CAPITAL GOLD CORP
Form 10KSB
November 12, 2004

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

|x| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED JULY 31, 2004

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

Commission File No. 0-13078

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

State of Nevada	13-31805030
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
76 Beaver Street, 26th Floor, New York, New York	10005
(Address of principal executive offices)	(Zip Code)

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

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

Securities registered under Section 12(g) of the Exchange Act: Common Stock, par value $.001 per share

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES |X| NO |_|

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

State issuer's revenues for its most recent fiscal year. $4,000.

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average between the closing bid ($.30) and asked ($.35) price of the issuer's Common Stock as of November 2, 2004, was $17,878,176 based upon the average between the closing bid and asked price ($0.325) multiplied by the 55,009,771 shares of the issuer's Common Stock held by non-affiliates. (In computing this number, issuer has assumed all record holders of greater than 5% of the common equity and all directors and officers are affiliates of the issuer.).

The number of shares outstanding of each of the issuer's classes of common equity as of November 2, 2004: 59,700,724

DOCUMENTS INCORPORATED BY REFERENCE: None.

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

CAPITAL GOLD CORPORATION
Form 10-KSB
July 31, 2004

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GLOSSARY OF TECHNICAL TERMS

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

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

Mineral Deposit or Mineralized Material:	A mineralized rock mass which has been intersected by sufficient closely spaced drill holes and or underground sampling to support sufficient tonnage and average grade of metal(s) to warrant further exploration-development work. This deposit does not qualify as a commercially mineable ore body (Reserves), as prescribed under Commission standards, until a final and comprehensive economic, technical and legal feasibility study based upon the test results is concluded.
Open Stope:	A mined area that remains as an open space.
Patented Claim:	Unpatented claim that is now privately owned mineral land after a grant from the federal government.
Placer Claim:	Claim on which minerals are found in sand and gravel -

on surface.

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

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Stockwork:	Ore, when not in strata or in veins but in large masses, so as to be worked in chambers or in large blocks.
Surface Mine:	Surface mining by way of an open pit without shafts or underground working.
Unpatented Claim:	Mineral land staked on public lands open to appropriation by mineral location, subject to the paramount title of the federal government and maintained by timely payment of an annual fee.

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PART I

Item 1. Description of Business

Capital Gold Corporation, formerly Leadville Mining And Milling Corp. (the "Company," "we" or "us") was incorporated in the state of Nevada in February 1982. We, directly or indirectly, own concessions located in the State of Sonora, Mexico and rights to property located in the California Mining District, Lake County, Colorado and we are engaged in the business of exploring for gold and other minerals on our Mexican concessions. During the fiscal year ended July 31, 2004, we actively engaged in the evaluation of our Sonora, Mexico concessions. Our future is dependent upon our ability to continue to fund our activities and eventually produce gold in sufficient quantities and in an economically feasible manner. A description of the mining concessions and properties owned by us is contained in "Item 2. Description of Properties." None of our concessions or properties is in production and, consequently, we have no operating income or cash flow.

Sonora, Mexico

El Chanate

In June 2001, we purchased from AngloGold North America Inc. and AngloGold (Jerritt Canyon) Corp. 100% of the issued and outstanding stock of Minera Chanate, S.A. de C.V., a subsidiary of those two companies. Minera Chanate's assets at the time of the closing of the purchase consisted of 106 exploitation and exploration concessions in the States of Sonora, Chihuahua and Guerrero, Mexico. By June of 2002, after property reviews and to minimize tax payments, the 106 had been reduced to 12 concessions. To cover certain non-critical gaps between concessions, two new concessions were located, and the number of concessions is now 14. These concessions are contiguous, totaling approximately 3,497 hectares (8,642 acres or 13.5 square miles). We sometimes refer to these concessions as the El Chanate concessions. See "Item 2. Description of Properties."

Pursuant to the terms of the agreement, on December 15, 2001, we made a $50,000 payment to AngloGold. AngloGold will be entitled to receive the remainder of the purchase price by way of an ongoing percentage of net smelter returns of between 2% and 4% plus a 10% net profits interest (until the total net profits interest payment received by AngloGold equals $1,000,000). AngloGold's right to a payment of a percentage of net smelter returns and the net profits interest will terminate at such point as they aggregate $18,018,355. In accordance with the agreement, the foregoing payments are not to be construed as royalty payments. Should the Mexican government or other jurisdiction determine that such payments are royalties, we could be subjected to and would be responsible for any withholding taxes assessed on such payments.

Under the terms of the agreement, we have granted AngloGold the right to designate one of its wholly-owned Mexican subsidiaries to receive a one-time option to purchase 51% of Minera Chanate (or such entity that owns the El Chanate concessions at the time of option exercise). That option is exercisable over a 180 day period commencing at such time as we notify AngloGold that we have made a good faith determination that we have gold-bearing ore deposits on any one of the identified groups of El Chanate concessions, when aggregated with any ore that

we have mined, produced and sold from such concessions, of in excess of 2,000,000 troy ounces of contained gold. The exercise price would equal twice our project costs on the properties during the period commencing on December 15, 2000 and ending on the date of such notice. Based on current information available to us, we do not believe a deposit of the size that would trigger these back-in rights is likely to be identified at El Chanate.

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

Effective March 31, 2004, the joint venture agreement with FG was terminated. In consideration of FG's contributions to the venture of $457,455, we issued to FG 2,000,000 restricted shares of our common stock valued at $800,000 and Santa Rita issued to FG a participation certificate entitling FG to receive five percent of the Santa Rita's annual dividends, when declared. The participation certificate also gives FG the right to participate, but not to vote, in the meetings of Santa Rita's Board of Managers, Technical Committee and Partners. Santa Rita also received a right of first refusal to carry out the works and render construction services required to effectuate the El Chanate project. This right of first refusal is not applicable where a funding source for the project determines that others should render such works or services.

FG has assigned or otherwise transferred to Santa Rita all permits, licenses, consents and authorizations (collectively, "authorizations") for which FG had obtained in its name in connection with the development of the El Chanate project to the extent that the authorizations are assignable. To the extent that the authorizations are not assignable or otherwise transferable, FG has given its consent for the authorizations to be cancelled so that they can be re-issued or re-granted in Santa Rita's name. The foregoing has been completed.

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

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

2003-2004 Activities and Planned 2005 Activities

During fiscal 2003 and 2004, we continued to focus our efforts on the evaluation of our Mexican properties - the El Chanate concessions. This evaluation involved data reviews of existing geologic maps and reports, drill logs, assay results, resource estimates, surface sample results, land titles and a feasibility study. We utilized independent consultants, in conjunction with company personnel, in this evaluation. We, along with our technical consultants, completed

reviews and reconnaissance of the 44 remaining early stage exploration concessions. Following this evaluation, we elected to maintain and focus exploration and development attention on 14 of the concessions totaling about approximately 3,497 hectares (8,642 acres or 13.5 square miles). Management believes that the combination of existing data and analysis generally supports the existence of a gold deposit that warrants further exploration work. We also actively sought, and we continue to actively seek, funding to prepare for and commence mining operations (see "Part II, Item 6, Management's Discussion and Analysis of Financial Condition and Results of Operations; Liquidity and Capital Resources").

In August 2002, we retained SRK's (a global engineering company) Denver, Colorado office to conduct a scoping engineering study for the El Chanate Project. This study was completed in October 2002 and concluded that the El Chanate Project deserved additional work and that the property contained important gold mineralization. The base case for this study assumed a gold price of $320.

Following SRK's positive conclusion, in February 2003, we retained M3 Engineering of Tucson, Arizona to begin work on a feasibility study (the "Study"). M3 completed the study in August 2003. Based on 253 drill holes and more than 22,000 gold assays, the study provides details for an open pit gold mine. The Study indicates that at a gold price of $325, the initial open pit project contains proven and probable reserves of 358,000 ounces of gold contained within 13.5 million metric tonnes of ore with an average grade of 0.827 grams/tonne. It estimated that the mine could recover approximately 48,000 - 50,000 ounces of gold per year over a five year mine life.

The study assumes a production rate of 2.6 million tonnes of ore per year or 7,500 tonnes per day, operating at 345 days per year. The processing plan for this open pit heap leach gold project calls for crushing the ore to 100% minus 3/8 inch. Carbon columns will be used to recover the gold. If financing for the project is obtained and required permitting is completed by the end of 2004, and if the necessary mining plant, equipment and facilities are acquired, an adequate water supply is secured, and power lines to the mine are constructed, we anticipate, but cannot assure, that the mine will commence full commercial production in December of 2005.

Pursuant to the Study, based on the current reserve calculations, the mine life is estimated to be 62 months. The study forecasts initial capital costs of $13.8 million, which includes $2.1 million of working capital. Average initial annual production is planned at approximately 48,000 to 50,000 ounces per year at an average operating cash cost of $229 per ounce. This cash cost may decrease as the production rate increases. Total costs will vary depending upon the price of gold (due to the nature of underlying payment obligations to the original owner of the property); they are estimated to range between $292 per ounce at a gold price of $310 per ounce and $299 per ounce at a gold price of $370 per ounce. We will be working on measures to attempt to reduce costs going forward. Reserves and production rates are based on a gold price of $325 per ounce, which is the Base Case of the Study. Between January 1, 2004 and September 30, 2004, the fixed price for gold on the London Exchange has fluctuated between $373 and $428 per ounce.

Management believes that the capital costs to establish a surface, heap leach mining operation at El Chanate may approximate $16 million. Financing, is being sought through bank loans, the sale of equity and/or joint venturing. In this regard, we had executed a royalty financing term sheet with Royal Gold, Inc., of Denver, Colorado to supply the $13.8 million, as specified in the

Study. However, in April 2004, we and Royal Gold mutually agreed not to proceed because the parties could not agree on final terms. Normal expenditures for the next fiscal year in New York and Mexico, such as Colorado holding costs, general administration, accounting and legal are estimated to be approximately $915,000 and non-capital items for the Chanate mine development and related activities being estimated at $430,000zz. As discussed below in "Item 6. Management's

Discussion and Analysis of Financial Condition and Results of Operations; Liquidity and Capital Resources," all of our planned activities are dependent upon our ability to obtain adequate financing.

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

In March 2003, we obtained exclusive options to purchase an ore crusher and related assets (spare parts for the crusher and certain transportable building structures). These assets were located in Sonora, Mexico, approximately 70 miles from the El Chanate Concessions. The total cost for these assets (exclusive of the option cost) was to be $700,000. The owner of these assets could not obtain rights of clear passage from surrounding property owners and we did not acquire this equipment. We continue to look for comparable equipment to acquire.

Management believes the project will benefit substantially from rising gold prices, which are currently above $400 per ounce. Mineralized material previously below operating cut-off gold grades could possibly become economic if future engineering studies support lowering the cutoff grade due to gold prices substantially above the $325 per ounce used in the feasibility study to define the proven and probable reserves mentioned above. We are currently looking at equipment and processing techniques that may be capable of supporting higher production rates that may be justified due to rising gold prices.

In this regard, Metcon Research Inc. of Tucson, Arizona completed gold recovery studies on existing samples at fine grind sizes of 100 mesh, 150 mesh and 200 mesh. These studies were undertaken to determine whether extraction by fine grinding is economical given the increased price of gold. Generally, fine grinding, while more expensive, will achieve higher gold recoveries than the heap leach method recommended in the feasibility study. Metcon found that increasing amounts of gold were recovered at finer grind sizes. However in May 2004, M3, who conducted the feasibility study, reported that at El Chanate, heap leaching remains the most economical and optimal method of extracting gold at current prices.

In May 2004, three core holes were drilled at El Chanate to define gold grades, to obtain metallurgical samples from siltstone hosted ores, and to evaluate previous deep drilling results by Anglo Gold in the Los Dos Virgens Zone. Two of the core holes tested and confirmed the presence of gold in the deep Los Dos Virgens Zone that lies below the level of the planned open pit. This zone was previously identified by Anglo Gold's reverse circulation drilling and, with increasing gold prices, we are analyzing with core drilling the conditions that might allow an enlarged open pit to include ores from the Los Dos Virgens zone. The third core hole was drilled

in the main high grade part of the deposit to obtain ore samples for metallurgical column testing from siltstone host rocks.

Metallurgical column test studies are now underway at Metcon's laboratories in Tucson Arizona to determine the optimal conditions at El Chanate for recovering gold from within siltstone host rocks using heap leach technology. The siltstone drill core samples are being tested at crush sizes of 100 percent -3/8 inch and 100 percent -1/4 inch, and these column tests are showing encouraging recovery rates. If these gold recoveries are within an economic range and with rising gold prices, management believes the ore reserves may be increased beyond the level currently published in the feasibility study. While we are optimistic about the results, there can be no assurance that improved gold recoveries will result in an increase in reserves.

In January 2004, we received permits from the Mexican Department of Environmental Affairs and Natural Resources necessary to begin construction of the El Chanate gold mining project. These permits also cover the operation of a heap-leach gold recovery system.

