LOWE WILLIAM M JR
Form 4/A
February 08, 2019

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
LOWE WILLIAM M JR
(Last) (First) (Middle)
KEMET CORPORATION, KEMET TOWER, ONE EAST BROWARD BLVD., 2ND FLOOR
(Street)
FORT LAUDERDALE, FL 33301
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
KEMET CORP [KEM]

3. Date of Earliest Transaction (Month/Day/Year)
02/06/2019

4. If Amendment, Date Original Filed(Month/Day/Year)
02/07/2019

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock (1)	02/06/2019(1)		G(2)		5,450	D	$ 0	249,882	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LOWE WILLIAM M JR KEMET CORPORATION, KEMET TOWER ONE EAST BROWARD BLVD., 2ND FLOOR FORT LAUDERDALE, FL 33301	X		CEO	

Signatures

/s/ William M. Lowe, Jr.	02/08/2019
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The original Form 4 filed on February 7, 2019 is amended by this Form 4/A solely to correct an administrative error in not reflecting the proper title of CEO and position as a director of the Reporting Person. No other changes have been made in the original Form 4.

(2) The Reporting Person gifted 5,450 shares of Common Stock to an educational institution that is a charitable organization qualified under Section 501(c)(3) of the Internal Revenue Code.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. n="left" valign="bottom" width="1%" style="border-bottom: white;">
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

Explanation of Responses:

-

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

-

Explanation of Responses:

-

-

(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, 2006

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Deficit Accumulated in the Development Stage	Total
Common Stock Issued For:					
Cash:					
At $.30 Per Share	249,330	$ 150	$ 43,489	$ -	$ 43,639
At $.50 Per Share	377,205	377	189,894	-	190,271
Services:					
At $.30 Per Share	500,000	500	149,500	-	150,000
At $.50 Per Share	130,000	130	71,287	-	71,417
At $.50 Per Share					
By Related Party	56,000	156	77,844	-	78,000
At $.70 Per Share	4,743	4	3,316	-	3,320
Exercise of Options For Services:					
At $.50 Per Share	35,000	35	17,465	-	17,500
At $.50 Per Share					
By Related Party	150,000	150	74,850	-	75,000
Net Loss	-	-	-	(665,909)	(665,909)
Balance - July 31, 1994	9,503,918	9,504	4,333,077	(3,319,874)	1,022,707
Common Stock Issued For:					
Cash:					
At $.30 Per Share	150,000	$ 150	$ 49,856	$ -	$ 50,006
At $.40 Per Share	288,200	288	115,215	-	115,503
At $.50 Per Share	269,611	270	132,831	-	133,101
At $.60 Per Share	120,834	121	72,379	-	72,500
At $.70 Per Share	23,000	23	16,077	-	16,100
Services:					
At $.40 Per Share	145,000	145	60,755	-	60,900
At $.50 Per Share	75,000	75	34,925	-	35,000
Exercise of Options For:					
Cash:					
At $.50 Per Share					
By Related Party	350,000	350	174,650	-	175,000
Services:					
At $.50 Per Share	35,000	35	17,465	-	17,500
Commissions Paid	-	-	(1,650)	-	(1,650)

Net Loss	-	-	-	(426,803)	(426,803)
Balance - July 31, 1995	10,960,563	10,961	5,005,580	(3,746,677)	1,269,864

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, 2006

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Deficit Accumulated in the Development Stage	Total
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.

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, 2006

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Deficit Accumulated in the 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					
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.

Explanation of Responses:

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, 2006

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Deficit Accumulated in the 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, 2006

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Deficit Accumulated in the Development Stage	Total
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

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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, 2006

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Deficit Accumulated in the Development Stage	Total
Compensation portion of Cash					
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

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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, 2006

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Deficit Accumulated in the Development 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, 2006

	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Deficit Accumulated in the Development Stage	Accumulated Other Comprehensive Income (Loss)	Total
Compensation Portion:	-	$ -	$ 24,000	$ -	$ -	$ 24,000
Expenses:						
At $.27 Per Share	30,000	30	8,070	-	-	8,100
Services:						
At $0.20 Per Share	33,850	34	6,736	-	-	6,770
At $0.23 Per Share	15,000	15	3,435	-	-	3,450
At $0.11 Per Share	87,272	87	9,513	-	-	9,600
At $0.34 Per Share	50,000	50	16,950	-	-	17,000
Compensation Portion:	-	-	21,777	-	-	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	-	-	36,595
Exercise of Options:						
Cash:						
At $0.02 Per Share By Related Party	225,000	225	4,725	-	-	4,950
At $0.10 Per Share	200,000	200	19,800	-	-	20,000
Expenses:						
At $0.02 Per Share By Related Party	53,270	53	1,120	-	-	1,173
Compensation Portion:	-	-	25,463	-	-	25,463
Commission:						
At $0.02 Per Share	350,000	350	(350)	-	-	-

