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LEADVILLE CORP
Form 10KSB
April 16, 2001

U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

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

For the fiscal year ended: December 31, 2000

Commission file number: 0-1519

LEADVILLE CORPORATION

(Name of small business issuer in its charter)

COLORADO

84-0388216

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No)

7002 Graham Road, Suite 106, Indianapolis, IN 46220

(Address of principal executive offices)

(317) 596-0735

Issuer's telephone number

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

NONE

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

COMMON STOCK

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

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

Issuer's operating revenues for its most recent fiscal year: NONE

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The aggregate market value of the Common Stock (the Registrant's only class of voting stock) held by non-affiliates of the Registrant on December 31, 2000, was approximately \$1,026,199 based upon the reported closing sale price of such shares on the NASD OTC-Bulletin Board for that date. As of December 31, 2000, there were 10,940,288 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: NONE
TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT: NO X

Item 1. Description of Business

GENERAL

Leadville Corporation ("Leadville" or the "Company") is a Colorado corporation that was organized in 1945 to acquire, explore and develop mining properties, primarily in Lake and Park Counties, Colorado. The Company's Common Stock is traded on the NASD OTC-Bulletin Board, under symbol "LEAD".

Historical mining activities began in Lake and Park Counties during the 1860s. The most productive area in the Counties became known as the Leadville Mining District ("District") of central Colorado. Since 1860, the District has produced over 2.5 million ounces of gold, 240 million ounces of silver, 2 billion pounds of lead, 1.4 billion pounds of zinc and 100 million pounds of copper. Leadville's properties, which are located in or adjacent to the District, have produced gold, silver, lead, zinc and copper during previous mining operations.

The Company controls two significant blocks of contiguous mining properties, the approximately 5.0 square mile Sherman-Hilltop Consolidation ("Sherman Mine"), historically a silver, lead and zinc producer, with some gold, and the approximately 1.5 square mile Diamond-Resurrection Consolidation ("Diamond Mine"), primarily a gold and silver producer, along with lead, zinc and copper. The Company's properties are located near the town of Leadville, Colorado and are accessible year around, although access to the mines can be interrupted at times due to severe winter weather conditions. Access to the mineral resources at the Diamond and Sherman Mines is gained through underground workings.

Due to the collapse of silver prices in the 1890s, coupled with the exhaustion of easily minable high-grade surface ore, the District was left relatively inactive for almost 50 years. During that period, property and mineral rights were abandoned or divided to the point of not being manageable. Beginning in 1949 and continuing into the 1980s one of the Company's strategic corporate objectives was to consolidate, under its control, promising land positions in the District which would serve to support large, long-term mining operations. Under the direction of Dr. Robert G. Risk, President and Chairman from 1949 to 1997, the Company commissioned reviews of historical mining data, conducted geophysical studies and researched title records for the Leadville area in an effort to identify land positions which held promising prospects for acquisition and mining. After years of effort and considerable expense, the Company successfully consolidated ownership interests and mining rights in the Sherman-Hilltop and Diamond-Resurrection properties.

In the late 1960s the Company acquired a third block of ground, the 0.5 square mile Stringtown Mill site ("Stringtown Mill"). This property was acquired to provide a location for construction of a mill for processing of Sherman Mine ore.

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The information contained in this Form 10-KSB contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which can be identified by the use of words such as "may", "will", "expect", "anticipate", "estimate" or "continue", or such variation thereon or comparable terminology.

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In addition, all statements other than statements of historical facts that address activities, events or developments that the Company expects, believes or anticipates, will or may occur in the future, and other such matters, are forward-looking statements.

The future results of the Company may vary materially from those anticipated by management, and may be affected by various trends and factors that are beyond the control of the Company. These risks include lack of capital of the Company, its substantial dependence on Dr. Risk to fund operations, the uncertainties surrounding the EPA Superfund site in which approximately ten percent of the Company's properties are located, the uncertainties of obtaining additional capital, the competitive environment in which the Company operates, changing metal and mineral prices, and other significant risks described herein.

Item 2. DESCRIPTION OF PROPERTIES

SHERMAN MINE

In 1974, Leadville leased the Sherman Mine and Stringtown Mill properties to Day Mines, Inc. ("Day Mines") of Wallace, Idaho. The Sherman Mine properties consist of approximately 1,854 acres of patented mining claims and 1,760 acres of unpatented mining claims in Lake and Park Counties. The Stringtown Mill site includes approximately 340 acres and is the location of the Stringtown Mill and Malta Gulch tailing ponds. Unpatented claims require payment of annual assessment fees to maintain the right to mine on these federally owned lands.

Hecla Mining Company ("Hecla") began to operate the Sherman Mine in 1981 as a result of the merger of Day Mines into Hecla. During the early 1980s, low silver prices resulted in the suspension of mining operations at the Sherman Mine for periods of time. In November of 1984, the Company reached agreement, in principle, with Hecla whereby all properties and mining rights subject to the 1974-lease agreement would be reacquired by the Company. During October of 1987, the Company reached a final agreement with Hecla for re-conveyance of the lease, in consideration for \$500,000 cash and a convertible debenture in the amount of \$381,000. In December 1993, as a result of the Company's efforts to re-structure its debt obligations, Hecla agreed to cancel the \$381,000 debenture, along with accrued interest of approximately \$402,000.

Since May of 1987 and continuing through 2000, the Company's activities at the Sherman Mine have been limited to care, maintenance and permit related work. During 1985, the Sherman Mine was placed in temporary cessation due to suspension of mining activities. During 1995, the temporary cessation period expired and the Company will be required to conduct a program of study, exploration and sampling to maintain existing regulatory permits. In the event that the required work is not performed, the Company may be required to reclaim the Sherman Mine site. The Company maintains a reclamation bond in the amount of \$91,600, which relates to the Sherman and Stringtown Mill sites.

Substantially all of the Company's real properties, including the Sherman Mine, serve as security for outstanding convertible debentures.

DIAMOND MINE

Leadville acquired the initial Diamond Mine claims in 1964 and continued to add land positions into the early 1980s. Although the Diamond Mine properties were under lease to Day Mines, and then Hecla, as part of the 1974 lease agreement, no mining activities occurred on the properties during the years 1974 through 1982. In 1983, Hecla released the Diamond Mine from the lease agreement and the Company initiated a program of study and exploration of the property.

The Diamond Mine property consists of approximately 1,181 acres and its shaft is located approximately 4.5 miles east of Leadville, Colorado. Substantially all of the mining claims in the block of ground are patented and owned by the Company. The property carries only minimal royalty obligations.

Beginning in 1983 and continuing into 1989, the Company's efforts focused on achieving production at the Diamond Mine. As a result of work conducted and investment made by the Company during this six year period, management believes the property is positioned to re-open for production and further exploration and development with additional capital investment. Furthermore, significant financing will be required to take the mining operations to positive cash flow.

