

Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

LEADVILLE MINING & MILLING CORP  
Form 10QSB  
December 16, 2002

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2002

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-13078

LEADVILLE MINING & MILLING CORPORATION  
(Exact name of small business issuer as specified in its charter)

NEVADA  
(State or other jurisdiction of  
incorporation or organization)

13-3180530  
(I.R.S. Employer  
Identification No.)

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

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

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

Yes  No

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

Class	Outstanding at December 16, 2002
Common Stock, par value \$.001 per share	41,543,121

Transitional Small Business Format (check one); Yes  No

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying financial statements are unaudited for the interim periods, but include all adjustments (consisting only of normal recurring accruals), which we consider necessary for the fair presentation of results for the three months ended October 31, 2002.

## Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

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

The results reflected for the three months ended October 31, 2002 are not necessarily indicative of the results for the entire fiscal year.

2

LEADVILLE MINING AND MILLING CORP.  
(A DEVELOPMENT STAGE ENTERPRISE)  
CONSOLIDATED BALANCE SHEET  
OCTOBER 31, 2002  
(Unaudited)

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 248,176
Receivable From Sale of Subsidiary	994,754
Loans Receivable - Others	18,040
Accrued Interest Receivable	10,988
Marketable Securities	75,000
Other Current Assets	2,756
	-----
Total Current Assets	1,349,714
	-----
Mining, Milling and Other Property and Equipment (Net of Accumulated Depreciation of \$358,230)	344,780
	-----
Other Assets:	
Mining Reclamation Bonds	42,150
Security Deposits	8,435
	-----
Total Other Assets	50,585
	-----
Total Assets	\$ 1,745,079
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Accounts Payable	\$ 92,456
Accrued Expenses	218,829
	-----
Total Current Liabilities	311,285
	-----
Minority Interest	(16,460)
	-----
Commitments and Contingencies	
Stockholders' Equity:	
Common Stock, Par Value \$.001 Per Share; Authorized 150,000,000 shares; Issued and	

Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

Outstanding 40,652,880 Shares	40,653
Capital Paid In Excess of Par Value	21,381,168
Deficit Accumulated in the Development Stage	(19,979,650)
Accumulated Other Comprehensive Income	8,083
	-----
Total Stockholders' Equity	1,450,254
	-----
Total Liabilities and Stockholders' Equity	\$ 1,745,079
	=====

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

3

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

	For the Three Months Ended July 31,	
	2002	2001
	-----	-----
Revenues:		
Sales	\$ --	\$ --
Interest Income	21,166	640
Miscellaneous	7,701	--
	-----	-----
Total Revenues	28,867	640
	-----	-----
Costs and Expenses:		
Mine Expenses	163,599	152,575
Write-Down of Mining, Milling and Other Property and Equipment	--	--
Selling, General and Administrative Expenses	139,105	114,271
Stock Based Compensation	--	--
Depreciation	--	581
	-----	-----
Total Costs and Expenses	302,704	267,427
	-----	-----
Loss Before Other Income (Expense)	(273,837)	(266,787)
	-----	-----
Other Income (Expense):		
Gain on Sale of Property and Equipment	--	--
Gain on Sale of Subsidiary	--	--
Option Payment	--	--
Loss on Write-Off of Investment	--	--
Loss on Joint Venture	--	--
	-----	-----

Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

Total Other Income (Expense)	--	--
	-----	-----
Loss Before Minority Interest	(273,837)	(266,787)
Minority Interest in Net Loss of Subsidiary	14,465	--
	-----	-----
Net Loss	\$ (259,372)	\$ (266,787)
	=====	=====
Net Loss Per Common Share - Basic and Diluted	\$ (.01)	\$ (.01)
	=====	=====
Weighted Average Common Shares Outstanding	40,640,365	34,401,366
	=====	=====

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

4

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

	For The Three Months Ended October 31,		For Septem (In
	-----		-----
	2002	2001	October
	-----	-----	-----
Cash Flow From Operating Activities:			
Net Loss	\$ (259,372)	\$ (266,787)	\$ (1
Adjustments to Reconcile Net Loss to Net Cash Provided (Used) By Operating Activities:			
Depreciation	--	581	
Gain on Sale of Subsidiary	--	--	(
Minority Interest in Net Loss of Subsidiary	(14,465)	--	
Write-Down of Impaired Mining, Milling and Other Property and Equipment	--	--	
Gain on Sale of Property and Equipment	--	--	
Loss on Write-Off of Investment	--	--	
Loss From Joint Venture	--	--	
Value of Common Stock Issued for Services	--	--	
Stock Based Compensation	--	--	
Changes in Operating Assets and Liabilities:			
Increase in Accrued Interest Receivable	(10,988)	--	
(Increase) Decrease in Other Current Assets	568	(3,462)	
Increase in Security Deposits	--	--	
Increase (Decrease) in Accounts Payable	(90,576)	61,701	
Increase in Accrued Expenses	33,766	363	
	-----	-----	-----
Net Cash (Used) By Operating Activities	(341,067)	(207,604)	(

Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

	-----	-----	-----
Cash Flow From Investing Activities:			
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	497,377	--	
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)	--	--	
Increase (Decrease) in Option Payment Payable	--	--	
Purchase of Marketable Securities	(50,000)	--	
	-----	-----	-----
Net Cash Provided (Used) By Investing Activities	447,377	--	
	-----	-----	-----

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

5

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

	For the Three Months Ended October 31,		For The Pe September 17 (Incepti To October 31,
	----- 2002 -----	----- 2001 -----	----- ----- -----
Cash Flow From Financing Activities:			
(Increase) Decrease in Loans Receivable - Related Party	\$ --	\$ 3,000	\$
Increase (Decrease) in Loans Receivable - Others	(3,040)	(1,500)	(18,
Increase in Loans Payable - Officers	--	--	18,
Repayment of Loans Payable - Officers	--	--	(18,
Increase in Note Payable	--	--	11,
Payments of Note Payable	--	(1,179)	(11,
Proceeds From Issuance of Common Stock	1,500	175,210	10,403,
Commissions on Sale of Common Stock	--	--	(5,
Expenses of Initial Public Offering	--	--	(408,
Capital Contributions - Joint Venture Subsidiary	--	--	74,
Purchase of Certificate of Deposit - Restricted	--	--	(5,
(Purchase) Sale of Mining Reclamation Bond	--	--	(37,
	-----	-----	-----
Net Cash Provided By Financing Activities	(1,540)	175,531	10,003,
	-----	-----	-----
Effect of Exchange Rate Changes	(6,027)	--	(8,

Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

Increase In Cash and Cash Equivalents	98,743	(32,073)	248,
Cash and Cash Equivalents - Beginning	149,433	63,920	
Cash and Cash Equivalents - Ending	\$ 248,176	\$ 31,847	\$ 248,
Supplemental Cash Flow Information:			
Cash Paid For Interest	\$ --	\$ --	
Cash Paid For Income Taxes	\$ --	\$ --	\$ 28,
Non-Cash Financing Activities:			
Issuances of Common Stock as Commissions on Sales of Common Stock	\$ --	\$ --	\$ 440,
Issuance of Common Stock as Payment for Mining, Milling and Other Property and Equipment	\$ --	\$ --	\$ 4,
Transfer of Joint Venture Advance Payments into Joint Venture Capital	\$ 98,922	\$ --	\$ 98,

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

6

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

NOTE 1 - Basis of Presentation

The consolidated financial statements include the accounts of Leadville Mining & Milling Corp. (the "Company") and its subsidiaries, all of which are wholly-owned. All significant inter-company accounts and transactions have been eliminated in consolidation.

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

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

NOTE 2 - Marketable Securities

## Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

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 classified its marketable equity securities as available for sale securities are recorded at fair value. The Company uses the specific identification method to determine realized gains and losses. Unrealized holding gains and losses are excluded from earnings and, until realized, are reported in a separate component of stockholders' equity.

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

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

### NOTE 3 - Other Comprehensive Income (Loss) - Supplemental Non-Cash Investing Activities

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

Balance - July 31, 2002	\$ (7,246)
Equity Adjustments from Foreign	
Currency Translation	(9,671)
Unrealized Gain on Available-for-Sale Securities	25,000
	-----
Balance - October 31, 2002	\$ 8,083
	=====

7

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

### NOTE 4 - Subsequent Events

During December 2002, the Company received the pay off of principle and interest on the receivable on sale of subsidiary.

### NOTE 5 - Related Party Transactions

During the quarter ended October 31, 2002, the Company purchased marketable equity securities of a related company (see Note 2).

8

## Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

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

#### Cautionary Statement on Forward-Looking Statements

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

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



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

## Results of Operation

### General

#### Sonora, Mexico

During the quarter ended October 31, 2002, we continued to analyze the El Chanate concessions in Mexico. As of October 31, 2002, we had reduced our property holdings to a coherent package of 12 contiguous, high priority concessions totaling approximately 3,506 hectares (8,663 acres or 13.5 square miles). Further exploration and development of the El Chanate project, assuming it is economically feasible, will mostly occur on these concessions owned by us. We also own outright 466 hectares (1,151 acres or 1.8 square miles) of surface rights at El Chanate (except for our joint venture agreement with Grupo Minero FG S.A. de C.V.) and no third party ownership or leases exist on this fee land or the El Chanate concessions.