Compensation Portion:	-	-	132,300	-	-	132,300
Commission:						
At $0.05 Per Share	1,000,000	1,000	(1,000)	-	-	-
Compensation Portion:	-	-	400,000	-	-	400,000
Stock Based Compensation	-	-	7,002,500	-	-	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, 2006

	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Deficit Accumulated in the Development Stage	Accumulated Other Comprehensive Income (Loss)	Total
Comprehensive Loss:						
Net Loss	-	-	-	(9,418,266)	-	(9,418,266)
Equity Adjustment from Foreign Currency Translation	-	-	-	-	(493)	(493)
Total Comprehensive Loss	-	-	-	-	-	(9,418,759)
Balance - July 31, 2001	33,539,597	33,540	20,633,674	(19,228,130)	(493)	1,438,591
Common Stock Issued For:						
Cash:						
At $.022 Per Share	1,400,976	1,401	29,420	-	-	30,821
At $.08 Per Share	250,000	250	19,750	-	-	20,000
At $.10 Per Share	980,000	980	97,020	-	-	98,000
At $.11 Per Share	145,456	145	15,855	-	-	16,000
At $.115 Per Share	478,260	478	54,522	-	-	55,000
At $.12 Per Share	500,000	500	59,500	-	-	60,000
At $.125 Per Share	40,000	40	4,960	-	-	5,000
At $.14 Per Share	44,000	44	6,116	-	-	6,160
At $.15 Per Share	383,667	384	57,166	-	-	57,550
At $.18 Per Share	25,000	25	4,475	-	-	4,500
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	-	-	3,595
Exercise of Options:						

Non Cash:						
At $.022 Per Share by						
Related Party:	227,273	227	4,773	-	-	5,000
Exercise of Options:						
Cash:						
At $.022 Per Share by						
Related Parties	909,092	909	19,091	-	-	20,000
At $.022 Per Share by						
Others	1,205,929	1,206	25,325	-	-	26,531

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, 2006

	Common Stock		Additional Paid-In	Deficit Accumulated in the Development	Accumulated Other Comprehensive Income	
	Shares	Amount	Capital	Stage	(Loss)	Total
Additional Paid-In Capital Arising From Investment In Joint Venture Subsidiary by Minority Interest	-	-	51,934	-	-	51,934
Stock Based Compensation	-	-	222,338	-	-	222,338
Comprehensive Loss:						
Net Loss	-	-	-	(492,148)	-	(492,148)
Equity Adjustment from Foreign Currency Translation	-	-	-	-	(6,753)	(6,753)
Total Comprehensive Loss	-	-	-	-	-	(498,901)
Balance - July 31, 2002	40,637,865	40,638	21,309,005	(19,720,278)	(7,246)	1,622,119
Common Stock Issued for:						
Cash:						
At $.022 Per Share	250,000	250	5,250	-	-	5,500
At $.10 Per Share	50,000	50	4,950	-	-	5,000
At $.12 Per Share	1,250,000	1,250	148,750	-	-	150,000
At $.14 Per Share	235,714	236	32,764	-	-	33,000
At $.15 Per Share	1,016,865	1,017	151,513	-	-	152,530
Exercise of Options:						
Cash:						
At $.022 Per Share by Related Party	922,727	923	19,377	-	-	20,300
At $.05 Per Share by Related Party	200,000	200	9,800	-	-	10,000
At $.05 Per Share by Others	100,000	100	4,900	-	-	5,000

Services:						
At $4.00 Per Share	14,363	13	57,378	-	-	57,391
Additional Paid-In Capital Arising from Investment In Joint Venture Subsidiary By Minority Interest	-	-	159,919	-	-	159,919
Stock Based Compensation	-	-	288,623	-	-	288,623
Comprehensive Loss:						
Net Loss	-	-	-	(1,919,261)	-	(1,919,261)
Equity Adjustment from Foreign Currency Translation	-	-	-	-	60,879	60,879
Total Comprehensive Loss	-	-	-	-	-	(1,858,382)
Balance - July 31, 2003	44,677,534	44,677	22,192,229	(21,639,539)	53,633	651,000