During the years 1986 through 1988, the Company constructed a surface plant at the Diamond Mine, drove underground access and development drifts and made modifications to the Stringtown Mill facility. Sustained ore processing at the Stringtown Mill was achieved in late 1988, after significant delays due to equipment and circuit failures. Once ore processing at the mill was sustainable, however, the Company lacked necessary financial resources to construct additional mine infrastructure required to continue mining operations.

Ultimately, financing necessary to continue mining activities in early 1989 could not be secured and operations were suspended. Management believes that significant financing has not been available to the Company due to environmental litigation surrounding the Leadville, Colorado area since the mid-1980s.

During 1996, the Company signed a letter of intent with a Canadian mining corporation to joint-venture the Company's Diamond Mine properties. In January 1997, the Canadian corporation advised the Company that it would not be able to secure the financing required to participate on the property and the letter of intent then expired. Under terms of the letter, the Company issued 500,000 shares of stock to the Canadian corporation for cash consideration of \$500,000. Leadville used the proceeds for general corporate purposes and to settle certain long past due obligations.

STRINGTOWN MILL SITE

The Stringtown Mill site encompasses an area of approximately 340 acres and is located immediately southwest of Leadville, Colorado. The Stringtown Mill and tailings ponds were constructed and placed in service on the site in the late 1960s. The facility was used to mill Sherman Mine ore until 1984, when substantially all Sherman Mine activities were suspended due to low silver prices.

During the years 1986 through 1988, modifications and improvements were made to the Stringtown Mill in anticipation of processing Diamond Mine ore. The mill operated sporadically from mid-1988 until early 1989 processing Diamond Mine ore. Administrative, laboratory, warehouse and residential facilities are also

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located on the 340-acre site.

As of March 15, 2000, the Company employed one individual to monitor the properties and to perform necessary administrative and field duties.

COMPETITION

Leadville competes with other mining companies producing, or attempting to develop mines which produce, precious and base metals. Most competitors are larger mining companies with greater financial and technical resources than Leadville. In addition, management believes that the Company's properties have been at a competitive disadvantage in the industry since the late 1980s, due to environmental litigation involving the Leadville Mining District. (See "LEGAL PROCEEDINGS", under Item 3., hereof).

Resumption of mining operations at the Company's two mines is dependent on attracting significant operating capital and on the market prices of precious metals, primarily silver and gold. At current silver prices, the Sherman Mine can not be operated profitably.

At a minimum, the Sherman Mine will require significant capital investment for acquisition of equipment and financing mine development before it can be made operational. Operating issues for the mine also include milling facility location and capacity, and reserve augmentation.

The Diamond Mine has operating permits in place, identified ore reserves and plant and equipment positioned to resume mining activities. The Company will have to invest significant additional funds for development work before the mine can be put into production. Milling considerations must also be addressed in conjunction with mining operations at the Diamond Mine.

In years past and continuing into 2000, the Company has been heavily dependent on its past-President, Dr. Robert G. Risk, to raise necessary financing. The loss of Dr. Risk, for any reason, would have a material impact on the Company's ability to raise additional funds and continue as a going concern.

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GOVERNMENTAL REGULATIONS

As discussed in "LEGAL PROCEEDINGS", under Item 3, hereof, the Company was named as a defendant in several legal actions initiated by the state of Colorado and the United States involving environmental matters in the California Gulch Superfund site. Portions of the Company's Diamond Mine property and Stringtown Mill site are located within the boundaries of the Superfund site.

In an effort to limit its financial exposure and move forward with financing efforts, the Company ultimately reached a settlement with the United States which was entered by the United States District Court in August of 1993. The settlement is in the form of a consent decree. As a result of that settlement, the Company will be required to make annual cash payments to the United States in order to maintain certain protections afforded by the consent decree. Additionally, the Company has agreed to advise the United States and certain other parties of its mining plans, if planned activities could potentially have an adverse impact on remedial work being performed in the Superfund site.

Under the consent decree, the Company retains the right to use the Stringtown Mill facility for ore processing, although use of the existing tailing ponds for future storage of mill tailings may require approval by the United States. The Company's mine and mill facilities are currently permitted by

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the State of Colorado for the respective operations.

The costs of defending against the environmental claims alleged in the consolidated cases, negotiating a settlement and general operations have exhausted all of the Company's financial resources. In addition, management believes the designation of the Leadville, Colorado area as a Superfund site could continue to complicate efforts to raise financing for the Company's properties.

Item 3. LEGAL PROCEEDINGS

UNITED STATES (ENVIRONMENTAL PROTECTION AGENCY)

In 1983, the Company was named as one of several defendants in an action (United States of America vs. Apache Energy and Mineral Company, et al.) brought by the United States in Federal District Court in Colorado under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA") in connection with the approximately 11.5 square mile California Gulch Superfund site in Lake County, Colorado. In 1986, the Company was also named as a third party defendant in a suit (State of Colorado vs. Asarco, Inc., et al.) involving the same site. The cases were subsequently consolidated.

From 1983 through 1988, the Company negotiated with the United States to have its involvement in the consolidated case dismissed or settled on a de minimis basis. That effort was ultimately unsuccessful. During the years 1989 and continuing into 1993, the Company attempted to negotiate a settlement of its alleged liability to the United States. Management believed that the Company might obtain financing if the claims asserted by the United States were settled and the financial exposure limited.

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During August 1993, a consent decree was entered by the U.S. District Court in Colorado whereby the United States agreed to settle the Company's alleged liability, with the exception of natural resources damages, if any, in consideration for \$3,000,000. Under the terms of the consent decree, a total of \$250,000 is to be paid by the Company over 15 years, with a contingent liability of \$2,750,000 to be paid based on profitable operations or sale of properties. Minimum cash payments are to be \$10,000 for years 1-5, \$15,000 for years 6-10 and \$25,000 for years 11-15.

In 1998, the EPA approached the Company regarding drainage and erosion control at the Company's Resurrection No. 1 Mine site. The EPA initially wanted the Company to reimburse the EPA for the remedial activity. The Company, however, argued successfully that the proposed activity was covered under the existing consent decree. The EPA concurred with this position, performed the work in 1998 and has not attempted collections against the Company for this effort.

See Note 5 "Environmental Litigation" on page F-11 of the Financial Statements for additional comments related to the EPA and the status of cash payments.

COWIN & COMPANY, INC.

In 1990, Cowin & Company, Inc. Mining Engineers and Contractors filed suit against Leadville in Lake County, Colorado District Court asserting that Leadville was obligated to Cowin & Company for approximately \$45,000 for contract mining fees. Cowin & Company, Inc. is requesting damages, equipment

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possession and general relief relating to a contract mining agreement entered into March 3, 1987.