Leadville, Colorado Developments

During the fiscal year ended July 31, 2004, activity at our Leadville, Colorado properties consisted primarily of mine maintenance. Primarily as a result of our focus on El Chanate, we temporarily ceased activities in Leadville, Colorado. During the year ended July 31, 2002, we performed a review of our Leadville mine and mill improvements and determined that an impairment loss should be realized. Therefore, we significantly reduced the carrying value of certain assets relating to our Leadville, Colorado assets by $999,445. During the year ending July 31, 2004, we again performed a review of our Colorado mine and mill improvements and determined that an additional impairment loss should be recognized. Accordingly, we further reduced the net carrying value to $0, recognizing an additional loss of $300,000. (see, "Part II, Item 6, Management's Discussion and Analysis of Financial Condition and Results of Operations; Results of Operations").

Company Mill at Leadville

We have a mill situated on a 20.73-acre site in Leadville, Colorado. Construction of the mill began in 1987 and was completed in August of 1989. The mill is not in operation at this time.

Competition

The acquisition of gold properties and their exploration and development are subject to intense competition. Companies with greater financial resources, larger staffs, more experience and more equipment for exploration and development may be in a better position than us to compete for such mineral properties. Our lack of revenues and limited financial resources further hinder our ability to acquire additional mineral properties. However, should we commence mining operations at our Leadville property; we believe that there is no material competition in the sale of metallic products because prices are based upon standards established by the commodity exchange (London Metals Exchange Market).

Employees

As of October 31st, 2004, we had six full time employees and/or consultants.

Item 2. Description of Properties

El Chanate Properties - Sonora, Mexico

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

FG to earn up to a 45% interest in the venture.

	Concession Name	Title No.	Hectares
1	San Jose	200718	96.0000
2	Las Dos Virgen	214874	132.2350
3	Rono I	206408	82.1902
4	Rono 3	214224	197.2180
5	La Cuchilla	211987	143.3481
6	Elsa	212004	2,035.3997
7	Elisa	214223	78.4717
8	Ena	217495	190.0000
9	Eva	212395	416.8963
10	Mirsa	212082	20.5518
11	Olga	212081	60.5890
12	Edna	212355	24.0431
13	La Tira	219624	1.7975
14	La Tira 1	219623	18.6087
		Total	3,497.3491

Surface Property Ownership

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

Leadville, Colorado Properties

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

Claim Count	Percent Ownership	CLAIM NAME	CLAIM#	Gros Acreag of Clai
		Claims and Properties owned by Capital Gold Corporation		
1	16%	Ballard	589	3.20
2	50%	Belle Placer	2778	129.00
3	13%	Belle Placer	2778	
4	100%	Bonanza	1088	5.92
5	25%	Boulder Nest	3574	6.48
6	8%	Chestnut	712	9.40
7	50%	CHICAGO	1295	10.20
8	100%	Chieftain	978	8.55
9	100%	Codfish Balls	767	2.60
10	88%	Colman	9747	
11	100%	Cyclops	1567	8.70
12	100%	Devlin	1579	7.60
13	38%	EMMA	756	8.30
14	75%	Free America #2	1177	4.20
15	100%	Golden rod	9441	4.00
16	50%	Greenback	1043	4.00
17	100%	Highland Chief	429	2.10
18	100%	Highland Mary	539	6.60
19	32%	J G Fraction	13251	1.70
20	38%	Little Bertha	504	8.40
21	11%	Little Chief	358	6.98
22	13%	Little Galesburg	1176	6.00
23	100%	MIKADO	8015	9.30
24	11%	New Discovery	286	10.70
25	50%	NEW YORK	1294	10.10
26	100%	Personal Property in Lake Co	******	
27	96%	PHARMACIST	11617	1.20
28	6%	President	8942	
29	50%	Pride of the Hills	3963	0.90
30	63%	PROSPERINE &	5214	9.90
31	100%	PT ZUNI PLACER	******	20.70
32	75%	PUEBLO	12718	36.60
33	39%	Pyrenees	1537	6.80
34	100%	R A M	1566	5.90
35	100%	Robert Burns	538	9.90
36	100%	Security	3181	2.85
37	25%	Stray Horse	301	7.30
		Totals		376.08
		Claims Leased by Capital Gold Corporation		
1	12%	Colman	9747	1.50
2	44%	President	8942	6.90
3	3%	Big Six (West End)	1616	3.70
4	3%	Elbert	4163	9.90
5	3%	Greenwood	630	9.40
6	3%	Little Maud	758	4.86
7	100%	Comstock	1542	3.50
8	100%	Homestake	1540	7.60
9	100%	Lady Jane	491	8.90
10	100%	Little Chippewa	655	9.90
11	19%	Ohio	584	9.24

12	100%	Silver Spray	1539	2.10
13	100%	Wade Hampton	1538	6.10
14	13%	Great Hope	489	10.30
15	100%	St. Ann	4640	6.70
16	100%	St. Louis	558	8.00
17	100%	Curran	449	8.80
18	100%	Grand Prize	473 AM	4.50
19	83%	Ishpeming	1018	
20	92%	XYT	4162	
21	50%	Medium	13344	4.80
22	50%	Medium	13344	
23	88%	Little Galesburg	1176	
24	100%	Cora Belle	3919	6.70
25	8%	Big Six (West End)	1616	
26	8%	Elbert	4163	
27	8%	Greenwood	630	9.40
28	8%	Ishpeming	1018	8.20
29	8%	KRL	4299	4.70
30	8%	Little Maud	758	
31	8%	Mineral Farms	1359	9.10
32	8%	Minnesota	2651	2.80
33	8%	Park	838	10.30
34	8%	Park#2	897	9.70
35	8%	Silver Cloud	1016	4.90
36	8%	Snow	4161	3.71
37	8%	XYT	4162	7.10
		Totals		203.31
Total of Owned and Leased Properties				579.3
		Claims owned by Highland Group		
1	100%	Hubert	11286	1.14
2	100%	JFW	15176	0.02
3	100%	Rocky & Snowflake	5038	9.39
4	100%	Tokio	9923	1.00
		Totals		11.56
		Claims Purchased at tax lien sales		
1	81%	Blue Belle#4***	11121	7.59
2	81%	Blue Belle#5*****	11121	5.53
3	100%	Bow****	11777	3.13
4	100%	Christmas****	763	5.12
5	100%	Content Liberty &Gold Belt***	9373	21.33
6	100%	County Line***	11359	7.74
7	100%	Dauntless***	579	10.33
8	17%	Dolphin **	719	1.98
9	11%	Elmore****	636	10.20
10	50%	Famous***	4554	3.99
11	100%	Fortune***	2309	4.92
12	100%	Frame House Smelter	******	

13	100%	Gnome****	1010	2.92
14	100%	Golconda****	3690	5.25
15	100%	Grand View***	621	2.45
16	100%	Herman Placer****	743	95.54
17	10%	Horseshoe **	1493	5.48
18	100%	Jew****	7141	1.48
19	8%	King Soloman *****	769	
20	100%	Kokomo***	892	8.21
21	100%	Little Ellen ****	550	10.14
22	100%	Little Rische***	412	9.71
23	100%	Midnight****	4532	4.31
24	100%	Moquito***	4542	2.46
25	8%	Negro Infant *****	795	4.82
26	100%	New Year****	496	9.30
27	100%	Office Bldg***		
28	81%	Ohio *****	584	9.24

29	8%	Park **	838	
30	88%	Penfield***	2308	3.57
31	100%	Polaris #1-3****	12486	5.72
32	100%	Pt. Oro***	283	3.36
33	100%	Sailing Cissy #1***	11121	6.33
34	100%	Sailing Cissy #2***	11121	5.41
35	75%	Shale***	11121	9.68
36	28%	Silent Friend****	595	4.65
37	40%	Silent Friend 192/480 ****	595	
38	100%	Slide****	6455	2.81
39	100%	South Fork****	623	10.16
40	100%	Summit & Summit #2****	6590	20.15
41	100%	Uintah Placer mill****	2407	4.47
42	100%	Uintah Placer(tract 5)****	2407	2.27
43	60%	Wall Street***	1000	3.06
44	100%	What is Left***	4970	7.10
		Totals		341.98

		Unpatented Mining Claims, Bureau of Land Management		
1	100%	COLUMBINE	CMC-248958	7.30
2	100%	JUDY	CMC-248957	18.00
3	100%	New Comstock (unpatented)	CMC-248955	5.00
4	100%	New Comstock (unpatented)	CMC-248956	5.00
		Totals		35.30

Summary Of Information	Gross Acres
Claims owned by Capital Gold Corporation	376.08
Claims leased by Capital Gold Corporation	579.39

Claims owned by Highland Group (affiliated)	11.56
Claims purchased at tax lien sales	442.61
Unpatented Mining Claims, BLM	35.30
Total	1,444.95

** Purchased at tax lien sale/delinquents, pending completion of payments (year 1999).
*** Purchased at tax lien sale, pending completion of payments (year 2001)
**** Purchased at tax lien sale, pending completion of payments, Paid two years taxes (2000, 200
***** Purchased at tax lien sale, pending completion of payments (year 2003)
****** Represents a property, not a claim.
Note: We may have multiple agreements for the same claim that cover fractional ownership interest
CMC = Unpatented claim

We own or have rights to explore, develop and mine the foregoing claims as indicated. We have not formed any partnership or joint venture regarding these claims, nor have we entered into any associations whereby profits or expenses are to be shared. The claims are located approximately 2.5 miles northeast of the town of Leadville, Colorado and are accessible by County Road. The principal acreage forms a contiguous group and is located on a prominent topographic feature known as Breece Hill, as indicated in the discussion of the Hopemore Project below.

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The following claims that were purchased at the tax lien sales were redeemed by the original claim owners during the past year: Little Annie, Mill site, Ready Cash and Resurrection#1-15. We were reimbursed for taxes paid on these properties plus 12% annual interest.

We dropped the following properties that were acquired at the November 2002 tax lien sale (sold for non-payment of 2001 taxes) in November of 2003 by not paying further taxes: Leadville Corp (cinder Block Bldg) (not moveable); LC Lots154, 156, 158 (Stringtown); LC Lots 2,4,6,8 &10 (Stringtown); LC Lots 209, 210, 211, 212, 213; LC Lots 219, 220, 221, 222, 223; LC Lots224 225; LC Lot 227, 228, 229, 230, 231; LC Lots 232, 233, 234, 235; Martinez, house; and Mill site (Mining Claim) (slab heaps). We viewed the lots as having limited liquidity due to their location.

General Information

El Chanate Project - Sonora Mexico

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

The project is situated on the Sonora desert in a hot and windy climate, generally devoid of vegetation with the exception of cactus. The terrain is generally flat with immense, shallow basins, scattered rock outcropping and low rocky hills and ridges. The desert floor is covered by shallow, fine sediment, gravel and caliche. The main body of the known surface gold covers and irregularly shaped area of approximately 1,800 feet long by 900 feet wide. Several satellite bodies exist on surfaces which have not been thoroughly explored. Assays on chip samples taken from trenches at these locations by us indicate the presence of gold mineralization.

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

Geology

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

Bisbee Group. The Arroyo Sasabe formation overlies the Morita Formation of the Bisbee Group. Both the Escalante and Arroyo Sasabe formations are significantly mineralized proximal to the Chanate fault, while the Morita Formation is barren.

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

Alteration/Mineralization

A predecessor exploration company has defined a 600 meter long, 300 meter wide, 120 meter thick zone of alteration that is centered about the Chanate fault. The strata within this zone have been sericised, silicified and pyritized to varying degrees. In surface outcrop the altered zone is distinguished by its bleached appearance relative to unaltered rock. The mineralized zone contains only single digit ppm levels of silver. Dense swarms of vein lets form thick, mineralized lenses, within a larger area of sub economic but anomalous gold concentrations. Drill hole data indicates that the mineralized lenses are sub horizontal to gently southwest-dipping and are grossly parallel to the Chanate fault. The fault zone itself is also weakly mineralized, although strata in the near hanging wall and footwall are appreciably mineralized.

Work to Date

The El Chanate property has been the site of small scale mining of high grade quartz veins (La Cuchilla mine) during the last century. Modern exploration includes work by Phelps Dodge in the 1980's as part of a copper exploration program. Kennecott conducted geologic mapping and geochemical sampling in 1991 and dropped the property. A Mexican subsidiary of AngloGold explored the property intermittently between 1992 and 1997, and has conducted extensive surface geologic mapping, geochemical sampling, geophysical studies and drilling, including 11,000 meters of trenching, over 14 line-kilometers of induced polarization geophysical surveys, 61 line-kilometers of VLF-magnetometry geophysical surveys, 87 line-kilometers of enzyme leach geochemical surveys and 34,000 meters of R.C. drilling in 190 holes and 1080 meters of diamond drilling in 9 holes. That company also commissioned various consultant studies concerning petrography, fluid inclusions, air photo interpretation and structural analyses, and conducted some metallurgical test work.

In April and May 2002, to confirm previous results obtained by third parties and to provide specifically located metallurgical test samples, we drilled six diamond core holes totaling 1,508 feet into the main mineralized zone at El Chanate. Management believes that the diamond drill results generally confirmed the previous results and, in June 2002 and January 2003, we drilled an additional 45 reverse circulation holes totaling 9,410 feet. This reverse circulation drill program confirmed previous results and also expanded certain mineralized areas. In May 2004 three core holes were drilled for a total of 2,155 feet. The total number of holes is now 256. Of these, 235 are reverse circulation drill holes and 21 are diamond drill holes. Detailed check

assays were obtained both for core samples and for reverse drill samples that initially assayed greater than 0.3 gm/tonne. Chemex Labs, Vancouver, Canada, preformed both the initial and the check assays, and the check assays supported the initial assay results.