Currently, and during the quarter ended October 31, 2002, through our engineering consultants and with Grupo Minero FG S.A. de C.V. ("FG"), we are continuing metallurgical tests to determine the most optimal and economically feasible crushing and or grinding sizes for processing the El Chanate deposit. Management believes that these studies showed that El Chanate deposits are generally suited for treatment using dilute cyanide solutions, and ore grade samples from El Chanate have shown recoveries from rock tested after crushing to minus 1/2 and 1 inch size. The result of the crushing and grinding studies show that the gold recovery increases significantly as the rock is reduced to finer particle sizes. Test work was conducted at Resources Development Inc. in Wheat Ridge, Colorado and in Mexico at the La Colorada mine laboratory, which is owned by FG, our joint venture partner. In November the Company employed Metcon Inc., of Tucson, Arizona to conduct further metallurgical testing on Chanate ores.

In August 2002, we retained SRK Consulting to conduct a Scoping Study of the proposed project at El Chanate. The Scoping Study was recently completed and we have received the definitive report. Based on our review of the Scoping Study, we believe that the prospects for a surface/heap leach mining operation at El Chanate remain positive. The Study indicated that additional metallurgical testing would be necessary to allow for preparation of a feasibility study. In addition, SRK indicated that it did not have sufficient historical information to determine the adequacy of the equipment fleet, availability of a sufficient water supply. The Study recommended additional drilling to further define the deposit. We are addressing each of these issues. Further exploratory drilling may be conducted, assuming adequate funding is available, to expand the known deposit by further infill and off set drilling, which will concentrate the present drill pattern and increase the density of drill holes. Additional core hole drilling will be conducted for geotechnical reasons. Upon completion of our evaluation, provided the results are satisfactory, and that adequate financing is available, we hope to be ready for further development and subsequent production.

Leadville, Colorado

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

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

If a property owner does not pay his property taxes the county treasurer has the right to put the property up for auction at an advertised county tax sale. Sometimes, the property owner will ask the treasurer to postpone the auction of the property for a year with the promise to pay soon. If taxes are still not paid, the auction bidder will be required to pay two years of taxes. If we pay the 'back taxes' and then 'current year' taxes for four consecutive years our ownership of a given property purchased at tax sale is final, and the deed is transferred to us. If the property owner can pay the back taxes, he is required to pay us the back taxes plus interest. The current back tax interest rate is 12% in Lake County.

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

#### Revenues

We generated no revenues from mining operations during the three months ended October 31, 2002 and 2001. There were de minimis non-operating revenues during the three months ended October 31, 2002 and 2001 of \$28,867 and \$640, respectively. The non-operating revenues for the three months ended October 31, 2002 primarily represent interest earned on the proceeds from the sale of our subsidiary, Minera Chanate.

#### Costs and Expenses

Over all, costs and expenses during the three months ended October 31, 2002 (\$302,704) increased by \$35,277 (approximately 13.2%) from the three months ended October 31, 2001 (\$267,427).

Mine expenses during the three months ended October 31, 2002 (\$163,579) increased by \$11,024 (approximately 7.2%) from the three months ended October 31, 2001 (\$152,575). We believe that the increase in mine expenses resulted primarily from work at our Mexican properties.

Selling, general and administrative expenses during the three months ended October 31, 2002 (\$139,105) increased by \$24,834 (approximately 21.7%) from the

## Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

three months ended October 31, 2001 (\$114,271). We believe that the increase was due to available capital.

11

There was no stock based compensation during the three months ended October 31, 2002 and October 31, 2001.

### Net Income

As a result, our net loss for the three months ended October 31, 2002 was \$259,372 which was \$7,415 less than our \$266,787 loss for the three months ended October 31, 2001.