Leadville counter-claimed for damages resulting from improper construction of the Diamond Mine shaft and damages resulting from an accident at the site. No action has been taken in the case since October 1993 and the Court ordered that a Status Report be filed on the matter by August 30, 1996. The Report was timely filed, but no action has occurred in the case since that date.

Mining Equipment, Inc.

During January 2000, the Company was named as a defendant involving equipment under lease that was deemed part of the real property at the mine site by the courts. The plaintiff's claims included a claim for rent, conversion and unjust enrichment. The Company intends to vigorously defend the claims in that the courts have already issued a judgement regarding this lease and the Company is in compliance with this earlier judgement.

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

There were no matters submitted to a vote of the Company's security holders during the fourth quarter of 2000.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The Company's Common Stock trades on the NASD OTC-Bulletin Board. The following table sets forth the low and high bid price quotations per share of Common Stock, as reported on the NASD OTC-Bulletin Board for the periods indicated. These quotations reflect inter-dealer prices, without retail markup, mark down or commission and may not necessarily represent the actual price of transactions.

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Quarter Ended

| | Low ----- | High ----- |
|--------------------|--------------|---------------|
| December 31, 1999 | \$ 0.1875 | 0.5000 |
| March 31, 2000 | 0.2180 | 0.2810 |
| June 30, 2000 | 0.0625 | 0.2031 |
| September 30, 2000 | 0.0781 | 0.0781 |
| December 31, 2000 | 0.0938 | 0.0938 |

As of December 31, 2000, the Company had approximately 2,000 holders of record of its Common Stock; management estimates that the number of beneficial holders is greater.

There can be no assurance that, if the Company is successful in raising significant investment capital, future mining operations will be profitable. No dividends on the Common Stock have been paid during the past several years and due to the significant investment of cash required by planned mining activities, management does not anticipate that any dividends will be paid in the foreseeable future.

See Page F-5 to the Financial Statements for issuance of shares of common

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stock during 2000, all of which are unregistered.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the Company's consolidated financial statements and related notes included elsewhere herein. In particular, reference is made to Note No. 2, "Continuing Operations", beginning on Page F-8 of the Financial Statements. The Company's results may be affected by various trends and factors, which are beyond the Company's control. These include factors discussed elsewhere herein.

With the exception of historical information, the matters discussed below under the headings "Results of Operations" and "Liquidity and Capital Resources" may include forward-looking statements that involve risks and uncertainties. The Company cautions the reader that a number of important factors discussed herein, and in other reports filed with the Securities and Exchange Commission, could affect the Company's actual results and cause actual results to differ materially from those discussed in forward-looking statements.

Results of Operations

The Company earned no revenues from operations in 2000 and reported a net loss of \$1,331,336. The most significant expenses incurred during 2000 included \$817,612 of interest, \$27,843 for property taxes, \$92,472 for depreciation, and \$45,300 for write-down of parts inventory. Approximately 74% of the loss for 2000 was attributable to these expenses. The Company also expensed approximately \$217,000 in salaries in 2000.

The Company has had no active mining operations since 1989 and continues to carry a significant investment in property, equipment and parts inventory. In 1995, the Company initiated policies to recognize a declining useful life and value of these assets. Approximately \$137,772 of such expenses was recognized in 2000.

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During 2000, the Company continued to incur significant interest expense relating to outstanding notes and debentures payable and their related accrued interest. As of December 31, 2000, principal amounts due on notes payable and debentures payable was \$2,103,312 and \$440,000, respectively.

Substantially all other expenses in 2000 were incurred to meet general, administrative and property holding expenses.

2000 COMPARED TO 1999

The net loss for 2000, before extraordinary items, decreased approximately \$300,000 compared to 1999. Interest expense for 2000 increased approximately \$130,000 over 1999, due primarily to interest expense associated with additional borrowing during 2000. Depreciation expense increased approximately \$25,000 in 2000, as the Company continued its policy to provide for depreciation on mining assets maintained on a stand-by basis. General and administrative expenses decreased by \$464,221 in 2000 primarily because no stock or options were issued to officers during 2000.

Liquidity and Capital Resources

The Company is severely undercapitalized. As of December 31, 2000, the

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Company has a working capital deficit of \$8,614,733 and minimal operating cash. Substantially all of the Company's cash needs have been met by loans from the Company's management and by proceeds from short-term notes. Management is hopeful that cash needs for 2000 will be met from existing cash resources and short-term borrowings, although additional loans from previous sources can not be assured.

In 2000, the Company used cash to meet general, administrative and property obligations. During 2000 and 1999, the Company borrowed approximately \$177,500 and \$127,000, respectively, through the placement of various secured and unsecured notes. No capital expenditures were made during the year.

The Company's certificates of deposit, in the amount of \$104,265, are held as mining reclamation bonds and classified as long term assets.

In order for the Company to continue as a going concern and attempt to operate its mining properties, a significant amount of capital from sources outside the Company will be required.

During 2000, management will continue its efforts to obtain financing for the Company's properties through joint-venture, cash investment or a secondary offering of the Company's stock. No assurance can be given that the Company will be successful in securing financing.

As of December 31, 2000, the Company is obligated to promissory note holders in the face amount of \$2,103,312, plus accrued interest of \$1,661,190. Outstanding convertible debentures at December 31, 2000, in the face amount of \$440,000, plus accrued interest of \$3,570,279, are secured by all of the Company's real property.

Substantially all of the Company's note and debenture payable obligations, including accrued interest, are convertible into Common Stock at a price of generally \$1.00 per share. The demand note obligations due to Dr. Risk, including interest, have no stock conversion features. It is likely that a portion of the debt will be converted to stock, if the Company can secure significant financing for its properties.

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Item 7. Financial Statements.

See "Index to Financial Statements" on page F-1 hereof.

Item 8. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

None

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

The following table sets forth information regarding the officers and directors of the Company.

| Name | Age | Positions Held | Officer/Director since |
|------|-----|----------------|------------------------|
| ---- | --- | ----- | ----- |

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| | | | |
|------------------|----|---------------------|------|
| Robert G. Risk | 92 | Director | 1949 |
| Lloyd L. Morain | 84 | Director | 1967 |
| James C. Tiffany | 70 | Director | 1990 |
| John H. Gasper | 41 | President, Chairman | 1997 |

Mr. Tiffany is the nephew of Dr. Risk. There is no other family relationship between or among any of the above listed officers and directors.

Robert G. Risk has been a Director since January 1949. Dr. Risk was Chairman from January 1949 through 1998. He was a practicing dentist in Indianapolis, Indiana until 1999.

Lloyd L. Morain has been a Director since 1967. He is currently a personal business advisor and Chairman of the Board of the Illinois Gas Company, an Illinois corporation with which he has been associated with for many years. Mr. Morain holds office with several other utility companies.