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

Our Current Plans for the El Chanate Project

Assuming that adequate funding and remaining required permits are obtained, we anticipate beginning project construction before the end of the calendar year 2005. Our current plans over the next 12 months include:

Environmental and Permitting. We already own the surface over the deposit. We will need to obtain water permits for processing ores, electrical permits to purchase or produce our own power and use of soil permits. We also need to establish reclamation plans. These permits were recently completed and filed with the proper government agencies. Other permits, including, mining and processing permits, have been issued.

Site Construction. We plan to construct a surface gold mine and facility capable of producing about 2.6 million metric tons per year of ore and about 48,000 to 50,000 ounces of gold per year, over a five year mine life, at a targeted cash cost of less than $230 per ounce.

If we are not able to obtain adequate funding, we will need to cut back or curtailed our plans.

Hopemore Project - Leadville, Colorado

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

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

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

Ground conditions in the district generally do not allow open stopes, therefore, square setting and backfilling with waste of low-grade ore was commonly practiced. When the large historic ore bodies of the Hopemore were mined, zinc sulfide ore was of no value.

The Hopemore area historically has been mined from the Ibex No. 7 level. The lower host rocks of the Manitou and Dyer formations are thought to remain unexplored. Steep sulfide veins commonly control the mineralized zones. Four veins have been identified which could feed replacement mineral bodies in these underlying formations.

Geology

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

These sedimentary rocks have been intruded by a series of sills and dikes and faulted, resulting in complex geology. Our properties are located on Breece Hill, on the margin of a major intrusive center. Carbonate host rocks on our property contain magnetite and hematite skarn deposits with local gold, silver and base metal mineralization.

Weston Fault Massive Sulfide

The Weston fault forms the western boundary of the down-dropped block that contains the deposits of the Black Cloud mine south and east of our properties. The Black Cloud mine was operated from the early 1970's until 1998 by ASARCO, primarily for lead and zinc. The Hopemore-Hunter workings are separated from the Penn Group by the Weston fault that has had a complex history of movement. Early compressional tectonics are believed to have resulted in minor over thrusting and drag folding, possibly similar to that along the Tucson Main Fault on Iron Hill. Later normal faulting resulted in a near vertical structure with the east side down faulted. These two episodes of movement are believed to have produced two strands of the Western Fault.

Weston Fault Stockwork Breccia

Along the southern strike of the Weston fault zone, intersecting faults have hosted stockwork breccia zones that contain precious metals and are low in sulfides. The Antioch mine was mined for precious metals during the early part of the twentieth century, producing a siliceous gold ore contained in a broken and brecciated porphyry body between two fault strands. Another similar stockwork breccia ore zone is known as the South Ibex stockwork or Capital stope that contained approximately 250,000 tons of mineralized rock. There are two strands of the Weston fault on our property. The strike length controlled is from 1,400-1,600 feet.

As noted in "Part I, Item 1, Description of Business" above, we have ceased activities in Leadville, Colorado, primarily as a result of our focus on El Chanate.

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Item 3. Legal Proceedings

We are not presently a party to any material litigation

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

No matters were submitted to a vote of our shareholders during the fourth quarter of fiscal 2004.

PART II

Item 5. Market for Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities.

(a) Marketing Information -- The principal U.S. market in which our common shares (all of which are of one class, $.001 par value Common Stock) are traded or will trade is in the over-the-counter market (Bulletin Board Symbol: "CGLD"). Our stock is not traded or quoted on any Automated Quotation System.

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

MARKET PRICE OF COMMON STOCK

	Bid	
Quarter Ending	High and	Low
October 31, 2004	0.33	0.19
July 31, 2004	0.29	0.20
April 30, 2004	0.58	0.27
January 31, 2004	0.65	0.23
October 31, 2003	0.28	0.20
July 31, 2003	0.43	0.23
April 30, 2003	0.33	0.19
January 31, 2003	0.26	0.12
October 31, 2002	0.18	0.12

(b) Holders -- The approximate number of record holders of our Common

Stock, as of November 2, 2004 amounts to 1,581 inclusive of those brokerage firms and/or clearing houses holding our common shares for their clientele (with each such brokerage house and/or clearing house being considered as one holder). The aggregate number of shares of Common Stock outstanding is 59,700,724 as of November 2, 2004.

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

During the quarter ended July 31, 2004, we issued the following shares of our Common Stock pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933: We sold an aggregate of 1,490,095 shares for an aggregate of $186,539 to 24 persons. We issued 250,000 common stock options each to Messrs. Dieterle, Roningen, Pritchard, Everett and Newell exercisable at $.22 per share expiring on May 25, 2007. We also issued 250,000 shares to one individual for administrative services.

We did not repurchase any of our securities during the fiscal year ended July 31, 2004.

The following table gives information about our Common Stock that may be issued upon the exercise of options, warrants and rights under all of our equity compensation plans as of July 31, 2004.

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-averag exercise price outstanding options, warran and rights
	(a)	(b)
Equity compensation plans approved by security holders:	-0-	$ -0-
Equity compensation plans not approved by security holders:	318,182	$ .022
	200,000	.25
	4,570,454	.05
	100,000	..20
	100,000	.24
	1,500,000	.21
	100,000	.41
Total	6,886,636	$.11

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

Cautionary Statement on Forward-Looking Statements

Some information contained in or incorporated by reference into this report on Form 10-KSB may contain "forward-looking statements," as defined in Section 21E of the Securities and

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

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

legislation or implementation of existing tax and foreign-investment legislation;

- the availability of experienced employees; and

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

Many of those factors are beyond our ability to control or predict. You should not unduly rely on these forward-looking statements. These statements speak only as of the date of this report on Form 10-KSB. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect future events or developments. All subsequent

written and oral forward-looking statements attributable to us and persons acting on our behalf are qualified in their entirety by the cautionary statements contained in this section and elsewhere in this report on Form 10-KSB.

Results of Operations

Fiscal year ended July 31, 2004 compared to fiscal year ended July 31, 2003

Revenues.

We generated no revenues from mining operations during the fiscal year ended July 31, 2004 and 2003. We generated interest income during the 12 months ended July 31, 2004 of approximately $4,000 a decrease of $28,000 from the 12 months period ended July 31, 2003 ($32,000). This decrease resulted from lower cash balances and interest collected on the sale of our subsidiary, Minera Chanate, stopped during 2003 due to the full collection of the receivable.

Costs and Expenses.

Over all, costs and expenses during the 12 months ended July 31, 2004 ($2,040,000) decreased by $48,000 (approximately 2.3%) from the 12 months ended July 31, 2003 ($2,088,000). However, this decrease primarily relates to an increase in the write down of mining and milling properties ($300,000) offset by a decrease in other costs and expenses.

In accordance with SFAS 144, "Accounting for the Impairment and Disposal of Long-Lived Assets), we review our long-lived assets for impairment. Impairment losses on long-lived assets are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses then are measured by comparing the fair value of assets to their carrying amounts. During the year ended July 31, 2002, we performed a review of our Colorado mine and mill improvements and determined that an impairment loss should be recognized. Accordingly, at July 31, 2002, we reduced by $999,445 the net carrying value of certain assets relating to our Leadville, Colorado facility to $300,000. At July 31, 2004, we further reduced the net carrying value to $0, which approximates our management's estimate of fair value.

Mine expenses during the 12 months ended July 31, 2004 ($673,000) decreased by $356,000 (approximately 34.6%) from the 12 months ended July 31, 2003 ($1,029,000). We believe that the decrease in mine expenses resulted primarily from the termination of the joint venture agreement in Mexico.

Selling, general and administrative expenses during the 12 months ended July 31, 2004 ($688,000) decreased by $83,000 (approximately 10.8%) from the 12 months ended July 31, 2003 ($771,000). We believe that the decrease is due to a decrease in miscellaneous administrative costs.

Other Expenses:

During the year ending July 31, 2004, we incurred a loss of $800,000 on the joint venture termination. In addition, a loss of $150,000 resulted from the minority interest write-off.

Stock based compensation increased $90,000 approximately (31.1%) during the 12 months ended July 31, 2004 ($379,000) from the 12 months ended July 31, 2003 ($289,000).

Net Loss.

As a result, our net loss for the 12 months ended July 31, 2004 was $2,939,000, which was $1,020,000 more than our $1,919,000 loss for the 12 months ended July 31, 2003.

Loss from Changes in Foreign Exchange Rates

During the year ended July 31, 2004, we recorded equity adjustments from foreign currency translations of approximately $25,000. These translation adjustments are related to changes in the rates of exchange between the Mexican Peso and the US dollar.

Liquidity and Capital Resources

As of July 31, 2004, we had working capital of approximately $183,000. As noted below, management anticipates that we will need at least $1,345,000 in order to carry out our plans for fiscal 2004 which includes the costs of administration and mine related activities and an additional $16 million in order to develop a surface mine at the El Chanate project if it continues to be deemed economically feasible. To the extent that cash flow is unavailable, management intends to raise all necessary capital through bank financing, the sale of our securities, the sale of a royalty interest in the future production from the Chanate properties and/or joint venturing with one or more strategic partners.

Assuming that we are able to obtain funds, planned activities over the next twelve months in Mexico, in order of priority, are as set forth below. Some of these activities may not be completed by July 31, 2005, the end of our current fiscal year.

Activity	Estimated Cost
Sonora, Mexico	
Permitting and Public Relations	11,000
Water Rights/Well Acquisition	200,000*
Road Construction	30,000
Building down payment	20,000
Land Taxes	44,000
Employee Salaries, and Consultants	125,000
Subtotal	430,000

Leadville, Colorado	
Holding cost, maintenance, insurance	40,000
New York, NY - Admin.	
New York Office	690,000**
Mexican legal, accounting,	75,000
Mining and Geological Consultants	150,000
Subtotal Maintaining minimum operations	915,000
Project Development (Senior financing)	16,000,000
Total	17,345,000

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* This significant increase results from our determination to purchase two nearby existing wells rather than searching for and drilling our own wells. We believe that this is less risky.

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

Until July 31, 2003, we had been funding these basic requirements through funds obtained from our sale of Minera Chanate. All of the proceeds from the sale have been expended. During the year ended July 31, 2004, we obtained approximately $1,300,000 from the issuance of Common Stock. All of our planned activities are dependent upon our ability to obtain adequate financing. Financing, is being sought through bank loans, the sale of equity, royalty arrangements and/or joint venture arrangements. In this regard, we are actively looking for financing for construction of the El Chanate open-pit gold mine in Sonora, Mexico. We had a term sheet for funding from Royal Gold. However, in April 2004, we and Royal Gold mutually agreed not to proceed because the parties could not agree on final terms. We believe that equity financing may provide certain attractive alternative sources of project funding and we are exploring those possibilities. Unless and until we obtain adequate financing on acceptable terms, we will not be able to move forward with full-scale construction of the mine. There is no assurance whatsoever that we will generate any operating revenues during the fiscal year ending July 31, 2005 or that any of our proposed plans to raise capital and otherwise fund operations will prove successful. Our inability to obtain sufficient funding will delay our planned operations or, possibly, force us to go out of business.

Our audited consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. We are a development stage enterprise and have recurring losses from operations and operating cash constraints that raise substantial doubt about our ability to continue as a going concern.

Environmental Issues

Management does not expect that environmental issues will have an adverse material effect on our liquidity or earnings. Before any additional exploration or any development or mining or construction of milling facilities could begin at our Leadville properties, it would be necessary to meet all environmental requirements and to satisfy the regulatory agencies in Colorado that our proposed procedures fell within the boundaries of sound environmental practice. We currently are bonded to insure reclamation of any areas disturbed by our past activities. The current amount of this bond is $35,550. In Mexico, we are not aware of any significant environmental concerns or existing reclamation requirements at the El Chanate properties. We received the required Mexican government permits for construction, mining and processing the El Chanate ores in January 2004.

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

We do include in all our internal revenue and cost projections a certain amount for environmental and reclamation costs on an ongoing basis. This amount is determined at a fixed amount of $0.05 per metric tonne of material to be milled on a continual, ongoing basis to provide primarily for reclaiming tailing disposal sites and other reclamation requirements. At this time, there do not appear to be any environmental costs to be incurred by us beyond those already addressed above. No assurance can be given that environmental regulations will not be changed in a manner that would adversely affect our planned operations.

Off-Balance Sheet Transactions

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

APPLICATION OF CRITICAL ACCOUNTING POLICIES

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

In accordance with SFAS 144, "Accounting for the Impairment and Disposal of Long-Lived Assets" we review our long-lived assets for impairments. Impairment losses on long-lived assets are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses then are measured by comparing the fair value of assets to their carrying amounts. During the year ended July 31, 2002, we performed a review of our Colorado mine and mill improvements and determined that an impairment loss should be recognized. Accordingly, at July 31, 2002, we reduced by $999,445 the net carrying value of certain assets relating to our Leadville, Colorado facility to $300,000, and further reduced the net carrying value to $0 at July 31, 2004, which approximates management's estimate of fair value.