### Liquidity and Capital Resources

As of October 31, 2002, we had working capital of \$1,038,429. Our plans over the next 12 months include the costs of administration, and exploration related activities in both Colorado and Mexico. In this regard, as noted in our quarterly report of form 10-QSB for the period ended January 31, 2002, we entered into a joint venture agreement with Grupo Minero FG S.A. de C.V. ("Grupo Minero") in Hermosillo to explore, evaluate and develop certain of our Mexican properties in five phases. We estimate that the balance of our portion of the costs for the first phase (anticipated to be completed by November 2002) and the second phase (anticipated to be completed by March 2003) will be approximately \$500,000. We plan to pay for a significant portion of our anticipated expenses related to phases one and two with the proceeds from the sale of our subsidiary, Minera Chanate, S.A. de C.V. As explained in our annual report on form 10-KSB, historically, we have not generated any material revenues from operations and have been in a precarious financial condition. No assurance whatsoever can be given that we will be able to generate any significant revenues in the near future or, after we have depleted the proceeds from the sale of our subsidiary, that we will be able to continue as a going concern or that any of our plans with respect to our gold properties will, to a material degree, come to fruition. In order to continue our program if and when we have depleted the proceeds from the sale of our subsidiary, we will need to obtain substantial financing. While we plan to seek such financing through bank financing, private placement of our shares, joint venture partners and other arrangements, there is no assurance that we will be successful.

In addition, during the three months ended October 31, 2002, we raised approximately \$1,500 through the sale of common stock.

### Environmental Issues

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

## Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

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

12

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.

### Issues And Uncertainties

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

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

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

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

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

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

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

## Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

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

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

13

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

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

- o the price of gold,
- o exchange rates,
- o the particular attributes of the deposit, such as its
  - o size,
  - o grade and
  - o proximity to infrastructure, o financing costs,
- o taxation,
- o royalties,
- o land tenure,
- o land use,
- o water use,
- o power use,
- o importing and exporting gold and
- o environmental protection.

The effect of these factors cannot be accurately predicted.

All of the mineral properties in which we have an interest or right are in the exploration stages only and are without reserves of gold or other minerals. We

## Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

cannot assure that current or proposed exploration or development programs on properties in which we have an interest will result in the discovery of gold mineralization reserves or will result in a profitable commercial mining operation.

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

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

14

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:

- o the level of interest rates,
- o the rate of inflation,
- o central bank sales,
- o world supply of gold and
- o 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:

- o ownership of assets,
- o land tenure,
- o mining policies,
- o monetary policies,
- o taxation,

## Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

- o rates of exchange,
- o environmental regulations,
- o labor relations,
- o repatriation of income and
- o 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:

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

15

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:

- o environmental hazards,
- o industrial accidents,
- o labor disputes,
- o metallurgical and other processing,
- o unusual and unexpected rock formations,

## Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

- o ground or slope failures,
- o cave-ins,
- o acts of God,
- o mechanical equipment and facility performance problems and
- o the availability of materials and equipment.

Such risks could result in:

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

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

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

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

16

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



## Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

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 obtain such additional properties will be hindered by competition.

The acquisition of gold properties and their exploration and development are subject to intense competition. Companies with greater financial resources, larger staffs, more experience and more equipment for exploration and development may be in a better position than us to compete for such mineral properties. As a result of such competition, we may not be able to obtain such additional properties.

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

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

- o labor disputes,
- o invalidity of governmental orders,
- o uncertain or unpredictable political, legal and economic environments,
- o war and civil disturbances,
- o changes in laws or policies,
- o taxation,
- o delays in obtaining or the inability to obtain necessary governmental permits,

## Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

- o governmental seizure of land or mining claims,

17

- o limitations on ownership,
- o limitations on the repatriation of earnings,
- o increased financial costs,
- o import and export regulations, including restrictions on the export of gold, and
- o foreign exchange controls.

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

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

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

### Item 3. Controls and Procedures.

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

18

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

None.

### Item 2. Changes in Securities

During the quarter ended October 31, 2002, 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 15,000 shares for an

Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

aggregate of \$1,500 to one person.

Item 3. Defaults Upon Senior Securities

None.

Item 4 Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

On December 10, 2002, we received the final payment of \$1,009,904 from our March 20, 2002 sale of all of the issued and outstanding shares of stock of our wholly-owned subsidiary, Minera Chanate S.A. de C.V. to an unaffiliated party. The net selling price, after deducting commissions and adding interest on installment payments, was \$1,947,694.

Item 6. Exhibits and Reports on Form 8-K

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

19

SIGNATURES

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

LEADVILLE MINING & MILLING CORPORATION  
Registrant

By: \_\_\_\_\_  
Gifford A Dieterle  
President/Treasurer

Date: December 16, 2002

20

CERTIFICATION

I, Gifford A. Dieterle, Chief Executive Officer and Chief Financial Officer of Leadville Mining & Milling Corporation (the "Registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of the Registrant;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material

## Edgar Filing: LEADVILLE MINING & MILLING CORP - Form 10QSB

respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;

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

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

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

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

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

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

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

6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 16, 2002

---

Gifford A. Dieterle  
Chief Executive Officer and  
Chief Financial Officer