James C. Tiffany has spent his entire business career in various aspects of the mining business; most recently serving with Reynolds Metal Company since 1964. Reynolds is engaged in the manufacture of aluminum and aluminum products. He received his Engineer of Mines degree from the Colorado School of Mines in 1951. The Company employed Mr. Tiffany in the position of operations manager during the years 1953 through 1959.

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John H. Gasper, MSEM, P.E., President of Leadville Corporation since July, 1997, is a registered professional mining engineer with fifteen years of experience in mining engineering design and restoration of lands impacted by mining. He has served as the chief mining engineer for Atec Associates, a national geotechnical/environmental engineering consulting firm, for twelve years and President of EnviRESTORE Engineering, LLP since 1996.

Scot B. Hutchins was CEO of the Company from March 1998 through May 30, 2000. Mr. Hutchins is an attorney in Washington, D.C.

Item 10. Executive Compensation

The only current officer of Leadville Corporation who earned compensation during 2000 was Mr. Gasper. Mr. Gasper's salary was \$120,000 for the year ended December 31, 2000. Including compensation earned from 1997 through 2000, approximately \$365,500 remains unpaid to Mr. Gasper. In addition, Mr. Gasper earned as compensation 50,000 shares of restricted Common Stock in 1998 (or \$2,678 in value). Mr. Hutchins' salary was \$1,644 in 1997, \$51,780 in 1998, \$100,000 in 1999 and \$62,500 in 2000, of which, the total amount remains unpaid. In addition, Mr. Hutchins earned as compensation 350,000 shares of restricted Common Stock (or \$18,750 in value) and an option to purchase 800,000 shares of unregistered, restricted Common Stock at their fair market value in 1998. In 1999, Mr. Hutchins earned 300,000 shares of restricted Common Stock (or \$18,750 in value) and an option for the purchase of 800,000 shares of unregistered, restricted Common Stock at their fair market value. The fair market value for these options was determined by the outside accounting firm Kaufman Davis Business Services, Inc. The exercise price was established at \$0.0625 per share at the exercise date of August 12, 1998 and \$0.05357 per share at the exercise

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date of January 5, 2000.

Additionally, in accordance with their employment agreements, Mr. Gasper and Mr. Hutchins (prior to his resignation effective May 30, 2000) can receive (i) 20,000 shares of restricted Common Stock for each additional million dollars raised in debt financing, (ii) a one-time payment of 150,000 shares in the event that the average closing price of Common Stock is \$2.00 or more within any 14-day period, and (iii) 150,000 shares of restricted Common Stock each time the price of Common Stock doubles from the prior price triggering a payment of shares.

Accrued Salary - Due to limited working capital, Mr. Gasper and Mr. Hutchins deferred receipt of most of their salary until such time that the Company is better able to fulfill this obligation.

The following table sets forth certain information for each of the last four fiscal years with respect to the annual and long-term compensation of the current officers of the Company.

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Item 11. Security Ownership of Certain Beneficial Owners and Management.

As of December 31, 2000, a total of 10,940,288 shares of the Company's Common Stock were outstanding. The table below sets forth the ownership by management and principal stockholders of the Company as of December 31, 2000:

| Name ---- | Title ----- | Share Ownership | | Percent ----- |
|---------------------------------------|--------------------|--------------------|-----|------------------|
| | | Direct ----- | | |
| Robert G. Risk | Director | 2,686,179 | (b) | 24.55% |
| Lloyd L. Morain | Director | 459,408 | (b) | 4.20% |
| James C. Tiffany | Director | 27,631 | (b) | 0.25% |
| John H. Gasper | President/Chairman | 200,000 | (b) | 1.83% |
| All officers and directors as a group | | | | 30.83% |

(a) The address of each management person is 7002 Graham Road, Suite 106, Indianapolis, IN 46220.

(b) Members of the Board of Directors and officers hold debt instruments of the Company which can be generally converted into Common Stock at a price of \$1.00 per share. If such debt instruments were converted to stock as of December 31, 2000, officers and directors would hold the following number of shares and percentages of outstanding stock: Robert G. Risk 5,086,303 shares, (37.8%); Lloyd L. Morain 576,836 shares, (4.37%); James C. Tiffany 27,631 shares, (0.21%); John H. Gasper 200,000 shares, (1.5%).

If holders of all convertible debt instruments of the Company had exercised their option to convert the obligations to Common Stock as of December 31, 2000, approximately 7,774,781 shares would have been issued and total outstanding shares would have been 18,715,069. Officers and directors, as a group, would own 5,890,770 shares representing 31.48% of the outstanding Common Stock.

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Item 12. Certain Relationships and Related Transactions.

Substantially all of Leadville's financing since 1983 has been provided by loans from the Company's officers and directors through proceeds from the private placement of equity and debt instruments. The following table sets forth amounts due to officers and directors of the Company for debt proceeds received from officers and directors as of December 31, 2000:

| Name | Obligation | Principal | Interest | Total |
|-------------------|--------------|-----------|-------------|-------------|
| Robert G. Risk | Debenture | -0- | \$1,219,365 | \$1,219,365 |
| Robert G. Risk | Demand notes | \$102,500 | \$1,078,259 | \$1,180,759 |
| Lloyd L. Morain | Notes | \$75,000 | \$42,428 | \$117,428 |
| Scot B. Hutchins* | Notes | \$117,500 | \$52,422 | \$169,922 |

*Mr. Hutchins was CEO from March 1998 to May 30, 2000.

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Substantially all of the debenture payable, notes payable and related accrued interest amounts are convertible into the Company's Common Stock at \$1.00 per share. The demand notes and associated accrued interest due to Dr. Risk have no stock conversion features. The notes and associated accrued interest due to Mr. Hutchins are convertible at \$.80 per share for \$148,337 and \$1.00 per share for \$21,585.

During the years 1997 through 2000, Dr. Risk has advanced the Company \$5,000, \$15,000, \$37,500 and \$45,000, respectively. The advances bear interest at 10% and are due on demand. In earlier years, Dr. Risk agreed to convert substantially all principal on the demand notes into Common Stock.

During 1995 and 1996, Mr. Morain provided loans to the Company in the form of unsecured promissory notes, bearing interest at 10% per annum and convertible into the Company's Common Stock at a price of \$1.00 per share. Mr. Morain loaned the Company \$50,000 in 1997 and \$25,000 in 1999. Mr. Morain has provided significant financing to the Company in years prior to 1995 and he has converted substantially all such loans and accrued interest into restricted Common Stock.