Environmental remediation costs are accrued based on estimates of known environmental remediation exposure. Such accruals are recorded even if significant uncertainties exist over the ultimate cost of the remediation. It is reasonably possible that our estimates of reclamation liabilities, if any, could change as a result of changes in regulations, extent of environmental remediation required, means of reclamation or cost estimates. Ongoing environmental compliance costs, including maintenance and monitoring costs, are expensed as incurred. There were no environmental remediation costs accrued at July 31, 2004.

ISSUES AND UNCERTAINTIES

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

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

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

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

We do not generate any positive cash flow from operations and we do not anticipate that any positive cash flow will be generated for some time. We have limited financial resources. Leases and licenses that we hold impose financial obligations on us. As a result we need to obtain additional capital from outside sources to continue operations and affect our business plan. We cannot assure that adequate additional funding will be available. If we are unable to continue to obtain needed capital from outside sources, we will be forced to reduce or curtain our operations. Mining costs quotes were received in 2003 from selected qualified mining contractors and these bids range from 13% to 45% above feasibility study costs. We are exploring ways to reduce these mining costs as quoted by the potential contractors.

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

- bank or other debt financing,
- equity financing,
- strategic partner joint venturing or

- other means.

Failure to obtain additional financing on a timely basis could cause us to forfeit all or parts of our interests in some or all of the El Chanate concessions and our Leadville properties, and reduce or terminate our operations.

Our year end audited financial statements contain a "going concern" explanatory paragraph. Our inability to continue as a going concern would require a restatement of assets and liabilities on a liquidation basis, which would differ materially and adversely from the going concern basis on which our financial statements included in this report have been prepared.

Our consolidated financial statements for the year ended July 31, 2004 included herein have been prepared on the basis of accounting principles applicable to a going concern. Our auditors' report on the consolidated financial statements contained herein includes an additional explanatory paragraph following the opinion paragraph on our ability to continue as a going concern. A note to these consolidated financial statements describes the reasons why there is substantial doubt about our ability to continue as a going concern and our plans to address this issue. Our July 31, 2004 consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our inability to continue as a going concern would require a restatement of assets and liabilities on a liquidation basis, which would differ materially and adversely from the going concern basis on which our consolidated financial statements have been prepared.

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

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

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

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

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

- land tenure,

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

The effect of these factors cannot be accurately predicted.

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

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

Our only current properties are the El Chanate concessions and our Leadville properties. At present, we are not doing any substantive work at our Leadville properties. Our El Chanate concessions are owned by one of our wholly-owned subsidiaries, Oro de Altar. Santa Rita, another of our Mexican subsidiaries, leases the land and claims at El Chanate from Oro de Altar. FG, our former joint venture partner, has the right to receive five percent of Santa Rita's annual dividends, when declared. We currently do not have operations on either of our properties, and we must commence such operations to receive revenues. Accordingly, we are dependent upon the success of the El Chanate concessions.

If we are unable to obtain a crushing system and other equipment for our Mexican concessions at an acceptable cost, our ability to obtain requisite funding for our planned mining operations and our anticipated results of operations from mining at these concessions, once mining commences, may be adversely affected.

In March 2003, we obtained exclusive options to purchase an ore crusher and related assets (spare parts for the crusher and certain transportable building structures). The options expired and the owner of these assets sold his interest to a third party. We currently are in discussions with others for the acquisition of equipment for use at our Mexican concessions. We are optimistic about being able to acquire additional equipment at favorable costs; however, there can be no assurance that we will be successful in acquiring these assets. Moreover, our ability to acquire such equipment is subject to our ability to obtain adequate necessary funding. If we are unable to obtain comparable equipment at an acceptable cost, our planned mining operations and our anticipated results of operations from mining at these concessions, once mining commences, may be adversely affected.

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

The profitability of any gold mining operations in which we have an interest will be significantly affected by changes in the market price of gold. Gold prices fluctuate on a daily basis. Between January 1, 2004 and September 30, 2004, the fixed price for gold on the London Exchange has fluctuated between $373 and $428 per ounce. Gold prices are affected by numerous factors beyond our control, including:

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

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

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

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

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

Any such changes may affect our ability to undertake exploration and development activities in respect of present and future properties in the manner currently contemplated, as well as our ability to continue to explore, develop and operate those properties in which we have an interest or in respect of which we have obtained exploration and development rights to date. The possibility, particularly in Mexico, that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

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

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

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

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

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

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

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

Such risks could result in:

- damage to, or destruction of, mineral properties or production facilities,
- personal injury or death,
- environmental damage,

- delays in mining,
- monetary losses and
- possible legal liability.

Industrial accidents could have a material adverse effect on our future business and operations. Although as we move forward in the development of any of our properties we plan to obtain and maintain insurance within ranges of coverage consistent with industry practice, we cannot be

certain that this insurance will cover the risks associated with mining or that we will be able to maintain insurance to cover these risks at economically feasible premiums. We also might become subject to liability for pollution or other hazards which we cannot insure against or which we may elect not to insure against because of premium costs or other reasons. Losses from such events could have a material adverse effect on us.

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

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

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

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

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

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

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

Gold properties are wasting assets. They eventually become depleted or uneconomical to continue mining. The acquisition of gold properties and their exploration and development are subject to intense competition. Companies with greater financial resources, larger staffs, more experience and more equipment for exploration and development may be in a better position than us to compete for such mineral properties.

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

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

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

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

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

If and when we commence sales of gold, such sales will be made in U.S. dollars. We incur a significant amount of our expenses in Mexican pesos. As a result, our financial performance

would be affected by fluctuations in the value of the Mexican peso to the U.S. dollar. At the present time, we have no plan or policy to utilize forward contracts or currency options to minimize this exposure, and even if these measures are implemented there can be no assurance that such arrangements will be available, be cost effective or be able to fully offset such future currency risks.

RECENT ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards ("SFAS") No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", SFAS No. 147, "Acquisitions of Certain Financial Institutions - and Amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9", SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", and SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", were recently issued. SFAS No. 146, 147, 149 and 150 have no current applicability to us or their effect on the financial statements would not have been significant.

Item 7. Financial Statements.

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

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

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

Item 8A. Controls and Procedures.

Gifford A Dieterle, our Chief Executive Officer and our Chief Financial Officer, performed an evaluation of our disclosure controls and procedures, which have been designed to permit us to effectively identify and timely disclose important information. Taking into account our limited resources and current business operations he concluded that the controls and procedures were effective as of July 31, 2004 to ensure that material information was accumulated and communicated to him and our other management, as appropriate to allow timely decisions regarding required disclosure. During the quarter ended July 31, 2004, we have made no change in our internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Item 8B. Other Information.

None.

PART III

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

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

Name	Age	First Became Director	Position
Gifford A. Dieterle	72	9/22/82	President, Treasurer, Chief Financial Officer & Chairman of the Board
Robert Roningen	70	9/14/93	Director, Senior Vice President, Secretary
Jack V. Everett	83	1/25/95	Director, Vice President - Exploration
Roger A. Newell	61	8/28/00	Director, Vice President - Development
Jeffrey W. Pritchard	46	1/27/00	Director, Vice President - Investor Relations
J. Scott Hazlitt	52		Vice President - Mine Development

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

GIFFORD A. DIETERLE, President, Treasurer, Chief Financial Officer and Chairman of the Board of Directors of the Company. Mr. Dieterle was appointed President in September 1997. He has been the Company's Chairman, Treasurer and Chief Financial Officer since 1981. His highest educational degree is a M.S. in Geology obtained from New York University. From 1977 until July 1993, he was Chairman, Treasurer, and Executive Vice-President of Franklin Consolidated Mining Company. From 1965 to 1987, he was lecturer in geology at the City University of N.Y. (Hunter Division). Mr. Dieterle has been Secretary-Treasurer of South American Minerals Inc. since 1997 and a director of that company since 1996.

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

JACK V. EVERETT, Vice President - Exploration and Director, has been a consulting mining geologist since 1971, with expertise in all phases of exploration for base and precious metals. Following his 1947 graduation from Michigan State University, he was District Geologist for Pickands Mather & Company on the Cuyuna Iron Range, Minnesota. From 1951 to 1970, he was Chief Geologist and Exploration Manager for W.S. Moore Company, Duluth, Minnesota an iron mining company with gold and base metal sulfide holdings in the U.S. and Canada.

ROGER A. NEWELL, Vice President - Development and Director, has been in the mining industry for over 30 years. From 1974 through 1977, he was a geologist with Kennecott Copper Corporation. From 1977 through 1989, he served as Exploration Manager/Senior Geologist for the Newmont Mining Corporation and, from 1989 through 1995, was the Exploration Manager for Gold Fields Mining Company. He was Vice President Development, for Western Exploration Company from 1997 through 2000. He has been self-employed as a geologist since 2001. His highest educational degree is a Ph.D. in mineral exploration from Stanford University.

JEFFREY W. PRITCHARD, Vice President - Investor Relations and Director, has worked for the Company since 1996. He has been in the marketing/public relations field since receiving a Bachelor's degree from the State University of New York in 1979. Jeff has served as the Director of Marketing for the New Jersey Devils (1987-1990) and as the Director of Sales for the New York Islanders (1985-1987). He also was an Executive Vice President with Long Island based Performance Network, a marketing and publishing concern from 1990 through 1995.

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

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

To our knowledge, based solely on a review of such materials as are required by the Securities and Exchange Commission, no officer, director or beneficial holder of more than ten percent of our issued and outstanding shares of Common Stock failed to timely file with the Securities and Exchange Commission any form or report required to be so filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, except that Messrs. Dieterle, Newell, Roningen, Everett and Pritchard did not file forms 4 with regard to options issued to them during 2004.

Audit Committee Financial Expert

We do not have a financial expert. We believe that the cost of retaining a financial expert at this time is too prohibitive given our current financial condition and lack of operating revenues.

Code of Ethics

We adopted a Code of Ethics that applies to our officers, directors and employees, including our principal executive officer, principal financial officer and principal accounting officer. The Code of Ethics is publicly available in the Management section on our Website at

www.capitalgoldcorp.com. If we make any substantive amendments to this code of ethics or grant any waiver, including any implicit waiver, from a provision of the code to our chief executive officer, principal financial officer or principal accounting officer, we will disclose the nature of such amendment or waiver on that Website or in a report on Form 8-K.

Item 10. Executive Compensation

The following table shows all the cash compensation paid or to be paid by the Company or any of its subsidiaries, as well as certain other compensation paid or accrued, during the fiscal years indicated, to the Chief Executive Officer for such period in all capacities in which he served. Information concerning the Chief Executive Officer relates to Gifford Dieterle.

SUMMARY COMPENSATION TABLE

					Long-Term Co	
	Annual Compensation				Awards	
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Name and Principal Position	Year	Salary	Bonus ($)	Other Annual Compen-sation($)	Restricted Stock Award ($)	Options SARs
Gifford A. Dieterle	2004	104,000	20,000	-0-	-0-	250,000
Chief Executive	2003	70,856	23,400	-0-	-0-	-0-
Officer	2002	70,642	-0-	-0-	-0-	-0-

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

OPTION/SAR GRANTS IN LAST FISCAL YEAR
Individual Grants

(a)	(b)	(c)	(d)	(e)
Name	Options/ SARs Granted	Percent of Total Options/SARs Granted to Employee in Fiscal Year	Exercise or Base Price ($/SH)	Expiration Date
Gifford A. Dieterle	250,000	13.8%	$.21	3-16-07
Rogert N. Roningen	250,000	13.8%	$.21	3-16-07
Jack V. Everett	250,000	13.8%	$.21	3-16-07
Roger A. Newell	250,000	13.8%	$.21	3-16-07
Jeffrey W. Pritchard	250,000	13.8%	$.21	3-16-07

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

Aggregated Option/SAR Exercises and Fiscal Year-End Option/SAR

(a)	(b)	(c)	(d)	(e)
Name	Shares Acquired on Exercise (#)	Value Realized	Number of Unexercised Options/SARs at FY-End(#) Exercisable/ Unexercisable	Value of Unexerci In-the-M Option/S at FY-En Exercisa Unexerci
Gifford A. Dieterle	--	--	1,500,000	$330,0
Robert N. Roningen	--	--	750,000	$165,0
Jack V. Everett	300,000	$77,000	250,000	$ 55,0
Jeffrey W. Pritchard	--	--	622,727	$136,4
Roger A. Newell	272,727	79,127	977,273	$215,0
Scott Hazlitt	--	--	725,000	$159,5

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

For information on compensation arrangements with our executive officers, please see "Part III, Item 12. Certain Relationships and Related Transactions" below.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

(a) Security Ownership of Certain Beneficial Owners -- The persons set forth on the charts below are known to the Company to be the beneficial owners of more than 5% of the Company's outstanding voting Common Stock as of November 2, 2004

(b) Security Ownership of Management - Information concerning the number and percentage of shares of voting Common Stock of the Company owned of record and beneficially by management as of November 2, 2004, is set forth on the charts below.

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Approximate Percentage(1)(2)
Common Stock	Gifford A. Dieterle*	2,607,326(2)	4.3%
Common Stock	Jack Everett*	1,250,000(2)	2.1%
Common Stock	Robert Roningen*	2,200,000(2)(3)	3.6%

Common Stock	Jeffrey W. Pritchard*	956,354(2)	1.6%
Common Stock	Roger A Newell*	1,277,273(2)	2.1%
Common Stock	Scott Hazlitt*	1,025,000(2)	1.7%
All Officers and Directors as a Group (6)		9,315,953(2)(3)	14.5%

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* Officer and/or Director of the Company.