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, 2006

	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Deficit Accumulated in the Development Stage	Accumulated Other Comprehensive Income (Loss)	Total
Common Stock Issued for:						
Cash:						
At $.05 Per Share	150,000	150	7,350	-	-	7,500
At $.11 Per Share	245,455	245	26,755	-	-	27,000
At $.12 Per Share	5,929,565	5,929	705,318	-	-	711,247
At $.13 Per Share	349,691	350	45,110	-	-	45,460
At $.14 Per Share	346,284	346	48,133	-	-	48,479
At $.15 Per Share	368,665	369	54,931	-	-	55,300
At $.16 Per Share	593,750	594	94,406	-	-	95,000
At $.17 Per Share	145,000	145	24,505	-	-	24,650
At $.18 Per Share	55,554	56	9,944	-	-	10,000
At $.20 Per Share	365,000	365	72,635	-	-	73,000
At $.23 Per Share	45,439	45	10,405	-	-	10,450
At $.24 Per Share	74,166	74	17,726	-	-	17,800
At $.25 Per Share	80,000	80	19,920	-	-	20,000
Exercise of Options:						
Cash:						
At $.02 Per Share by Related Party	250,000	250	5,250	-	-	5,500
At $.05 Per Share by Related Party	1,415,000	1,415	69,338	-	-	70,753
At $.12 Per Share by Related Party	97,826	98	11,152	-	-	11,250
At $.02 Per Share by Related Party	272,727	273	5,327	-	-	5,600
At $.05 Per Share by Related Party	300,000	300	14,700	-	-	15,000
Services:						
At $.12 Per Share	7,500	8	892	-	-	900
Additional Paid-In Capital Arising from Investment In Joint Venture Subsidiary By Minority Interest	-	-	100,156	-	-	100,156

Stock Based Compensation:						
Related Parties	-	-	314,000	-	-	314,000
Other	-	-	65,033	-	-	65,033
Common Stock Issued In Connection with Termination of Joint Venture	2,000,000	2,000	798,000	-	-	800,000
Comprehensive Loss:						
Net Loss	-	-	-	(2,938,590)	-	(2,938,590)
Equity Adjustment fromForeign Currency Translation	-	-	-	-	(24,894)	(24,894)
Unrealized Gain on Marketable Securities	-	-	-	-	60,000	60,000
Total Comprehensive Loss	-	-	-	-	-	(2,903,484)
Balance - July 31, 2004	57,769,156	57,769	24,713,215	(24,578,129)	88,739	281,594

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, 2006

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Deficit Accumulated in the Development Stage	Accumulated Other Comprehensive Income (Loss)	Deferred Financing Costs	Total
Common Stock Issued for:							
Cash:							
At $.10 Per Share	175,000	175	17,325	-	-	-	17,500
At $.11 Per Share	381,763	382	41,612	-	-	-	41,994
At $.12 Per Share	2,378,493	2,379	283,042	-	-	-	285,421
At $.13 Per Share	582,307	582	75,118	-	-	-	75,700
At $.14 Per Share	35,714	36	4,964	-	-	-	5,000
At $.15 Per Share	101,333	101	15,099	-	-	-	15,200
At $.20 Per Share	25,000	25	4,975	-	-	-	5,000
At $.25 Per Share	27,200,004	27,200	6,772,801	-	-	-	6,800,001
Shares issued for Cash Through Private PlacementPrivate Placement costs			(637,991)			-	(637,991)
Services:							
At $.11 Per Share	188,173	188	20,511	-	-	-	20,699
At $.12 Per Share	71,334	71	8,489	-	-	-	8,560
Exercise of Options:							
Cash:							
At $.022 Per Share by Related Party	227,273	227	4,773	-	-	-	5,000
At $.05 Per Share by Related Party	400,000	400	19,600	-	-	-	20,000
At $.05 Per Share by Other	250,000	250	12,250	-	-	-	12,500
At $.22 Per Share by Other	250,000	250	54,750	-	-	-	55,000
Services							
At $.12 Per Share by Other	300,000	300	35,700	-	-	-	36,000
Commissions:							
At $.12 Per Share	193,666	194	(194)	-	-	-	-