During 1998 and 1999, Mr. Hutchins advanced the Company \$115,000 and \$2,500, respectively. An advance of \$100,000 in 1998 bears an interest rate of 15% and is convertible into Common Stock at \$.80 per share. Advances in 1998 and 1999 totaling \$17,500 bear an interest rate of 10% and are convertible into Common Stock at \$1.00 per share.

During the years 1995 through 2000, Leadville was successful in securing conversion of certain debt obligations into Common Stock. During these and prior years, officers and directors of the Company also exercised Common Stock conversion rights for obligations they held.

The Company believes that the terms of the transactions discussed above are comparable to those that have been attainable from non-affiliated sources.

During February 1997, the Securities and Exchange Commission adopted

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amendments to Rule 144 which shortened the holding period after which "restricted securities" can be resold. Generally, the holding period will be one year from the date of purchase under which a shareholder can sell under Rule 144 and two years from the date of purchase under which a shareholder can sell under Rule 144(k).

See Footnote 1 to the Financial Statements regarding new accounting standards and their future affect on the Company's financial statements.

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

(a) Exhibits Filed Herewith or Incorporated by Reference to Previous Filings with the Securities and Exchange Commission.

Exhibit

Number

Description

- | | |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (2) | Plan of Acquisition, reorganization, arrangement, liquidation or succession |
| (3) | Articles of Incorporation and By-laws |
| (4) | Instruments defining the rights of security holders, including indentures |
| (9) | Voting Trust Agreement |
| (10) | Material Contracts |
| (11) | Statement Regarding Computation of Earning Per Share is not required since the information is ascertainable from Leadville's financial statements filed herewith. |
| (13) | Annual Report to security holders, Form 10-Q or quarterly report to security holders |
| (16) | Letter re: change in accounting principles |
| (19) | Documents not previously filed |
| (21) | Subsidiaries of the Registrant |
| (22) | Published report regarding matters submitted to vote of security holders |
| (23) | Consents of experts and counsel |
| (24) | Power of Attorney |
| (27) | Financial Data Schedule |
| (28) | Information from reports furnished to state insurance authorities |
| (29) | Additional Exhibits |

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- (3) The Articles of Incorporation of Leadville were filed with its Form 10-K on May 6, 1965; the By-laws of Leadville were filed with its Report on Form 10-K for the year ended December 31, 1980.
- (4) Filed with Form 10-K for year ended December 31, 1987.
- (28) Consent Decree, State of Colorado vs. Asarco, Inc., et al, Defendants and Third Party Plaintiffs vs. Leadville Corporation, et al, Third Party Defendants; United States of America vs. Apache Energy and Minerals Company, et al. Submitted on Form 8-K, dated February 11, 1993.

(b) Reports on Form 8-K Filed During the Registrant's Fourth Fiscal Quarter:

None

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SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on April 12, 2000 on its behalf by the undersigned, thereto duly authorized.

LEADVILLE CORPORATION

Date: April 12, 2001

By: /s/ John H. Gasper

John H. Gasper
President

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 date indicated.

Dated: April 12, 2001

By: /s/ John H. Gasper

John H. Gasper
President, Chairman

Dated: April 12, 2001

By: /s/ Dr. Robert G. Risk

Dr. Robert G. Risk
Director, Chairman Emeritus

Dated: April 12, 2001

By: /s/ Lloyd L. Morain

Lloyd L. Morain
Director

Dated: April 12, 2001

By: /s/ James C. Tiffany

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James C. Tiffany
Director

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F-1

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Leadville Corporation
Indianapolis, Indiana

We have audited the accompanying balance sheet of Leadville Corporation as of December 31, 2000 and the related statements of operations, stockholders' deficiency and cash flows for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in

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all material respects, the financial position of Leadville Corporation as of December 31, 2000, and the results of its operations and its cash flows for the year ended December 31, 2000 and 1999, in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has a working capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ HEIN + ASSOCIATES LLP

HEIN + ASSOCIATES LLP

Denver, Colorado
March 29, 2001

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LEADVILLE CORPORATION

BALANCE SHEET
DECEMBER 31, 2000

ASSETS

CURRENT ASSETS:

| | |
|----------------------------|-----------|
| Cash | \$ 18,832 |
| Prepaid expenses and other | 5,321 |
| | ----- |
| Total current assets | 24,153 |

PROPERTY AND EQUIPMENT, at cost:

| | |
|--------------------------|-----------|
| Mining properties | 7,356,979 |
| Buildings and equipment: | |
| Mine | 1,219,564 |
| Mill | 829,032 |
| Other | 108,143 |
| Land | 22,429 |
| | ----- |
| | 9,536,147 |

| | |
|---------------------------------------------|-------------|
| Less accumulated depreciation and depletion | (3,098,422) |
| | ----- |
| | 6,437,725 |

OTHER ASSETS:

| | |
|----------------------------------------|---------|
| Investments - certificates of deposits | 104,265 |
| Inventories | 182,089 |
| | ----- |
| Total other assets | 286,354 |
| | ----- |

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| | | |
|----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|--------------|
| TOTAL ASSETS | | \$ 6,748,232 |
| | | ===== |
| | LIABILITIES AND STOCKHOLDERS' DEFICIENCY | |
| | ----- | |
| CURRENT LIABILITIES: | | |
| Related parties: | | |
| Convertible debentures | | \$ 440,000 |
| Notes payable, stockholders | | 1,896,812 |
| Accrued interest payable | | 5,184,286 |
| Payables to officers/directors/stockholders | | 97,950 |
| Accrued salaries - officers | | 583,321 |
| Notes payable - other | | 206,500 |
| Accounts payable | | 143,835 |
| Accrued expenses | | 86,151 |
| | | ----- |
| Total current liabilities | | 8,638,885 |
| | | ----- |
| SETTLEMENT OF LITIGATION | | 114,000 |
| | | ----- |
| COMMITMENTS AND CONTINGENCIES (Notes 2 and 5) | | |
| STOCKHOLDERS' DEFICIENCY: | | |
| Capital stock, par value \$1 per share; 15,000,000 shares authorized; 10,940,288 shares issued and outstanding at December 31, 2000 | | 10,940,288 |
| Additional paid-in capital | | 8,693,415 |
| Accumulated deficit | | (21,638,356) |
| | | ----- |
| Total stockholders' deficiency | | (2,004,653) |
| | | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY | | \$ 6,748,232 |
| | | ===== |

See accompanying notes to these financial statements.

