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LEADVILLE CORP
Form 10QSB
May 22, 2001

UNITED STATES
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 Quarterly period ended March 31, 2001

Transaction report under Section 13 or 15(d) of the Exchange Act For the transition period from _____ to _____

Commission file number 0-1519

LEADVILLE CORPORATION

(Exact Name or Registrant as Specified in its Charter)

COLORADO

84-0388216

(State of Incorporation)

(I.R.S. Employer Identification No.)

7002 Graham Road, Suite 106, Indianapolis, Indiana

46220

(Address of Principal Executive Office)

(Zip Code)

(317) 596-0735

(Issuer's telephone number)

N/A

(Former name, address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

10,940,288

State the number of Shares of the issuer's classes of common equity, as of the latest practicable date:

Transitional Small Business Disclosure Format (Check one):
Yes No

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LEADVILLE CORPORATION
INDEX TO FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

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PART I
ITEM 1. FINANCIAL STATEMENTS

LEADVILLE CORPORATION

Balance Sheets
March 31, 2001
(Unaudited)

| | March 31, 2001 | December 31, 2000 |
|---|-------------------|----------------------|
| | ----- | ----- |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 11,211 | \$ 18,832 |
| Prepaid expenses and other | 5,321 | 5,321 |
| | ----- | ----- |
| Total current assets | 16,532 | 24,153 |
| | ----- | ----- |
| PROPERTY AND EQUIPMENT, at cost (Notes 2 and 3) Mining properties, including assets | | |

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| | | |
|---|--------------|--------------|
| acquired under capital leases | 7,356,979 | 7,356,979 |
| Buildings and equipment: | | |
| Mine, including assets acquired under capital leases | 1,219,564 | 1,219,564 |
| Mill | 829,032 | 829,032 |
| Other | 108,143 | 108,143 |
| Land | 22,429 | 22,429 |
| | ----- | ----- |
| | 9,536,147 | 9,536,147 |
| Less accumulated depreciation and depletion including amortization applicable to assets acquired under capital leases | (3,121,540) | (3,098,422) |
| | ----- | ----- |
| | 6,414,607 | 6,437,725 |
| | ----- | ----- |
| OTHER ASSETS: | | |
| Investments - certificates of deposit | 104,265 | 104,265 |
| Inventories | 170,764 | 182,089 |
| | ----- | ----- |
| | 275,029 | 286,354 |
| | ----- | ----- |
| | \$ 6,706,168 | \$ 6,748,232 |
| | ===== | ===== |

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LEADVILLE CORPORATION

Balance Sheets (Cont.)
March 31, 2001
(Unaudited)

| | March 31, 2001 | December 31, 2000 |
|--|-------------------|----------------------|
| | ----- | ----- |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Related parties: | | |
| Convertible debentures | \$ 440,000 | \$ 440,000 |
| Notes payable, stockholders | 2,060,812 | 2,060,812 |
| Accrued interest payable | 5,455,733 | 5,133,519 |
| Accrued salaries due staff | 3,000 | -- |
| Accrued salaries due officers | 613,321 | 583,321 |
| Due to officers/directors/stockholders | 104,075 | 97,950 |
| Notes payable-other | 42,500 | 42,500 |
| Accounts payable | 54,896 | 143,835 |
| Accrued expenses | 137,179 | 136,948 |
| | ----- | ----- |
| Total current liabilities | 8,911,516 | 8,638,884 |

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| | | |
|---|--------------|--------------|
| SETTLEMENT OF LITIGATION | 114,000 | 114,000 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY | | |
| Capital stock, par value \$1 per share; authorized 15,000,000 shares; issued and outstanding March 31, 2001 and December 31, 2000, 10,940,288 and 10,940,288 shares, respectively | 10,940,288 | 10,940,288 |
| Additional paid-in capital | 8,693,415 | 8,693,415 |
| | 19,633,703 | 19,633,703 |
| Accumulated deficit | (21,953,051) | (21,638,356) |
| | (2,319,348) | (2,004,653) |
| | \$ 6,706,168 | \$ 6,748,232 |
| | ===== | ===== |

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LEADVILLE CORPORATION
STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months ended March 31, | |
|-------------------------------|------------------------------|-----------|
| | 2001 | 2000 |
| Operating revenue | \$ -- | \$ -- |
| Operating costs and expenses: | | |
| General and administrative | 68,350 | 134,656 |
| Depreciation | 23,118 | 23,118 |
| Total operating expenses | 91,468 | 157,774 |
| Operating loss | (91,468) | (157,774) |
| Financial income and expense: | | |
| Other income | -- | -- |
| Interest income | 1,083 | 1,225 |

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| | | |
|--|--------------|--------------|
| Interest expense | (224,264) | (247,269) |
| | ----- | ----- |
| Total financial income (expense) | (223,181) | (246,044) |
| | ----- | ----- |
| Net loss | \$ (314,649) | \$ (403,818) |
| | ===== | ===== |
| Net loss per capital share (basic and diluted) | \$ (.03) | \$ (.04) |
| | ===== | ===== |
| Weighted average number of capital shares outstanding (total shares) | 10,940,288 | 10,927,063 |
| | ===== | ===== |

See Notes to Financial Statements.