Non Registration Penalty:							
At $.19 Per Share	5,440,000	5,440	(5,440)	-	-	-	-
Stock Based Compensation			158,584				158,584
Deferred Financing Costs	-	-	252,541	-	-	(252,541)	
Net Loss	-	-	-	(2,005,682)	-	-	(2,005,682)
Equity Adjustment from Foreign Currency Translation	-	-	-	-	28,975	-	28,975
Unrealized Gain on Marketable Securities	-	-	-	-	40,000	-	40,000
Total Comprehensive Loss							(1,936,707)
Balance - July 31, 2005	95,969,216	$ 95,969	$ 31,851,724	$ (26,583,811)	$ 157,714	$ (252,541)	$ 5,269,055

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 STOCKHOLDERS' EQUITY - (Continued)
FOR THE PERIOD SEPTEMBER 17, 1982 (INCEPTION) TO JULY 31, 2006

	Common Stock							
	Shares	Amount	Additional Paid-In-capital	Deficit Accumulated in the Development Stage	Accumulated Other Comprehensive Income/(Loss)	Deferred Financing Costs	Deferred Compensation Costs	Total Stockholder Equity
Balance at July 31, 2005	95,969,216	95,969	31,851,724	(26,583,811)	157,714	(252,541)	-	5,269,055
Change in par value to $0.0001	-	(86,372)	86,372	-	-	-	-	-
Deferred Financing Costs	1,000,000	100	269,900	-	-	(270,000)	-	-
Issuance of common stock upon warrant and option exercises, net	4,825,913	482	741,338	-	-		-	741,820
Issuance of common stock upon warrant and option exercises, net	8,600,000	860	2,372,740	-	-		-	2,373,600
Private placement, net	21,240,000	2,124	4,997,376	-	-		-	4,999,500
Options and warrants issued for services			414,375	-			(52,500)	361,875
Unrealized loss on marketable securities	-	-	-		(60,000)		-	(60,000)
Equity adjustment from foreign currency translation				-	48,779		-	48,779
Net loss for the year	-	-	-	(4,804,692)	-		-	(4,804,692)

ended July 31, 2006								
Balance - July 31, 2006	131,635,129	13,163	40,733,825	(31,388,503)	146,493	(522,541)	(52,500)	8,929,937

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 Years Ended July 31, 2006	2005	For The Period September 17, 1982 (Inception) To July 31, 2006
Cash Flow From Operating Activities:			
Net Loss	$ (4,804,692)	$ (2,005,682)	$ (31,388,503)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:			
Depreciation and Amortization	38,969	7,431	422,696
Gain on Sale of Subsidiary	-	-	(1,907,903)
Minority Interest in Net Loss of Subsidiary	-	-	(286,388)
Write-Down of Impaired Mining, Milling and Other	-		
Property and Equipment	-	-	1,299,445
Loss on Sale of Property and Equipment	201,829	-	155,713
Loss on change in fair value of derivative	581,924		581,924
Loss on Write-Off of Investment	-	-	10,000
Loss on Joint Venture	-	-	901,700
Loss on Write-Off of Minority Interest	-	-	150,382
Value of Common Stock and Warrants Issued for Services	361,875	187,844	12,585,615
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in Prepaid Expenses	(21,082)	(54,299)	(21,082)
(Increase) Decrease in Other Current Assets	(5,243,003)	(10,601)	(5,265,839)
(Increase) in Other Deposits	(170,000)	(80,000)	(268,000)
Decrease in Other Assets	755	-	(42,668)
(Increase) in Security Deposits	-	(1,170)	(9,605)
Increase (Decrease) in Accounts Payable	166,932	39,953	342,184
Increase (Decrease) in Accrued Expenses	165,895	74,703	136,929
Net Cash Used in Operating Activities	(8,720,598)	(1,841,821)	(22,603,400)
Cash Flow From Investing Activities:			
(Increase) in Other Investments	(260)	(11,330)	(21,740)
Purchase of Mining, Milling and Other Property and Equipment	(810,425)	(657,683)	(3,191,282)

Purchase of Concessions	-	(25,324)	(25,324)
Investment in Intangibles	(89)	(18,531)	(18,620)
Proceeds on Sale of Mining, Milling and Other Property and Equipment	192,000	-	275,638
Proceeds From Sale of Subsidiary	-	-	2,131,616
Expenses of Sale of Subsidiary	-	-	(101,159)
Advance Payments - Joint Venture	-	-	98,922
Investment in Joint Venture	-	-	(101,700)
Investment in Privately Held Company	-	-	(10,000)
Net Assets of Business Acquired (Net of Cash)	-	-	(42,130)
Investment in Marketable Securities	-	-	(50,000)

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 CASH FLOWS
(Continued)