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LEADVILLE CORPORATION
STATEMENTS OF OPERATIONS

| | FOR THE YEARS ENDED DECEMBER 31, | |
|-----------------------------------|-------------------------------------|-----------|
| | 2000 | 1999 |
| | ----- | ----- |
| OPERATING REVENUES | \$ -- | \$ -- |
| OPERATING COSTS AND EXPENSES: | | |
| General and administrative | 426,927 | 891,148 |
| Depreciation | 92,472 | 67,718 |
| | ----- | ----- |
| Total operating costs and expense | 519,399 | 958,866 |
| | ----- | ----- |
| OPERATING LOSS | (519,399) | (958,866) |
| OTHER INCOME AND EXPENSE: | | |

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| | | |
|-------------------------------------------------------|----------------|----------------|
| Interest expense | (817,612) | (687,685) |
| Other | 5,675 | 11,164 |
| | ----- | ----- |
| Total other income and expense | (811,937) | (676,521) |
| | ----- | ----- |
| NET LOSS AND COMPREHENSIVE LOSS | \$ (1,331,336) | \$ (1,635,387) |
| | ===== | ===== |
| NET LOSS PER SHARE (Basic and Diluted) | \$ (.12) | \$ (.15) |
| | ===== | ===== |
| WEIGHTED AVERAGE NUMBER OF CAPITAL SHARES OUTSTANDING | 10,934,237 | 10,630,351 |
| | ===== | ===== |

See accompanying notes to these financial statements.

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LEADVILLE CORPORATION

STATEMENT OF STOCKHOLDERS' DEFICIENCY
FROM JANUARY 1, 1999 THROUGH DECEMBER 31, 2000

| | CAPITAL STOCK | | PAID-IN CAPITAL |
|-------------------------------------------------|---------------|---------------|--------------------|
| | SHARES | AMOUNT | |
| | ----- | ----- | ----- |
| BALANCES, January 1, 1999 | 10,605,065 | \$ 10,605,065 | \$ 8,546,482 |
| Conversion of note payable and accrued interest | 21,998 | 21,998 | -- |
| Options for services | -- | -- | 315,000 |
| Stock for services | 300,000 | 300,000 | (168,067) |
| Net loss | -- | -- | -- |
| | ----- | ----- | ----- |
| BALANCES, December 31, 1999 | 10,927,063 | 10,927,063 | 8,693,415 |
| Conversion of note payable and accrued interest | 13,225 | 13,225 | -- |
| Net loss | -- | -- | -- |
| | ----- | ----- | ----- |
| BALANCES, December 31, 2000 | 10,940,288 | \$ 10,940,288 | \$ 8,693,415 |
| | ===== | ===== | ===== |

See accompanying notes to these financial statements.

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LEADVILLE CORPORATION

STATEMENTS OF CASH FLOWS

| | FOR THE YEARS ENDED DECEMBER 31, | |
|----------------------------------------------------------------------------|-------------------------------------|----------------|
| | 2000 | 1999 |
| | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (1,311,336) | \$ (1,635,336) |
| Adjustments to reconcile net loss to net cash from operating activities: | | |
| Stock and options for services | -- | 446,900 |
| Depreciation | 92,472 | 67,700 |
| Provision for inventory obsolescence | 45,300 | 45,300 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in - | | |
| Prepaid expenses and other | 97 | 3,800 |
| Increase (decrease) in: | | |
| Accrued interest to related parties | 774,241 | 688,000 |
| Officer payables and accrued salaries | 209,012 | 252,000 |
| Accounts payable | 43,230 | 22,500 |
| Accrued expenses | (45,129) | 15,300 |
| | ----- | ----- |
| Net cash used in operating activities | (192,113) | (93,500) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from borrowings | 177,500 | 127,000 |
| | ----- | ----- |
| INCREASE (DECREASE) IN CASH | (14,613) | 33,400 |
| CASH, beginning | 33,445 | -- |
| | ----- | ----- |
| CASH, ending | \$ 18,832 | \$ 33,400 |
| | ===== | ===== |
| SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Capital stock issued for conversion of notes payable, and accrued interest | 13,225 | \$ 21,900 |
| | ===== | ===== |
| Conversion of accrued interest to notes payable | -- | \$ 400,800 |
| | ----- | ===== |

See accompanying notes to these financial statements.

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LEADVILLE CORPORATION

NOTES TO FINANCIAL STATEMENTS

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1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES:

Nature of Business - Leadville Corporation (the "Company") is engaged in the development and mining of hard rock mineral properties. In recent years, the Company's activities have been limited due to environmental issues (see Note 5) and lack of capital. The Company owns two mines near Leadville, Colorado. These mines have been inactive since 1989.

Inventories - Inventories are stated at the lower of cost (average method) or market value. Inventories consist of operating and maintenance supplies and is stated net of an obsolescence allowance of \$272,000. Inventory has been classified as non-current for financial statement purposes.

Property and Equipment - Mining properties consist primarily of patented and unpatented mining claims. Mining properties include the cost of acquisition and accumulated development expenditures.

In the event such mining properties are developed into producing properties, depletion of these related costs will be computed on the unit-of-production method, based on estimated tons of recoverable ore reserves. If the properties are determined to be incapable of producing commercial quantities of ore, the costs will be charged to operations in the period in which the determination is made.

The Company provides for depreciation of buildings and equipment on the straight-line method, to apportion costs over the estimated useful lives of the assets which range principally from five to twenty years.

Income Taxes - The Company accounts for income taxes under the liability method, whereby deferred tax assets and liabilities are recorded for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Net Loss Per Share - The loss per common share is presented in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, Earnings Per Share. SFAS No. 128 replaced the presentation of primary and fully diluted earnings (loss) per share (EPS) with a presentation of basic EPS and diluted EPS. Basic EPS is calculated by dividing the income or loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. All potential dilutive securities are antidilutive as a result of the Company's net loss for the years ended December 31, 2000 and 1999. Accordingly, basic and diluted earnings per share are the same for each year.

Capitalization of Interest - The Company capitalizes interest expense as part of the historical cost of acquiring certain assets which require an extended period of time to prepare them for their intended use (see Note 3). Subsequent to 1988, interest has been expensed due to the suspension of development activities.

Use of Estimates - The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the

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amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates. The Company makes

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LEADVILLE CORPORATION

NOTES TO FINANCIAL STATEMENTS

significant assumptions concerning the realizability of its investment in property and equipment, and the ultimate liabilities associated with asserted claims (see Note 5) and costs associated with the reclamation of the properties. Due to the uncertainties inherent in the estimation process and the significance of these costs, it is at least reasonably possible that its estimates in connection with these items could be further materially revised within the next year.

Impairment of Long-Lived Assets - Management periodically assesses recoverability of all long-lived assets. In the event that facts and circumstances indicate that the cost of long-lived assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required.

Comprehensive Loss - Comprehensive loss is defined as all changes in stockholders' equity, exclusive of transactions with owners, such as capital investments. Comprehensive loss includes net loss, changes in certain assets and liabilities that are reported directly in equity such as translation adjustments on investments in foreign subsidiaries, and certain changes in minimum pension liabilities. The Company's comprehensive loss was equal to its net loss for all periods presented in these financial statements.