(1) Based upon 59,700,724 shares issued and outstanding as of November 2, 2004.

(2) For Messrs. Dieterle, Everett, Roningen, Pritchard, Newell and Hazlitt, includes, respectively, 1,500,000 shares, 250,000 shares, 750,000 shares, 622,727 shares, 777,273 shares and 725,000 shares issuable upon exercise of options and/or warrants.

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

Item 12. Certain Relationships and Related Transactions.

During the fiscal years ended July 31, 2004 and 2003, we paid Roger Newell $62,000 and $60,000, respectively, for professional geologist services rendered to us plus expenses. In addition, during the fiscal year ended July 31, 2003, we paid Mr. Newell a bonus of $35,000. During the fiscal years ended July 31, 2004 and 2003, we paid Scott Hazlitt $96,000 per year, for professional geologist and mine management services rendered to us, plus expenses. In addition, during the fiscal year ended July 31, 2003, we paid Mr. Hazlitt a bonus of $10,000. During the fiscal years ended July 31, 2004 and 2003, we paid Jack Everett consulting fees of $47,600 and $42,000, respectively. In addition, during the fiscal year ended July 31, 2003, we paid Mr. Everett a bonus of $35,000. During the fiscal year ended July 31, 2004 and 2003, we paid Robert Roningen legal fees of $6,900 and $2,300, respectively. In addition, during the fiscal year ended July 31, 2003, we paid Mr. Roningen a bonus of $10,000.

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In May 2004, we issued 250,000 common stock options each to Messrs. Dieterle, Roningen, Pritchard, Everett and Newell exercisable at $.22 per share expiring on May 25, 2007.

At July 31, 2003 we had outstanding salary advances of $10,020 to an officer/director. Subsequent to July 31, 2003, we made additional salary advances to this officer of $9,000. The officer agreed to transfer his net paychecks to us until such time as all salary advances have been exhausted. All such advances were subsequently repaid.

On October 29, 2002, we issued to Scott Hazlitt options to purchase 400,000 shares that expire on March 15, 2005 and are exercisable at $.22 per share, and options to purchase 300,000 shares that expire on February 1, 2007 and are exercisable at $.22 per share. The exercise prices of these options were subsequently reduced to $.05.

Item 13. Exhibits.

Exhibits

3.a	Certificate of Incorporation of Company(1)
3.b	Amendments to Certificate of Incorporation of Company (1)(5)
3.c	By-Laws of Company (1)
10.a	Mining Claims (1)
10.b	Stock Purchase Option Agreement from AngloGold (2)
10.c	Letter of Intent with International Northair Mines Ltd. (2)
10.d	March 30, 2002 Minera Chanate Stock Purchase and Sale and Security Agreement (Sale by us and Holding of all of the stock of Minera Chanate) (In Spanish).(3)
10.e	English summary of March 30, 2002 Minera Chanate Stock Purchase and Sale and Security Agreement.(3)
10.f	Agreement between Santa Rita and Grupo Minero FG.(4)
10.g	Amendment to Agreement between Santa Rita and Grupo Minero FG.(6)
10.h	Termination Agreement between Santa Rita and Grupo Minero FG.(7)
21.1	Subsidiaries of the Company
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Executive Officer
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Financial Officer
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Executive Officer
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Financial Officer

(1) Previously filed as an exhibit to the Company's Registration Statement on Form S-18 (SEC File No. 2-86160-NY) filed on or about November 10, 1983, and incorporated herein by this reference.

(2) Previously filed as an exhibit to the Company's Quarterly Report on Form 10-QSB for the quarter ended January 31, 2001 filed with the Commission on or about March 16, 2001, and incorporated herein by this reference.

(3) Previously filed as an exhibit to the Company's Quarterly Report on Form 10-QSB for the quarter ended April 30, 2002 filed with the

Commission on or about June 20, 2002, and incorporated herein by this reference.

(4) Previously filed as an exhibit to the Company's Quarterly Report on Form 10-QSB for the quarter ended January 31, 2002 filed with the Commission on or about March 25, 2002, and incorporated herein by this reference.

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

(6) Previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on or about January 22, 2004, and incorporated herein by this reference.

(7) Previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on or about April 12, 2004, and incorporated herein by this reference

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

Item 14. Principal Accountant Fees And Services.

Wolinetz, Lafazan & Company, P.C. ("WL"), Certified Public Accountants, are the Company's independent auditors that examined the financial statements of the Company for the fiscal years ended July 31, 2004 and 2003. WL has performed the following services and has been paid the following fees for these fiscal years.

Audit Fees

WL billed $40,000 and $39,000 for our audit of Company's financial statements for the fiscal years ended July 31, 2004 and 2003 and our review of the financial statements included in the Company's filing of its quarterly reports on form 10-QSB during these fiscal years.

Audit-Related Fees

WL was not paid any additional fees for the fiscal years ended July 31, 2004 and 2003 for assurance and related services reasonably related to the performance of the audit or review of the Company's financial statements.

Tax Fees

WL billed $7,000 and $12,000 for the fiscal years ended July 31, 2004 and 2003 for professional services rendered for tax compliance, tax advice and tax planning.

All Other Fees

WL was paid no other fees for professional services during the fiscal years ended July 31, 2004 and 2003.

Audit Committee Pre-Approval Policies

The Board of Directors, which performs the equivalent functions of an audit committee, currently does not have any pre-approval policies or procedures concerning services performed by WL. All the services performed by WL that are described above were pre-approved by the Board of Directors. Less than 50% of the hours expended on WL's engagement to audit the Company's financial statements for the fiscal years ended July 31, 2004 and 2003 were attributed to work performed by persons other than WL's full-time, permanent employees.

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SIGNATURES

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

CAPITAL GOLD CORPORATION

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

Dated: November 11, 2004

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

SIGNATURES	TITLE	DATE
/s/ Gifford A. Dieterle Gifford A. Dieterle	President, Treasurer, Principal Financial and Accounting Officer and Chairman of the Board of Directors	November 11, 2004
/s/ Jack V. Everett Jack V. Everett	Director	November 11, 2004
/s/ Robert Roningen Robert Roningen	Director	November 11, 2004
/s/ Roger A. Newell Roger A. Newell	Director	November 11, 2004
/s/ Jeffrey W. Pritchard Jeffrey W. Pritchard	Director	November 11, 2004

SUPPLEMENTAL INFORMATION

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

NOT APPLICABLE.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Stockholders of
Capital Gold Corporation
New York, New York

We have audited the accompanying consolidated balance sheet of Capital Gold Corporation and Subsidiaries (A Development Stage Enterprise) ("the Company") as of July 31, 2004, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the two years in the period ended July 31, 2004 and for the period September 17, 1982 (Inception) to July 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capital Gold Corporation and Subsidiaries as of July 31, 2004 and the consolidated results of their operations and cash flows for each of the two years in the period ended July 31, 2004 and for the period September 17, 1982 (Inception) to July 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company is a development stage enterprise whose operations have generated recurring losses and cash flow deficiencies from its inception. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are described in Note 16. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

WOLINETZ, LAFAZAN & COMPANY, P.C.

Rockville Centre, New York

October 22, 2004

CAPITAL GOLD CORPORAITON
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED BALANCE SHEET
JULY 31, 2004

ASSETS

Current Assets:	
Cash and Cash Equivalents	$ 208,443
Loans Receivable -Affiliate	27,848
Loans Receivable - Others	2,065
Prepaid Expenses	8,494
Marketable Securities	110,000
Other Current Assets	30,248
Total Current Assets	387,098
Mining Concessions	44,780
Other Assets:	
Other Investments	9,890
Mining Reclamation Bonds	35,550
Security Deposits	8,435
Total Other Assets	53,875
Total Assets	$ 485,753

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Accounts Payable	$ 88,086
Accrued Expenses	116,073
Total Current Liabilities	204,159
Commitments and Contingencies	
Stockholders' Equity:	
Common Stock, Par Value $.001 Per Share; Authorized 150,000,000 shares; Issued and Outstanding 57,769,156 Shares	57,769
Additional Paid-In Capital	24,713,215
Deficit Accumulated in the Development Stage	(24,578,129)
Accumulated Other Comprehensive Income (Loss)	88,739
Total Stockholders' Equity	281,594
Total Liabilities and Stockholders' Equity	$ 485,753

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

CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF OPERATIONS

	For The Year Ended July 31, 2004	For The Year Ended July 31, 2003	For The September (Incep To July 31
Revenues	$ --	$ --	$
Costs and Expenses:			
Mine Expenses	673,050	1,028,899	6,81
Write-Down of Mining, Milling and Other Property and Equipment	300,000	--	1,29
Selling, General and Administrative Expenses	687,722	770,629	8,85
Stock Based Compensation	379,033	288,623	9,22
Depreciation	--	--	36
Total Costs and Expenses	2,039,805	2,088,151	26,55
Loss From Operations	(2,039,805)	(2,088,151)	(26,55
Other Income (Expense):			
Interest Income	4,074	31,864	75
Miscellaneous	--	6,401	3
Gain on Sale of Property and Equipment	--	--	4
Gain on Sale of Subsidiary	--	--	1,90
Option Payment	--	--	7
Loss on Write-Off of Investment	--	--	(1
Loss on Joint Venture	(800,000)	--	(90
Loss on Option	--	(50,000)	(5
Loss on Other Investments	(3,697)	--	(
Loss on Write-Off of Minority Interest	(150,382)	--	(15
Total Other Income (Expense)	(950,005)	(11,735)	1,69
Loss Before Minority Interest	(2,989,810)	(2,099,886)	(24,86
Minority Interest	51,220	180,625	28
Net Loss	$ (2,938,590)	$ (1,919,261)	$(24,57

Net Loss Per Common Share - Basic and Diluted	$ (.06)	$ (.05)	
Weighted Average Common Shares Outstanding	51,584,715	41,892,989	

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

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CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2004

	Common Stock		Additional Paid-In Capital	Deficit Accumulated In The Development Stage	Total
	Shares	Amount			
Balance September 17, 1982 (Inception)	-0-	$ -0-	$ -0-	$ -0-	$
Initial Cash Officers - At $.001 Per Share	1,575,000	1,575	--	--	1,5
Other Investors - At $.001 Per Share	1,045,000	1,045	--	--	1,0
Initial - Mining Claims - Officer - At $.002 Per Share	875,000	875	759	--	1,6
Common Stock Issued For: Cash At $.50 Per Share	300,000	300	149,700	--	150,0
Net Loss	--	--	--	(8,486)	(8,4
Balance - July 31, 1983	3,795,000	3,795	150,459	(8,486)	145,7
Common Stock Issued For: Cash Pursuant to Initial Offering At $1.50 Per Share, Net of Offering Costs of $408,763	1,754,741	1,755	2,221,594	--	2,223,3
Net Income	--	--	--	48,890	48,8
Balance - July 31, 1984	5,549,741	5,550	2,372,053	40,404	2,418,0
Net Income	--	--	--	18,486	18,4

Balance - July 31, 1985	5,549,741	5,550	2,372,053	58,890	2,436,4
Common Stock Issued For:					
Mineral Lease At $1.00 Per Share	100	--	100	--	1
Net Income	--	--	--	4,597	4,5
Balance - July 31, 1986	5,549,841	5,550	2,372,153	63,487	2,441,1

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

CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2004

	Common Stock		Additional	Deficit Accumulated In The	
	Shares	Amount	Paid-In Capital	Development Stage	Total
Net Loss	--	$ --	$ --	$ (187,773)	$ (187,773)
Balance - July 31, 1987	5,549,841	5,550	2,372,153	(124,286)	2,253,417
Common Stock Issued For:					
Services Rendered At $1.00 Per Share	92,000	92	91,908	--	92,000
Net Loss	--	--	--	(328,842)	(328,842)
Balance - July 31, 1988	5,641,841	5,642	2,464,061	(453,128)	2,016,575
Net Loss	--	--	--	(379,852)	(379,852)
Balance - July 31, 1989	5,641,841	5,642	2,464,061	(832,980)	1,636,723
Common Stock Issued For:					
Cash:					
At $.70 Per Share	269,060	269	194,219	--	194,488
At $.50 Per Share	387,033	387	199,443	--	199,830
Services:					
At $.50 Per Share	68,282	68	34,073	--	34,141
Commissions:					
At $.70 Per Share	15,000	15	(15)	--	--

Commissions Paid	--	--	(2,100)	--	(2,100)
Net Loss	--	--	--	(529,676)	(529,676)
Balance - July 31, 1990	6,381,216	6,381	2,889,681	(1,362,656)	1,533,406
Common Stock Issued For:					
Cash At $.60 Per Share	318,400	319	180,954	--	181,273
Net Loss	--	--	--	(356,874)	(356,874)
Balance - July 31, 1991	6,699,616	6,700	3,070,635	(1,719,530)	1,357,805