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LEADVILLE CORPORATION

STATEMENTS OF CASH FLOWS

Three Months Ended March 31, 2001 and 2000
(Unaudited)

| | 2001 | 2000 |
|---|--------------|--------------|
| | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (314,649) | \$ (403,878) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 23,118 | 23,118 |
| Stock issued for officer compensation | -- | -- |
| Change in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Prepaid expenses | -- | -- |
| Investments-CDs | -- | -- |
| Inventories | 11,325 | 11,325 |
| Increase (decrease) in: | | |
| Accounts payable | 8,965 | (63,228) |
| Accrued expenses | 3,231 | 44,639 |
| Officer payables | 6,125 | 4,054 |
| Accrued Salaries - Officers | 30,000 | 67,499 |
| Accrued interest | 224,264 | 259,090 |
| | ----- | ----- |
| Net cash used in operating activities | (7,621) | (57,321) |
| | ----- | ----- |

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| | | |
|---|-----------|-----------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowing, related party | -- | 45,000 |
| Paid in capital adjustment | -- | (638) |
| | ----- | ----- |
| Net cash provided by financing activities | -- | 44,362 |
| | ----- | ----- |
| Increase (decrease) in cash and cash equivalents | (7,621) | (12,959) |
| Cash and cash equivalents: | | |
| Beginning | 18,832 | 33,445 |
| | ----- | ----- |
| Ending | \$ 11,211 | \$ 20,486 |
| | ===== | ===== |
| SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Capital stock issued for forgiveness of accounts payable, interest and officer compensation | \$ -- | \$ -- |
| | ===== | ===== |

See Notes to Financial Statements.

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LEADVILLE CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2001

In the opinion of management of Leadville Corporation, (the "Company"), the accompanying unaudited financial statements reflect all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of March 31, 2001, and the results of operations and cash flows for the three months ended March 31, 2001 and 2000.

These unaudited financial statements should be read in conjunction with the Company's annual report on Form 10-KSB for the year ended December 31, 2000.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES:

Leadville Corporation (the Company) is engaged in the development of hard rock mineral properties in Lake and Park Counties, Colorado. A summary of significant accounting policies is currently on file with the Securities and Exchange Commission on Form 10-KSB.

NOTE 2. RELATED PARTY TRANSACTIONS:

Certain officers, directors and stockholders have provided significant loans and

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advanced expenses to the Company in recent years. The aggregate indebtedness to the related parties, including accrued interest and other payables, amounted to approximately \$8,455,000 at March 31, 2001.

As of March 31, 2001, the Company owes its President accrued compensation and expenses of approximately \$442,439 and its past-CEO accrued compensation and expenses of approximately \$268,832.

NOTE 3. INCOME TAXES:

As of 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 expire from 2001 through 2020.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the Company's consolidated financial statements and related notes included elsewhere herein. The Company's results may be affected by various trends and factors that are beyond the Company's control. These include factors discussed elsewhere herein.

With the exception of historical information, the matters discussed below under the heading "Management's Discussion and Analysis" 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.

The Company received no operating revenues during 1999 and 2000 and incurred net losses in those years of \$1,635,387 and \$1,331,336, respectively. Management does not anticipate that any operating revenues will be generated during the year 2001. The Company's most viable prospect for generating income from operations is by achieving production at the Diamond-Resurrection property. The property should be primarily a gold producer, with significant quantities of silver, lead and zinc present in the ores. In order to achieve production from the Diamond-Resurrection property, the Company must secure significant financing for debt reduction, for furthering mine development and re-establishing milling capabilities, and for working capital.

The Company is severely undercapitalized. As of March 31, 2001, the Company has a working capital deficit of \$8,894,984 and minimal operating cash. With the exception of the \$500,000 in proceeds received in 1996 from issuance of stock, substantially all of the Company's cash needs have been met by loans from the Company's officers and directors, and by proceeds from short-term notes. Management is hopeful that cash needs for 2001 will be met from existing cash resources and short-term borrowings until significant financing can be secured.

In 2000 and in the first three months of 2001, the Company used cash to meet

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general, administrative and property obligations. During the three months ended March 31, 2000 and 2001, the Company received \$45,000 and \$0.00, respectively, in the form of convertible loans. No capital expenditures were made during the first three months of 2001. General and administrative costs were reduced from 2000 totals primarily because a reduction in officer compensation in 2001. During the three months ended March 31, 2001 and 2000, interest expenses also rose from \$224,264 to \$247,269, a reflection of higher interest rates on certain recent loans to the Company.

