realized a loss of $50,000.

NOTE 17 - Liquidity and Going Concern Uncertainty

The Company is a development stage enterprise with no mining revenues and has incurred recurring losses amounting to $21,639,539 through July 31, 2003. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

Specific plans to obtain funding for a full scale mining operation in Mexico include: (i) the obtaining of bank financing in order to proceed with the joint venture operations, (ii) additional capital contributions by the minority interest joint venture partner, and (iii) the raising of capital through the sale of the Company's common stock.

There is no assurance, however, that any of the Company's proposed plans to obtain financing, 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 18 - Commitments and Contingencies

Minera Chanate Option

Under the terms of the Minera Chanate purchase agreement, Leadville has granted AngloGold's designee to receive a one-time option to purchase 51% of Minera Chanate (or such entity that owns the Minera Chanate concessions at time of exercise) based upon the achievements of certain events (see Note 1).

Lease Commitments

The Company occupies office space in New York City under a non cancelable operating lease that commenced on September 1, 2002 and terminates on August 31, 2007. 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,	
2004	$ 52,000
2005	54,000
2006	55,000
2007	57,000
2008	5,000
	$ 223,000

Rent expense under the office lease in New York City was approximately $56,000 and $25,000 for the years ended July 31, 2003 and 2002, respectively.