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

CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2004

	Common Stock		Additional Paid-In Capital	Deficit Accumulated In The Development Stage	Total
	Shares	Amount			
Common Stock Issued For:					
Cash:					
At $.30 Per Share	114,917	$ 115	$ 34,303	$ --	$ 34,418
At $.50 Per Share	2,000	2	998	--	1,000
At $.60 Per Share	22,867	23	13,698	--	13,721
At $.70 Per Share	10,000	10	6,990	--	7,000
At $.80 Per Share	6,250	6	4,994	--	5,000
At $.90 Per Share	5,444	5	4,895	--	4,900
Services:					
At $.32 Per Share	39,360	39	12,561	--	12,600
At $.50 Per Share	92,353	93	46,084	--	46,177
Exercise of Options:					
At $.50 Per Share By Related Party	100,000	100	49,900	--	50,000
Net Loss	--	--	--	(307,477)	(307,477)
Balance - July 31, 1992	7,092,807	7,093	3,245,058	(2,027,007)	1,225,144
Common Stock Issued For:					
Cash:					
At $.30 Per Share	176,057	$ 176	$ 51,503	$ --	$ 51,679
At $.50 Per Share	140,000	140	69,964	--	70,104
At $.60 Per Share	10,000	10	5,990	--	6,000

At $.70 Per Share	17,000	17	11,983	--	12,000
At $1.00 Per Share	50,000	50	49,950	--	50,000
Services:					
At $.50 Per Share	495,556	496	272,504	--	273,000
Commissions:					
At $.50 Per Share	20,220	20	(20)	--	--
Commissions Paid	--	--	(1,500)	--	(1,500)
Net Loss	--	--	--	(626,958)	(626,958)
Balance - July 31, 1993	8,001,640	8,002	3,705,432	(2,653,965)	1,059,469

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

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CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2004

	Common Stock		Additional	Deficit Accumulated In The	
	Shares	Amount	Paid-In Capital	Development Stage	To
Common Stock Issued For:					
Cash:					
At $.30 Per Share	249,330	$ 150	$ 43,489	$ --	$
At $.50 Per Share	377,205	377	189,894	--	1
Services:					
At $.30 Per Share	500,000	500	149,500	--	1
At $.50 Per Share	130,000	130	71,287	--	
At $.50 Per Share By Related Party	56,000	156	77,844	--	
At $.70 Per Share	4,743	4	3,316	--	
Exercise of Options For Services:					
At $.50 Per Share	35,000	35	17,465	--	
At $.50 Per Share By Related Party	150,000	150	74,850	--	
Net Loss	--	--	--	(665,909)	(6
Balance - July 31, 1994	9,503,918	9,504	4,333,077	(3,319,874)	1,0
Common Stock Issued For:					
Cash:					
At $.30 Per Share	150,000	$ 150	$ 49,856	$ --	$
At $.40 Per Share	288,200	288	115,215	--	1
At $.50 Per Share	269,611	270	132,831	--	1
At $.60 Per Share	120,834	121	72,379	--	
At $.70 Per Share	23,000	23	16,077	--	

Services:					
At $.40 Per Share	145,000	145	60,755	--	
At $.50 Per Share	75,000	75	34,925	--	
Exercise of Options For:					
Cash:					
At $.50 Per Share					
By Related Party	350,000	350	174,650	--	1
Services:					
At $.50 Per Share	35,000	35	17,465	--	
Commissions Paid	--	--	(1,650)	--	
Net Loss	--	--	--	(426,803)	(4
Balance - July 31, 1995	10,960,563	10,961	5,005,580	(3,746,677)	1,2

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

CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2004

	Common Stock		Additional Paid-In Capital	Deficit Accumulated In The Development Stage	Total
	Shares	Amount			
Common Stock Issued For:					
Cash:					
At $.40 Per Share	75,972	$ 76	$ 30,274	$ --	$ 30,350
At $.50 Per Share	550,423	550	270,074	--	270,624
At $.60 Per Share	146,773	147	87,853		88,000
At $.70 Per Share	55,722	56	38,949		39,005
At $.80 Per Share	110,100	110	87,890		88,000
Services:					
At $.40 Per Share	104,150	104	38,296	--	38,400
At $.50 Per Share	42,010	42	20,963	--	21,005
At $.60 Per Share	4,600	5	2,755		2,760
At $.70 Per Share	154,393	155	107,920		108,075
Commissions:					
At $.35 Per Share	23,428	23	(23)		
At $.50 Per Share	50,545	50	(50)		
At $.60 Per Share	2,000	2	(2)		
At $.70 Per Share	12,036	12	(12)		
Exercise of Options:					
Cash:					
At $.35 Per Share					

By Related Party	19,571	20	6,830		6,850
Services:					
At $.35 Per Share					
By Related Party	200,429	200	69,950	--	70,150
At $.50 Per Share	95,000	95	47,405	--	47,500
Compensation Portion of Options	--	--	261,500	--	261,500
Net Loss	--	--	--	(956,043)	(956,043)
Balance - July 31, 1996	12,607,715	12,608	6,076,152	(4,702,720)	1,386,040

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

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CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2004

	Common Stock		Additional	Deficit Accumulated In The	
	Shares	Amount	Paid-In Capital	Development Stage	Total
Common Stock Issued For:					
Cash:					
At $.35 Per Share	50,000	$ 50	$ 17,450	$ --	$ 17,500
At $.40 Per Share	323,983	324	128,471	--	128,795
At $.50 Per Share	763,881	762	381,174	--	381,936
At $.60 Per Share	16,667	17	9,983	--	10,000
At $.70 Per Share	7,143	7	4,993	--	5,000
At $.80 Per Share	28,750	29	22,971	--	23,000
Services:					
At $.50 Per Share	295,884	296	147,646	--	147,942
Commissions:					
At $.35 Per Share	44,614	45	(45)		
At $.40 Per Share	41,993	42	(42)		
At $.50 Per Share	37,936	38	(38)		
Expense:					
At $.35 Per Share	8,888	9	3,099		3,108
At $.40 Per Share	9,645	10	3,848		3,858
Property and Equipment					
At $.60 Per Share	7,500	8	4,492		4,500
Exercise of Options					

	Shares	Amount	Additional Paid-In Capital	Deficit Accumulated In The Development Stage	Total
Services:					
At $.35 Per Share					
By Related Party	136,301	136	47,569		47,705
Net Loss	--	--	--	(805,496)	(805,496)
Balance - July 31, 1997	14,380,900	14,381	6,847,723	(5,508,216)	1,353,888

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

CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2004

	Common Stock		Additional	Deficit Accumulated In The	
	Shares	Amount	Paid-In Capital	Development Stage	Total
Common Stock Issued For:					
Cash:					
At $.20 Per Share	10,000	$ 10	$ 1,990	$ --	$ 2,000
At $.25 Per Share	100,000	100	24,900	--	25,000
At $.27 Per Share	45,516	46	12,244	--	12,290
At $.28 Per Share	150,910	151	41,349	--	41,500
At $.30 Per Share	60,333	60	18,040	--	18,100
At $.31 Per Share	9,677	10	2,990	--	3,000
At $.32 Per Share	86,750	87	27,673	--	27,760
At $.33 Per Share	125,364	125	41,245	--	41,370
At $.35 Per Share	75,144	75	26,225	--	26,300
At $.38 Per Share	49,048	49	18,311	--	18,360
At $.40 Per Share	267,500	268	106,732	--	107,000
At $.45 Per Share	65,333	65	29,335	--	29,400
At $.50 Per Share	611,184	610	304,907	--	305,517
Services:					
At $.23 Per Share	48,609	49	11,131	--	11,180
Exercise of Options:					
Services:					
At $.22 Per Share	82,436	82	18,054	--	18,136
At $.35 Per Share	183,846	184	64,162	--	64,346
Compensation:					
At $.22 Per Share	105,000	105	22,995	--	23,100
At $.35 Per Share	25,000	25	8,725	--	8,750
Commissions:					
At $.22 Per Share	67,564	68	(68)	--	
At $.35 Per Share	291,028	291	(291)	--	

Net Loss	--	--	--	(807,181)	(807,181)
Balance - July 31, 1998	16,841,142	16,841	7,628,372	(6,315,397)	1,329,816

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

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CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2004

	Common Stock		Additional Paid-In Capital	Deficit Accumulated In The Development Stage	Total
	Shares	Amount			
Common Stock Issued For:					
Cash:					
At $0.20 Per Share	12,500	$ 13	$ 2,487	$ --	$ 2,500
At $0.22 Per Share	45,454	45	9,955	--	10,000
At $0.25 Per Share	248,788	249	61,948	--	62,197
At $0.27 Per Share	132,456	132	35,631	--	35,763
At $0.28 Per Share	107,000	107	30,493	--	30,600
At $0.29 Per Share	20,000	20	5,780	--	5,800
At $0.30 Per Share	49,333	49	14,751	--	14,800
At $0.32 Per Share	152,725	153	48,719	--	48,872
At $0.33 Per Share	149,396	149	49,151	--	49,300
At $0.35 Per Share	538,427	538	187,912	--	188,450
At $0.40 Per Share	17,000	17	6,783	--	6,800
At $0.50 Per Share	53,000	53	26,447	--	26,500
At $0.55 Per Share	6,000	6	3,294	--	3,300
At $0.65 Per Share	33,846	34	21,966	--	22,000
At $0.68 Per Share	13,235	13	8,987	--	9,000
At $0.70 Per Share	153,572	154	107,346	--	107,500
At $0.90 Per Share	57,777	58	51,942	--	52,000
At $1.00 Per Share	50,000	50	49,950	--	50,000
At $1.10 Per Share	150,000	150	164,850	--	165,000
Expenses:					
At $0.21 Per Share	37,376	37	7,812	--	7,849
At $0.30 Per Share	19,450	19	5,816	--	5,835
At $0.36 Per Share	34,722	35	12,465	--	12,500
Commission:					
At $0.21 Per Share	158,426	158	(158)	--	--
At $0.25 Per Share	28,244	28	(28)	--	--
At $0.30 Per Share	132,759	133	(133)	--	--
At $0.35 Per Share	40,000	40	(40)	--	--
Services:	95,238	95	19,905	--	20,000

At $0.25 Per Share	17,000	17	4,233	--	4,250
At $0.30 Per Share	145,941	146	43,636	--	43,782
At $0.50 Per Share	71,808	72	35,832	--	35,904

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

CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2004

	Common Stock		Additional Paid-In Capital	Deficit Accumulated In The Development Stage	Total
	Shares	Amount			
Compensation portion of Cash Issuances	--	$ --	$ 618,231	$ --	$ 618,231
Compensation Portion of Options	--	--	304,900	--	304,900
Exercise of Options:					
Cash					
At $0.10 Per Share	510,000	510	50,490	--	51,000
Services:					
At $0.70 Per Share	100,000	100	69,900	--	70,000
Net Loss	--	--	--	(1,964,447)	(1,964,447)
Balance - July 31, 1999	20,222,615	20,221	9,689,625	(8,279,844)	1,430,002
Common Stock Issued For:					
Cash:					
At $.18 Per Share	27,778	28	4,972	--	5,000
At $.20 Per Share	482,500	483	96,017	--	96,500
At $.21 Per Share	47,500	47	9,953	--	10,000
At $.22 Per Share	844,821	845	185,012	--	185,857
At $.30 Per Share	100,000	100	29,900	--	30,000
At $.35 Per Share	280,000	280	97,720	--	98,000
At $.37 Per Share	56,000	56	19,944	--	20,000
At $.38 Per Share	100,000	100	37,900	--	38,000
At $.40 Per Share	620,000	620	247,380	--	248,000
At $.42 Per Share	47,715	48	19,952	--	20,000
At $.45 Per Share	182,445	182	81,918	--	82,100
At $.50 Per Share	313,000	313	156,187	--	156,500
At $.55 Per Share	122,778	123	67,377	--	67,500
At $.58 Per Share	12,069	12	6,988	--	7,000
Expenses:					
At $.20 Per Share	4,167	4	829	--	833

At $.22 Per Share	46,091	46	10,094	--	10,140
Compensation Portion	--	--	94,430	--	94,430

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

CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2004

	Common Stock		Additional Paid-In	Deficit Accumulated In The Development	
	Shares	Amount	Capital	Stage	Total
Exercise of Options:					
Services:					
At $.25 Per Share	30,000	$ 30	$ 7,470	$ --	$ 7,500
At $.40 Per Share	95,000	95	37,905	--	38,000
At $.50 Per Share	25,958	26	12,954	--	12,980
Commissions:					
At $.20 Per Share	26,750	27	(27)	--	--
At $.22 Per Share	86,909	87	(87)	--	--
Exercise of Options:					
Cash:					
At $.10 Per Share	100,000	100	9,900	--	10,000
Exercise of Options:					
Services:					
At $.22 Per Share	150,000	150	32,850	--	33,000
Stock Based Compensation	--	--	221,585	--	221,585
Net Loss	--	--	--	(1,530,020)	(1,530,020)
Balance - July 31, 2000 (Unconsolidated)	24,024,096	24,023	11,178,748	(9,809,864)	1,392,907
Common Stock Issued For:					
Cash:					
At $.15 Per Share	120,000	120	17,880	--	18,000
At $.17 Per Share	80,000	80	13,520	--	13,600
At $.18 Per Share	249,111	249	44,591	--	44,840
At $.19 Per Share	70,789	71	13,379	--	13,450
At $.20 Per Share	1,322,500	1,323	261,677	--	263,000
At $.21 Per Share	33,810	34	7,066	--	7,100
At $.22 Per Share	2,472,591	2,473	541,497	--	543,970
At $.23 Per Share	65,239	65	14,935	--	15,000