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 re-start its mining operations, a significant amount of capital from sources outside the Company will be required. During 2001, management is continuing its efforts to obtain financing for the Company's properties through cash investment. No assurance can be given that the Company will be successful in securing financing.

The Company continues to incur significant interest charges associated with the outstanding notes payable and debentures. The holders of these instruments have the right to convert principal and accrued interest to Capital Stock at prices of \$.75 to \$1.00 per share. Substantially all holders of the notes payable and debentures are stockholders of the Company.

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The Company intends to use the proceeds from significant financing to meet existing obligations as needed, to finance a development program, to begin production from the Diamond-Resurrection Mine and to evaluate other potential sources of revenue for the Company. The objective of the development program is to re-start mining operations and to fund an exploration program from mining revenues in order to identify potential reserves in addition to the more than 800,000 tons already identified at the Diamond-Resurrection Mine. Studies completed on the Diamond-Resurrection Mine property over the past 12 years include verification of known mineralization, evaluation of mine development and surface geo-physical investigations. These studies suggest that the Diamond-Resurrection property may hold significant deposits of gold, silver and base metals.

Full production at the Diamond-Resurrection Mine will require a significant capital expenditure to refurbish and/or acquire surface plant and underground equipment. Realizing operating revenues from Diamond-Resurrection Mine production will require that the Company either re-establish milling capabilities at the Stringtown Mill site, construct a new milling facility or make other milling arrangements. No significant capital expenditures are anticipated to be made until such time as the Company secures significant financing or participation on the Diamond-Resurrection Mine properties. Management does not anticipate that there will be any significant change in the number of Company employees, until such time as significant financing can be obtained.

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PART II

ITEM 1. 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) 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 financing might be obtained by the Company if the claims asserted by the United States were settled and the financial exposure limited.

During August, 1993, a consent decree was entered by the Federal 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 original terms of the consent decree, a total of \$250,000 was 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 one through five, \$15,000 for years six through ten and \$25,000 for years 11 through 15. The Company has made no payments to the United States pending negotiations with the EPA concerning the EPA's use of and compensation for soil and rock materials from the Company's properties.

COWIN & COMPANY, INC.

In 1990, Cowin & Company, Inc., mining engineers and contractors, filed suit against the Company in Lake County, Colorado District Court asserting that the Company was obligated to Cowin & Company, Inc. for approximately \$35,500 for contract mining fees and costs. Cowin & Company, Inc. is requesting damages, equipment possession and general relief relating to a contract mining agreement entered into March 3, 1987.

The Company counter-claimed for damages resulting from improper construction of the Diamond Mine shaft and damages resulting from Cowin & Company activities at the site. Since no action had been taken in the case since October 1993, the Court ordered a Status Report be filed on the matter by August 30, 1996. The status report was filed with the Court; however, no action has occurred since then.

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.

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ITEM 6. 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 ----- |

(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

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Third Party Plaintiffs vs. Leadville Corporation, et al, Third Party Defendants: United States of America vs. Apache Energy and Minerals Company, et al.

- (b) Reports on Form 8-K filed during the Registrant's first quarter of 2001.
NONE

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SIGNATURES

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

LEADVILLE CORPORATION

(Registrant)

/s/ JOHN H. GASPER

John H. Gasper, President

Dated: May 12, 2001

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ARTICLE 5

| | |
|-----------------|----------------|
| PERIOD-TYPE | 3-MOS |
| FISCAL-YEAR-END | DEC-31-2001 |
| PERIOD-END | March 31, 2001 |
| CASH | 11,211 |
| SECURITIES | 0 |
| RECEIVABLES | 0 |
| ALLOWANCES | 0 |
| INVENTORY | 170,764 |
| CURRENT-ASSETS | 16,532 |
| PP&E | 9,536,147 |
| DEPRECIATION | 3,121,540 |
| TOTAL-ASSETS | 6,706,168 |

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| | |
|----------------------------|------------|
| CURRENT-LIABILITIES | 8,911,516 |
| BONDS | 0 |
| PREFERRED-MANDATORY | 0 |
| PREFERRED | 0 |
| COMMON | 10,940,288 |
| OTHER-SE | 8,693,415 |
| TOTAL-LIABILITY-AND-EQUITY | 6,706,168 |
| SALES | 0 |
| TOTAL-REVENUES | 1,083 |
| CGS | 0 |
| TOTAL-COSTS | 0 |
| OTHER-EXPENSES | 91,514 |
| LOSS-PROVISION | 0 |
| INTEREST-EXPENSE | 224,264 |
| INCOME-PRETAX | (314,649) |
| INCOME-TAX | 0 |
| INCOME-CONTINUING | (314,649) |
| DISCONTINUED | 0 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET-INCOME | (314,649) |
| EPS-BASIC | (.03) |
| EPS-DILUTED | (.03) |