2. CONTINUING OPERATIONS:

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and liquidation of liabilities in the ordinary course of business. At December 31, 2000, the Company has a significant investment in non-producing mining properties, recovery of which is dependent upon the production of ore reserves in commercial quantities or sale of these properties at an amount equal to or in excess of cost. In addition, the Company has suffered recurring losses from operations and at December 31, 2000 has a working capital deficiency of approximately \$8,615,000 which includes approximately \$8,202,000 due to related parties. The Company also has significant inventories, which the Company intends to utilize in the start up and operation of its mining properties. As the ultimate realization of the mining properties and related inventories depends on circumstances which cannot currently be evaluated, it is not possible to determine whether any loss will ultimately be realized from their disposition. All real properties are collateral for convertible debentures. The Company has no property or liability insurance coverage. Past litigation concerning environmental matters (Note 5) has made it difficult to date for the Company to obtain working capital through additional equity or financing. Annual fees are required to maintain possessory titles to unpatented mining claims. However, without additional working capital, the Company may be unable to pay the required fees.

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Working capital must be obtained to allow for future operations.

The Company believes a substantial portion of the convertible debentures, notes payable, accrued interest and certain other obligations may at some future time be converted into capital shares. Management is continuing to investigate alternatives to raise additional working capital which will be required to meet current and future obligations.

If the Company cannot successfully restructure its debt, obtain working capital, and ultimately achieve profitable operations, there is substantial doubt about the ability of the Company to continue as a going concern. The financial statements do not include any adjustments which might result from the outcome of these uncertainties.

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LEADVILLE CORPORATION

NOTES TO FINANCIAL STATEMENTS

3. MINING PROPERTIES:

As of December 31, 2000, the Company controls two mining properties; the approximately 5-square-mile Sherman Hilltop Consolidation and the approximately 1.5-square-mile Diamond-Resurrection Consolidation. In addition, the Company owns the 0.5-square-mile Stringtown Mill Site.

In February 1986, the Company gained access to historic mine workings by way of the Diamond shaft located on the Company's Diamond-Resurrection Consolidation property. At that time, the Company began activities, including mineralization sampling and the construction and modification of the milling facility at the Stringtown Mill Site, necessary to place this property in a revenue producing stage. During 1987, the Company reacquired all mining, milling and other properties and rights held by Hecla Mining Company (HMC) under a previous lease agreement.

Since 1989 and continuing through 2000, the Company's activities have been limited to care, maintenance, and permit-related work. The Company is required to conduct a program of study, exploration, and sampling to maintain existing regulatory permits. In the event the required work is not performed, the Company may be required to reclaim the Sherman Mine site. The Company maintains a reclamation bonds in the amount of approximately \$91,600 for the Sherman and Stringtown Mill sites and \$12,665 for the Diamond-Resurrection Mine Site.

Presented below is a summary of mining property costs as of December 31, 2000:

| | Diamond- Resurrection Consolidation | Sherman Hilltop Consolidation | Total |
|-------------------|-------------------------------------------|-------------------------------------|------------|
| | ----- | ----- | ----- |
| Mining claims | \$ 221,445 | \$ 78,110 | \$ 299,555 |
| Development costs | 4,445,428 | 1,784,979 | 6,230,407 |
| Interest | 795,741 | 31,276 | 827,017 |
| | ----- | ----- | ----- |
| Total | 5,462,614 | 1,894,365 | 7,356,979 |

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| | | | |
|-----------------------|--------------|-------------|--------------|
| Accumulated depletion | -- | (1,821,078) | (1,821,078) |
| | ----- | ----- | ----- |
| | \$ 5,462,614 | \$ 73,287 | \$ 5,535,901 |
| | ===== | ===== | ===== |

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LEADVILLE CORPORATION

NOTES TO FINANCIAL STATEMENTS

4. NOTES PAYABLE AND CONVERTIBLE DEBENTURES:

The notes payable as of December 31, 2000 are summarized as follows:

| | |
|-------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Notes payable, at 16.5% to stockholder, due December 2000, collateralized by mining properties. | \$ 1,375,312 |
| Notes payable, generally at 10%, to stockholders and/or officers/directors, due dates range from January 1997 through October 2001. | 521,500 |
| | ----- |
| Total related party notes payable | \$ 1,896,812 |
| | ===== |
| Notes payable, generally at 10%, due dates range from April 1, 1997 through August 2001. | \$ 206,500 |
| | ===== |

Notes payable and certain related accrued interest (totaling approximately \$2,584,000) are convertible to the Company's capital stock at the option of noteholders at a conversion price of generally \$1.00 per share during the term of the notes. As of December 31, 2000, \$1,940,812 of the notes were past due.

Convertible debentures due to shareholders as of December 31, 2000 are summarized as follows:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Ten percent convertible debentures, all interest and principal past due as of December 31, 2000. The debentures and related accrued interest (totaling approximately \$4,010,000) are convertible to the Company's capital stock at the option of the debenture holders at a conversion price of \$1.00 per share, collateralized by mining properties. | \$ 440,000 |
| | ===== |

5. COMMITMENTS AND CONTINGENCIES:

Employment Agreements - The Company entered into employment agreements with two of its officers. Combined base salaries for these two officers were approximately \$182,500 and \$220,000 for the years ended December 31, 2000

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and 1999. One of the officers resigned during fiscal 2000. One of the officers received options for the purchase of 800,000 shares of common stock for services performed in 1999. Additionally, both officers each received 50,000 shares of common stock for services rendered in obtaining in excess of \$1,000,000 of debt financing in fiscal year 1999. The total base salary obligation on the remaining employment agreement for the year ended 2001 is approximately \$54,247. Additionally, this officer can receive (i) 150,000 shares of common stock in the event that the average closing price of common stock is \$2.00 or more within any 14-day period and (ii) 150,000 shares of common stock each time the price of the common stock doubles from the prior price triggering a payment of shares. Additional compensation expense will be recorded when and if such shares are earned.

Environmental Litigation - In the mid-1980s, the Company was named as one of several defendants in certain legal actions involving environmental matters. The plaintiffs in these actions, the State of Colorado and the Federal Government, alleged that the defendants were liable under the

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LEADVILLE CORPORATION

NOTES TO FINANCIAL STATEMENTS

Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) in connection with mining and related activities in the California Gulch Superfund Site near Leadville, Colorado. The actions were consolidated. The Company and litigation counsel believed they had substantial and meritorious defenses to the claims being made. However, in an effort to expedite a conclusion and to minimize legal costs, the Company agreed to a settlement of the cases.