At $.24 Per Share	123,337	123	29,477	--	29,600
At $.25 Per Share	610,400	611	151,884	--	152,495
At $.26 Per Share	625,769	626	162,074	--	162,700
At $.27 Per Share	314,850	315	84,695	--	85,010
At $.28 Per Share	7,143	7	1,993	--	2,000
At $.30 Per Share	33,333	33	9,967	--	10,000
At $.35 Per Share	271,429	272	94,728	--	95,000
At $.38 Per Share	453,158	453	169,547	--	170,000
At $.40 Per Share	300,000	300	119,700	--	120,000
At $.50 Per Share	10,000	10	4,990	--	5,000

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

CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2004

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

Compensation Portion:	--	--	25,463	--	-
Commission:					
At $0.02 Per Share	350,000	350	(350)	--	-
Compensation Portion:	--	--	132,300	--	-
Commission:					
At $0.05 Per Share	1,000,000	1,000	(1,000)	--	-
Compensation Portion:	--	--	400,000	--	-
Stock Based Compensation	--	--	7,002,500	--	-

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

CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2004

	Common Stock		Additional Paid-In Capital	Deficit Accumulated In The Development Stage	Accumulat Other Comprehens Income (Lo
	Shares	Amount			
Comprehensive Loss:					
Net Loss	--	--	--	(9,418,266)	-
Equity Adjustment from Foreign Currency Translation	--	--	--	--	(49
Total Comprehensive Loss	--	--	--	--	-
Balance - July 31, 2001	33,539,597	33,540	20,633,674	(19,228,130)	(49
Common Stock Issued For:					
Cash:					
At $.022 Per Share	1,400,976	1,401	29,420	--	-
At $.08 Per Share	250,000	250	19,750	--	-
At $.10 Per Share	980,000	980	97,020	--	-
At $.11 Per Share	145,456	145	15,855	--	-
At $.115 Per Share	478,260	478	54,522	--	-
At $.12 Per Share	500,000	500	59,500	--	-
At $.125 Per Share	40,000	40	4,960	--	-
At $.14 Per Share	44,000	44	6,116	--	-

At $.15 Per Share	383,667	384	57,166	--	-
At $.18 Per Share	25,000	25	4,475	--	-
Commissions:					
At $.115 Per Share	69,565	70	(70)	--	-
At $.22 Per Share	100,000	100	(100)	--	-
At $.08 Per Share	20,625	21	(21)	--	-
At $.14-$.22 Per Share	282,475	282	(282)	--	-
Services:					
At $.10 Per Share	35,950	36	3,559	--	-
Exercise of Options:					
Non Cash:					
At $.022 Per Share by Related Party:	227,273	227	4,773	--	-
Exercise of Options:					
Cash:					
At $.022 Per Share by Related Parties	909,092	909	19,091	--	-
At $.022 Per Share by Others	1,205,929	1,206	25,325	--	-

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

CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2004

	Common Stock		Additional Paid-In Capital	Deficit Accumulated In The Development Stage	Accumul Other Comprehe Income (
	Shares	Amount			
Additional Paid-In Capital Arising From Investment In Joint Venture Subsidiary by Minority Interest	--	--	51,934	--	
Stock Based Compensation	--	--	222,338	--	
Comprehensive Loss:					
Net Loss	--	--	--	(492,148)	
Equity Adjustment from Foreign Currency Translation	--	--	--	--	(6

Total Comprehensive Loss	--	--	--	--	
	----------	---------	-----------	-----------	------
Balance - July 31, 2002	40,637,865	40,638	21,309,005	(19,720,278)	(7
Common Stock Issued for:					
Cash:					
At $.022 Per Share	250,000	250	5,250	--	
At $.10 Per Share	50,000	50	4,950	--	
At $.12 Per Share	1,250,000	1,250	148,750	--	
At $.14 Per Share	235,714	236	32,764	--	
At $.15 Per Share	1,016,865	1,017	151,513	--	
Exercise of Options:					
Cash:					
At $.022 Per Share by Related Party	922,727	923	19,377	--	
At $.05 Per Share by Related Party	200,000	200	9,800	--	
At $.05 Per Share by Others	100,000	100	4,900	--	
Services:					
At $4.00 Per Share	14,363	13	57,378	--	
Additional Paid-In Capital Arising from Investment In Joint Venture Subsidiary By Minority Interest	--	--	159,919	--	
Stock Based Compensation	--	--	288,623	--	
Comprehensive Loss:					
Net Loss	--	--	--	(1,919,261)	
Equity Adjustment from Foreign Currency Translation	--	--	--	--	60
Total Comprehensive Loss	--	--	--	--	
	----------	---------	-----------	-----------	------
Balance - July 31, 2003	44,677,534	44,677	22,192,229	(21,639,539)	53

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

CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2004

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deficit Accumulated In The Development Stage	Accumul Other Comprehe Income (
Common Stock Issued for:					
Cash:					
At $.05 Per Share	150,000	150	7,350	--	
At $.11 Per Share	245,455	245	26,755	--	
At $.12 Per Share	5,929,565	5,929	705,318	--	
At $.13 Per Share	349,691	350	45,110	--	
At $.14 Per Share	346,284	346	48,133	--	
At $.15 Per Share	368,665	369	54,931	--	
At $.16 Per Share	593,750	594	94,406	--	
At $.17 Per Share	145,000	145	24,505	--	
At $.18 Per Share	55,554	56	9,944	--	
At $.20 Per Share	365,000	365	72,635	--	
At $.23 Per Share	45,439	45	10,405	--	
At $.24 Per Share	74,166	74	17,726	--	
At $.25 Per Share	80,000	80	19,920	--	
Exercise of Options:					
Cash:					
At $.02 Per Share by Related Party	250,000	250	5,250	--	
At $.05 Per Share by Related Party	1,415,000	1,415	69,338	--	
At $.12 Per Share by Related Party	97,826	98	11,152	--	
At $.02 Per Share by Related Party	272,727	273	5,327	--	
At $.05 Per Share by Related Party	300,000	300	14,700	--	
Services:					
At $.12 Per Share	7,500	8	892	--	
Additional Paid-In Capital Arising from Investment In Joint Venture Subsidiary By Minority Interest	--	--	100,156	--	
Stock Based Compensation:					
Related Parties	--	--	314,000	--	
Other	--	--	65,033	--	
Common Stock Issued In Connection with Termination of Joint Venture	2,000,000	2,000	798,000	--	
Comprehensive Loss:					
Net Loss	--	--	--	(2,938,590)	
Equity Adjustment from Foreign Currency Translation	--	--	--	--	(24

Unrealized Gain on Marketable Securities	--	--	--	--	60
Total Comprehensive Loss	--	--	--	--	
Balance - July 31, 2004	57,769,156	$ 57,769	$24,713,215	$(24,578,129)	$ 88

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

CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CASH FLOWS

	For The Year Ended July 31, 2004	For The Year Ended July 31, 2003	For Septe (Ju
Cash Flow From Operating Activities:			
Net Loss	$(2,938,590)	$(1,919,261)	$
Adjustments to Reconcile Net Loss to Net Cash (Used) By Operating Activities:			
Depreciation	--	--	
Gain on Sale of Subsidiary	--	--	
Minority Interest in Net Loss of Subsidiary	(51,220)	(180,625)	
Write-Down of Impaired Mining, Milling and Other Property and Equipment	300,000	--	
Gain on Sale of Property and Equipment	--	--	
Loss on Write-Off of Investment	--	--	
Loss on Joint Venture	800,000	--	
Loss on Write-Off of Minority Interest	150,382	--	
Value of Common Stock Issued for Services	900	57,391	
Stock Based Compensation	379,033	288,623	
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in Prepaid Expenses	1,533	(10,027)	
(Increase) in Other Current Assets	(15,270)	(11,654)	
(Increase) in Security Deposits	--	--	
Increase (Decrease) in Accounts Payable	(43,941)	(51,015)	
(Decrease) in Accrued Expenses	(6,199)	(62,781)	
Net Cash (Used) By Operating Activities	(1,423,372)	(1,889,349)	
Cash Flow From Investing Activities:			
(Increase) Decrease in Other Investments	2,992	(12,882)	
Purchase of Mining, Milling and Other Property and Equipment	--	--	

Proceeds on Sale of Mining, Milling and Other Property and Equipment	--	--
Proceeds From Sale of Subsidiary	--	1,492,131
Expenses of Sale of Subsidiary	--	--
Advance Payments - Joint Venture	--	--
Investment in Joint Venture	--	--
Investment in Privately Held Company	--	--
Net Assets of Business Acquired (Net of Cash)	--	--
Investment in Marketable Securities	--	(50,000)
Net Cash Provided By Investing Activities	2,992	1,429,249

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

CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CASH FLOWS
(Continued)

	For The Year Ended July 31,		For The Peri September 17, (Inception To
	2004	2003	July 31, 20
Cash Flow From Financing Activities:			
(Increase) in Loans Receivable -Affiliate	$ (7,668)	$ (20,180)	$ (27,84
Increase (Decrease) in Loans Receivable - Others	16,300	(3,365)	(2,06
Increase in Loans Payable - Officers	--	--	18,67
Repayment of Loans Payable - Officers	--	--	(18,67
Increase in Note Payable	--	--	11,21
Payments of Note Payable	--	--	(11,21
Proceeds From Issuance of Common Stock	1,253,988	381,330	12,035,59
Commissions on Sale of Common Stock	--	--	(5,25
Expenses of Initial Public Offering	--	--	(408,76
Capital Contributions - Joint Venture Subsidiary	100,156	130,216	304,56
Purchase of Certificate of Deposit - Restricted	--	--	(5,00
(Purchase) Sale of Mining Reclamation Bonds	--	6,600	(30,55
Net Cash Provided By Financing Activities	1,362,776	494,601	11,860,68
Effect of Exchange Rate Changes	19,637	62,476	80,87
Increase (Decrease) In Cash and Cash Equivalents	(37,967)	96,977	208,44
Cash and Cash Equivalents - Beginning	246,410	149,433	-
Cash and Cash Equivalents - Ending	$ 208,443	$ 246,410	$ 208,44

Supplemental Cash Flow Information:			
Cash Paid For Interest	$ --	$ --	-
Cash Paid For Income Taxes	$ 4,095	$ 2,433	$ 32,15
Non-Cash Financing Activities:			
Issuances of Common Stock as Commissions on Sales of Common Stock	$ --	$ --	$ 440,49
Issuance of Common Stock as Payment for Mining, Milling and Other Property and Equipment	$ --	$ --	$ 4,50

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

CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2004

NOTE 1 - Organization and Basis of Presentation

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

On June 29, 2001 the Company exercised an option and purchased from AngloGold North America Inc. and AngloGold (Jerritt Canyon) Corp. 100% of the issued and outstanding stock of Minera Chanate, S.A. de C.V., a subsidiary of those two companies. Minera Chanate's assets consisted of certain exploitation and exploration concessions in the States of Sonora, Chihuahua and Guerrero, Mexico. We sometimes refer to these concessions as the El Chanate Concessions.

Pursuant to the terms of the agreement, on December 15, 2001, the Company made a $50,000 payment to AngloGold. AngloGold will be entitled to receive the remainder of the purchase price by way of an ongoing percentage of net smelter returns of between 2% and 4% plus 10% net profits interest (until the total net profits interest payment received by AngloGold equals $1,000,000). AngloGold's right to a payment of a percentage of net smelter returns and the net profits interest will terminate at such point as they aggregate $18,018,355. In accordance with the agreement, the foregoing payments are not to be construed as royalty payments. Should the Mexican government or other jurisdiction determine that such payments are royalties, we could be subject to and would be responsible for any withholding taxes assessed on such payments.

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

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. However, the Company is a development stage enterprise and since its inception has had no mining revenues and has incurred recurring losses aggregating $24,578,129. These factors raise substantial doubt about the Company's ability to continue as a going concern. As indicated in Note 16, the Company is in the process of raising additional capital and financing. Continuation of the Company is dependent on (1) consummation of financings, (2) achieving sufficiently profitable operations (3) subsequently maintaining adequate financing arrangements and (4) its exiting the development stage. The achievement and/or success of the Company's planned measures, however, cannot be determined at this time. These financial statements do not reflect any adjustments relating to the recoverability and classification of assets carrying amounts and classification of liabilities should the Company be unable to continue as a going concern.

NOTE 2 - Summary of Significant Accounting Policies

Principals of Consolidation

The consolidated financial statements include the accounts of Capital Gold Corporation and its wholly owned and majority owned subsidiaries. The Company accounted for its Mexican joint venture operation through the date of dissolution (see Note 5) as a subsidiary since it controlled the decision making process and it owned 69% of the venture. All significant intercompany accounts and transactions are eliminated in consolidation.

Cash and Cash Equivalents

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

Marketable Securities

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

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

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

Depletion of mining and milling improvements will be computed at cost using the units of production method. Depreciation will be computed using the straight-line method over the estimated useful lives of the related assets.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

In accordance with SFAS 144, "Accounting for the Impairment and Disposal of Long-Lived Assets" the Company reviews its long-lived assets for impairments. Impairment losses on long-lived assets are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses then are measured by comparing the fair value of assets to their carrying amounts. During the year ended July 31, 2002 the Company performed a review of its Colorado mine and mill improvements and determined that an impairment loss should be recognized. Accordingly, at July 31, 2002 the Company reduced by $999,445 the net carrying value of certain assets relating to its Leadville, Colorado facility to $300,000 and further reduced the net carrying value to $0 at July 31, 2004, which approximates management's estimate of fair value.

Fair Value of Financial Instruments

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

Revenue Recognition

Revenues, if any, from the possible sales of minerals will be recognized by the Company only upon receipt of final settlement funds from the purchaser.

Foreign Currency Translation

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

Comprehensive Income (Loss)

Comprehensive income (loss) which is reported on the accompanying consolidated statement of stockholders' equity as a component of accumulated other comprehensive income (loss) consists of accumulated foreign translation gains and losses and net unrealized gains and losses on available-for-sale securities.

Income Taxes

The Company records deferred income taxes using the liability method as prescribed under the provisions of SFAS No. 109. Under the liability method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement and income tax bases of the Company's assets and liabilities. An allowance is recorded, based upon currently available information, when it is more likely than not that any or all of the deferred tax assets will not be realized. The provision for income taxes includes taxes currently payable, if any, plus the net change during the year in deferred tax assets and liabilities recorded by the Company.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Stock-Based Compensation

The Company accounts for stock-based compensation to its employees using the intrinsic value method in accordance with provisions of the Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations which requires the recognition of compensation expense over the vesting period of the option when the exercise price of the stock option granted is less than the fair value of the underlying common stock. Additionally, the Company complies with the disclosure provisions of Statement of Financial Accounting Standards No. 123 "Accounting for Stock Based Compensation" ("SFAS 123") and provides pro forma disclosure of net loss and loss per share as if the fair value method has been applied in measuring compensation expense for stock options granted. Stock-based compensation related to options and warrants granted to non-employees is recognized using the fair value method in accordance with SFAS 123 and Emerging Issues Task Force ("EITF") No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services". Compensation costs are amortized in a manner consistent with Financial Accounting Standards Board Interpretation No. 28 (FIN No. 28), "Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans". The Company uses the Black-Scholes options pricing model to value options, restricted stock grants and warrants granted to nonemployees.

In December 2002, the FASB issued SFAS No. 148, "Accounting for

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

Net Loss Per Common Share

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

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

Concentrations of Credit Risk

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

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Environmental Remediation Costs

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

July 31, 2004.

Recently Issued Accounting Pronouncements

Statement of Financial Accounting Standards ("SFAS") No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", SFAS No. 147, "Acquisitions of Certain Financial Institutions - and Amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9", SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", and SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", were recently issued. SFAS No. 146, 147, 149 and 150 have no current applicability to the Company or their effect on the financial statements would not have been significant.

Reclassifications

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

NOTE 3 - Marketable Securities

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

Marketable equity securities, at cost	$ 50,000
Marketable equity securities, at fair value	$110,000

NOTE 4 - Loans Receivable - Others

Loans receivable - others are short-term non-interest bearing loans made to an individual.

NOTE 5 - Joint Venture

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

Pursuant to the agreement with FG, the venture was to be conducted in five phases. The first two phases entailed continued exploration and evaluation of the mining potential of lots within the concessions.

Pursuant to the agreement, FG has paid us $75,000 to participate in the venture and contributed an additional $75,000 towards the first phase of the venture for which it received a 30% interest in the venture. The balance of the costs for Phase one and the costs for Phase two were to be split equally between the parties.

On April 6 and 8, 2004, effective March 31, 2004, Minera Santa Rita S. de R.L. de C.V. ("MSR"), one of our wholly-owned Mexican affiliates, and FG executed an agreement (the "Termination Agreement") terminating their joint venture agreement (the "JV Agreement") with regard to the El Chanate project in Mexico.

Pursuant to the Termination Agreement, the parties have terminated amicably the JV Agreement and have released each other from all obligations under the JV Agreement. In consideration of FG's contributions to the venture of $457,455, we issued to FG 2,000,000 restricted shares of our common stock valued at $800,000 and MSR issued to FG a participation certificate entitling FG to receive five percent of the MSR's annual dividends, when declared. In connection with the issuance of these 2,000,000 shares, the Company recognized a charge to operations of $800,000. Additionally, the Company has recognized a loss of $150,382 on the write off of the joint venture minority interest. The participation certificate also gives FG the right to participate, but not to vote, in the meetings of MSR's Board of Managers, Technical Committee and Partners. MSR also received a right of first refusal to carry out the works and render construction services required to effectuate the El Chanate project. This right of first refusal is not applicable where a funding source for the project determines that others should render such works or services.

FG has assigned or otherwise transferred to MSR all permits, licenses, consents and authorizations (collectively, "authorizations") for which FG had obtained in its name in connection with the development of the El Chanate project to the extent that the authorizations are assignable. To the extent that the authorizations are not assignable or otherwise transferable, FG has given its consent for the authorizations to be cancelled so that they can be re-issued or re-granted in MSR's name. The foregoing has been accomplished.

NOTE 6 - Sale of Subsidiary Stock

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

During March 2002, prior to the sale of Minera Chanate and pursuant to the FG joint venture agreement (see Note 5), Minera Chanate, in a series of transactions, sold all of its surface land and mining claims to Oro de Altar S. de R.L. de C.V. ("Ora"), another of our wholly-owned subsidiaries. Ora, in turn, leased the foregoing land and mining claims to MSR.

NOTE 7 - Mining Reclamation Bonds

These represent certificates of deposit that have been deposited as security for Mining Reclamation Bonds in Colorado. They bear interest at rates varying from 5.01% to 5.87% annually and mature at various dates in 2005.

NOTE 8 - Mining Concessions

Mining concessions consists of the following:

Mining Concessions	$ 44,780

These exploitation and exploration concessions are carried at historical cost and were acquired in connection with the purchase of the stock of Minera Chanate, S.A. de C.V. (see Note 1).

CAPITAL GOLD CORPORAITON
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2004

NOTE 9 - Loans Receivable - Affiliate

Loans receivable - affiliate consist of expense reimbursements from a publicly-owned corporation in which the Company has an investment. In addition, the Company's president and chairman of the board of directors is an officer and director of that corporation. These loans are non-interest bearing and due on demand (see Note 12).

NOTE 10 - Other Investments

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

NOTE 11 - Other Comprehensive Income (Loss) - Supplemental Non-Cash Investing Activities

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

Balance - July 31, 2002	$ (7,246)
Equity Adjustments from Foreign Currency Translation	60,879
Balance - July 31, 2003	53,633
Equity Adjustments from Foreign Currency Transaction	(24,894)
Unrealized Gains on Marketable Securities	60,000
Balance - July 31, 2004	$ 88,739

NOTE 12 - Related Party Transactions

In August 2002 the Company purchased marketable equity securities of a related company. The Company recorded approximately $12,300 and $18,900 in expense reimbursements including office rent from this entity for the years ended July 31, 2004 and 2003, respectively (see Notes 3 and 9).

NOTE 13 - Stockholders' Equity

Common Stock

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

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

NOTE 13 - Stockholders' Equity (Continued)

Common Stock (Continued)

During the year ended July 31, 2004, the Company issued 10,756,069 shares for gross proceeds of $1,145,888. During the year ended July 31, 2004 the Company issued 2,335,553 shares of common stock upon exercising of stock options with gross proceeds of $108,100.

Stock Options

A summary of stock option activity for the years ended July 31, 2004 and 2003 is as follows:

	Options Outstanding		
	Number of Shares	Price Range Per Share	Weighted Average Exercise Price
Outstanding - July 31, 2002	12,027,370	$ .022-.50	$ .199
Options Granted:			
Related Parties	700,000	.05	.05
Others	1,250,000	.05-.25	.11
Exercised:			
Related Parties	(1,122,727)	.022-.05	.022
Others	(100,000)	.05	.022
Expired	(2,657,727)	.022-.22	.071
Outstanding - July 31, 2003	10,096,916	.022-.50	.11
Options Granted:			
Related Parties	1,500,000	.21	.21
Others	300,000	.12-.21	.15

Exercised:			
Related Parties	(572,727)	.022-.05	.04
Others	(1,762,826)	.022-.12	.05
Expired	(2,672,727)	.022-.05	.03
Outstanding - July 31, 2004	6,888,636	$.022-.21	$ .11

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NOTE 13 - Stockholders' Equity (Continued)

Options to purchase 6,888,636 shares of common stock were exercisable at July 31, 2004 at a weighted average exercise price of $.11 with a weighted average contractual life of .75 years as follows:

Options Outstanding and Exercisable by Price Range as of July 31, 2004 is as follows:

	Options Outstanding			Options Exercisab	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weig Aver Exercis
$ .022	318,182	.63	$.022	318,182	$
.25	200,000	.67	.25	200,000	
.05	4,570,454	.61	.05	4,570,454	
.20	100,000	.50	.20	100,000	
.24	100,000	2.91	.24	100,000	
.21	1,500,000	2.63	.21	1,500,000	
.41	100,000	2.63	.41	100,000	
$.022-.41	6,888,636	.75	$ .11	6,888,636	$

The Company recognized approximately $348,000 and $289,000 of stock-based compensation expense during the years ended July 31, 2004 and 2003 respectively, relating to options granted.

Pro forma information regarding net income and earnings per share is required by Statement 123, and has been determined as if the Company has accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes options pricing model with the following weighted-average assumptions: risk-free interest rate of 3.1%; volatility factor of the expected market price of the Company's common stock of .7-1.0; and a weighted-average expected life of the option of 3 years.

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

Had compensation cost for stock options granted been determined based on the fair value at the grant date consistent with the provisions of SFAS 123, the Company's net loss and net loss per share for the year ended July 31, 2004 would have been $(3,252,590) and $(.06). There would have been no material impact on the net loss and net loss per share for the year ended July 31, 2003.

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

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NOTE 13 - Stockholders' Equity (Continued)

Authorized Common Stock

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

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

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

NOTE 14 - Income Taxes

For income tax purposes, the Company has available net operating loss carryforwards ("NOL") at July 31, 2004 of approximately $12,082,000 to reduce future federal taxable income, if any. The NOL's expire at various dates through 2024. There may be certain limitations as to the future annual use of the NOLs due to certain changes in the Company's ownership.

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

	Year Ended July 31,	
	2004	2003
Computed "expected" tax benefit	$4,107,880	$3,353,517
Decrease in tax benefit resulting from net		

operating loss for which no benefit is currently available	4,107,880	3,353,517
	$ --	$ --

The Company has deferred tax assets of approximately $4,107,880 at July 31, 2004 resulting primarily from net operating loss carryforwards. The deferred tax assets have been fully offset by a valuation allowance resulting from the uncertainty surrounding their future realization. The difference between the federal statutory rate of 34% and the Company's effective tax rate of 0% is due to an increase in the valuation allowance of $754,363 and $190,497 in 2004 and 2003, respectively.

NOTE 15 - Loss on Option

In March 2004 the Company obtained exclusive non-refundable options to purchase an ore crusher and related assets for a total cost of $700,000. The Company paid $50,000 for these options, which ultimately expired. Accordingly, the Company realized a loss of $50,000.

NOTE 16 - Liquidity and Going Concern Uncertainty

The Company is a development stage enterprise with no mining revenues and has incurred recurring losses amounting to $24,578,129 through July 31, 2004. The Company incurred net losses of $2,938,590 and $1,919,261 during the years ended July 31, 2004 and 2003, respectively. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern (see Note 1).

There can be no assurance that sufficient funds required during the next year or thereafter will be generated from operations of that funds will be available from external sources such as debt or equity financings or other potential sources. The lack of additional capital resulting from the inability to generate cash flow from operations or to raise capital from external sources would force the Company to substantially curtail or cease operations and would, therefore, have a material adverse effect on its business. Furthermore, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significant dilutive effect on the Company's existing stockholders.

The accompanying consolidated financial statements do not include any adjustments related to the recoverability or classification of asset carrying amounts or the amounts and classification of liabilities that may result should the Company be able to continue as a going concern.

During the year ended July 31, 2004, the Company has successfully obtained external financing through sales of its stock and exercise of options as well as capital contributions.

The Company has developed a plan to address liquidity and fund a full scale mining operation in Mexico in several ways, namely:

- Continue to raise capital through the sale or exercise of equity securities.

- Obtain outside financing to fund operations.

- Strategic Partner Joint Venturing.

- Other means.

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

NOTE 17 - Commitments and Contingencies

Minera Chanate Option

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

NOTE 17 - Commitments and Contingencies (Continued)

Lease Commitments

The Company occupies office space in New York City under a non cancelable operating lease that commenced on September 1, 2002 and terminates on August 31, 2007. In addition to base rent, the lease calls for payment of utilities and other occupancy costs.

Approximate future minimum payments under this lease are as follows:

Year Ending July 31,	
2005	$ 54,000
2006	55,000
2007	38,000
	$147,000

Rent expense under the office lease in New York City was approximately $57,000 and $56,000 for the years ended July 31, 2004 and 2003, respectively.

Lack of Insurance

The Company currently has no insurance in force at its mining properties and it cannot be certain that it can cover the risks associated with its mining operations or that it will be able to maintain insurance to cover these risks at economically feasible premiums.