During August 1993, a consent decree was entered by the U.S. District Court in Colorado whereby the United States agreed to settle the Company's alleged liability, with the exception of natural resources damages, if any, in consideration for \$3,000,000 to be paid to the Environmental Protection Agency (EPA). Under the terms of the consent decree, a total of \$250,000 is to be paid by the Company over 15 years, with a contingent liability of \$2,750,000 to be paid based on profitable operations or sale of properties. Minimum payments are to be \$10,000 for years 1 through 5, \$15,000 for years 6 through 10, and \$25,000 for years 11 through 15. This total amount has been recorded as a liability and with the amounts currently past due included in accrued liabilities and the long-term portion included as a settlement of litigation liability. The Company has not made any cash payments towards this liability.

The EPA has acknowledged the receipt of soil and rock materials from one of Leadville's mining property. The Company has invoiced the EPA \$3,880,330 for what it believes to be the fair market value of this soil and rock. However, the EPA has not yet agreed to the fair value of the soil and rock and as such, the Company will not record this transaction until the parties have agreed to its value and collectibility is assured. Under the terms of the settlement, the EPA has the right to demand full payment of the \$3,000,000 if the yearly payments are not paid according to the terms of the agreement. The Company, however, believes that, at a minimum, the transfer to soil and rock material has satisfied the minimum cash payment obligation under the consent decree and the EPA has not demanded payment.

The EPA entered the Company's property and performed certain environmental

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cleanup work. A letter from the EPA to the Company in September 1998 informed the Company that the EPA may recover the unspecified costs of the cleanup work from the Company. The Company responded to the EPA that any such work was covered by the consent decree as described above. The Company has not received any subsequent demand from the EPA for reimbursement of costs of this cleanup from the EPA.

Other Litigation - During January 2000, the Company was named as a defendant involving equipment under lease that previously was deemed part of the real property at the mine site by the courts. The plaintiff's claims for unspecified damages include a claim for rent, conversion, and unjust enrichment. The Company intends to vigorously defend the claims. The net recorded book value of the equipment as of December 31, 2000 is approximately \$114,000.

Certificates of Deposit - The Company is required by the State of Colorado/Mined Land Reclamation Board to maintain certificates of deposit for future reclamation costs. No future reclamation costs have been accrued as of December 31, 2000.

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LEADVILLE CORPORATION

NOTES TO FINANCIAL STATEMENTS

6. RELATED PARTY TRANSACTIONS:

As discussed in Note 4, certain officers, directors and stockholders have provided significant loans to the Company. The aggregate indebtedness, including accrued interest, and other payables, amounted to approximately \$8,202,000 at December 31, 2000. Total interest expense to these officers, directors and stockholders was \$773,066 and \$674,839 for the years ended December 31, 2000 and 1999, respectively.

The Company leased office space on a month-to-month basis from a stockholder and past officer of the Company for \$125 per month. This individual is a partner in an accounting firm which performs bookkeeping, accounting and other administrative services for the Company. Fees for such rent and services totaled approximately \$0 and \$15,000 for the years ended December 31, 2000 and 1999, respectively.

As of December 31, 2000, the Company owed a current and past officer \$681,271 for compensation and office equipment, and management allowance of approximately \$2,000 each per month.

See Notes 5 and 8 for additional related party transactions.

7. INCOME TAXES:

The following items give rise to a long-term deferred tax asset as of December 31, 2000, which has been fully reserved:

| | | |
|-----------------------------------------------------|----|---------|
| Inventory reserve for obsolescence | \$ | 100,838 |
| Adjusted basis differential - depletable properties | | 668,457 |
| EPA settlement liability | | 83,104 |

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| | |
|---------------------------------|-------------|
| Net operating loss carryforward | 4,622,775 |
| Officer's salaries | 216,412 |
| | ----- |
| Deferred tax asset | 5,691,586 |
| Less valuation allowance | (5,691,586) |
| | ----- |
| Net deferred tax asset | \$ -- |
| | ===== |

At December 31, 2000, the Company has available tax net operating loss carryforwards of approximately \$12,460,000, which can be utilized to offset future taxable income. Utilization of these loss carryforwards may be limited due to changes in ownership of the Company, and they expire from 2000 through 2020. The valuation allowance was \$5,015,000 at December 31, 1999 and increased by \$677,000 for the year ended December 31, 2000.

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LEADVILLE CORPORATION

NOTES TO FINANCIAL STATEMENTS

8. STOCKHOLDERS' EQUITY:

 During the year ended December 31, 1999, the Company issued officers 300,000 shares of common stock and options for the purchase of 800,000 shares of common stock, valued at \$446,933, for services.

Granted options for the purchase of 1,600,000 shares of common stock have an exercise price of \$.04 to \$.05 per share, respectively. All options were granted at less than the quoted market price of the Company's common stock and, therefore, compensation expense was recorded in connection with these grants. All options are fully vested. The Company has agreed to pay all payroll taxes associated with exercise of these options. Therefore, these options are considered variable options for financial statement purposes, resulting in a remeasurement of compensation expense until the options are exercised. The weighted average exercise price for all options is \$.045 per share for options granted in 1999 and 1998. The weighted average fair value of options granted in 1999 was approximately \$.38.

Pro Forma Stock-Based Compensation Disclosures - The Company applies APB Opinion 25 and related interpretations in accounting for its stock options and warrants which are granted to employees. Accordingly, no compensation cost has been recognized for grants of options and warrants to employees since the exercise prices were not less than the market value of the Company's common stock on the grant dates. There were no options issued in fiscal 2000, and as such, there is no pro-forma net loss and EPS calculation for fiscal 2000. Had compensation cost been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, the Company's net loss and EPS would have been increased to the pro forma amounts indicated below for the year ended December 31, 1999:

| | |
|---------------------------------------------|----------------|
| Net loss applicable to common shareholders: | |
| As reported | \$ (1,635,387) |
| Pro forma | \$ (1,635,387) |

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| | | |
|-----------------------------------|----|-------|
| Net loss per common shareholders: | | |
| As reported - basic and diluted | \$ | (.15) |
| Pro forma - basic and diluted | \$ | (.15) |

The fair value of each option granted in 1999 was estimated on the date of grant, using the Black-Scholes option-pricing model with the following weighted average assumptions:

| | |
|---------------------------|------|
| Expected volatility | 134% |
| Risk-free interest rate | 6.2% |
| Expected dividends | -- |
| Expected terms (in years) | 2 |

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LEADVILLE CORPORATION

NOTES TO FINANCIAL STATEMENTS

9. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The estimated fair values for financial instruments are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The carrying amounts of cash, certificates of deposit, accounts payable, accrued liabilities, notes payable, convertible debentures, and other payables approximates fair value because of the short-term maturity of those instruments. The carrying amount of the settlement of litigation liability approximates fair value as a result of the Company discounting this liability at the Company's effective borrowing rate.

10. CONCENTRATIONS OF CREDIT RISK:

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly effected by changes in economic or other conditions.

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