	For The Year Ended July 31, 2006	2005	For The Period September 17, 1982 (Inception) To July 31, 2006
Net Cash Used in Investing Activities	(618,774)	(712,868)	(1,055,779)
Cash Flow From Financing Activities:			
Advances to Affiliate	(10,326)	(3,571)	(45,322)
Decrease in Loans Receivable - Others	-	2,065	-
Proceeds of Borrowings - Officers	-	-	18,673
Repayment of Loans Payable - Officers	-	-	(18,673)
Proceeds of Note Payable	-	-	11,218
Payments of Note Payable	-	-	(11,218)
Proceeds From Issuance of Common Stock, Net	8,114,920	6,700,325	26,850,844
Commissions on Sale of Common Stock	-	-	(5,250)
Deferred Finance Costs	(350,777)	(100,000)	(450,777)
Expenses of Initial Public Offering	-	-	(408,763)
Capital Contributions - Joint Venture Subsidiary	-	-	304,564
Purchase of Certificate of Deposit - Restricted	-	-	(5,000)
Purchase of Mining Reclamation Bonds	-	-	(30,550)
Net Cash Provided By Financing Activities	7,753,817	6,598,819	26,209,746
Effect of Exchange Rate Changes	45,506	28,975	190,932
Increase (Decrease) In Cash and Cash Equivalents	(1,540,050)	4,073,105	2,741,498
Cash and Cash Equivalents - Beginning	4,281,548	208,443	-
Cash and Cash Equivalents - Ending	$ 2,741,498	$ 4,281,548	$ 2,741,498
Supplemental Cash Flow Information:			
Cash Paid For Interest	$ -	$ -	$ -
Cash Paid For Income Taxes	$ 15,099	$ -	$ 39,886
Non-Cash Financing Activities:			
Issuances of Common Stock as Commissionson Sales of Common Stock	$ -	$ 23,240	$ 440,495

Issuance of common stock as payment for financing costs	$	270,000	$	-	$	270,000
Issuance of common stock and warrants as payment for Expenses	$	-	$	-	$	192,647
Issuance of Common Stock as Payment for Mining,						
Milling and Other Property and Equipment	$	-	$	-	$	4,500
Exercise of Options as Payment of Accounts Payable	$	-	$	36,000	$	36,000

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

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CAPITAL GOLD CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2006

NOTE 1 - Basis of Presentation

Capital Gold Corporation ("Capital Gold", "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. In November 2005, the Company reincorporated in Delaware. The Company owns rights to property located in the State of Sonora, Mexico and the California Mining District, Lake County, Colorado and is engaged in the exploration for gold and other minerals from its properties in Mexico. 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”). 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 $31,388,503. These factors raise substantial doubt about the Company's ability to continue as a going concern. As indicated in Note 18, while the Company believes that it has sufficient funds to complete the construction of the mine, the Company has no source of income and does not anticipate revenues from its planned mining operations until the second calendar quarter 2007. As a result, it may need additional funding to commence mining operations, cover any potential material cost overruns on the El Chanate project, cover ongoing general and administrative expenses and/or fund exploration. Continuation of the Company is dependent on (1) achieving sufficiently profitable operations (2) subsequently maintaining adequate financing arrangements and (3) 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. Pursuant to the terms and conditions set forth in the Company's credit facility with Standard Bank (see Note 20), Minera Santa Rita, S.A de R.L. de C.V.("MSR") and Oro de Altar S. de R. L. de C.V. ("Oro"), the Company's wholly-owned subsidiaries, have pledged all of its assets as collateral to secure the obligations under the terms of the credit facility. In addition, the Company has pledged all of its shares of MSR and Oro to further secure the obligations under the terms of this credit facility. The Company is also subject to comply with certain financial covenants.

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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, Leadville Mining and Milling Holding Corporation, MSR and Oro. The Company accounted for its Mexican joint venture operation through the date of termination (see Note 7) 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 highly liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents. Cash and cash equivalents include money market funds and short term U.S. treasury bonds.

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 as 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 is computed using the straight-line method over the estimated useful lives of the related assets.

Deferred Financing Costs

Deferred financing costs which were included in other assets and a component of stockholders' equity relate to costs incurred in connection with bank borrowings and will be amortized over the term of the related borrowings.

Intangible Assets

Purchased intangible assets consisting of rights of way and easements are carried at cost less accumulated amortization. Amortization is computed using the straight-line method over the economic lives of the respective assets, generally five years. It is the Company’s policy to assess periodically the carrying amount of its purchased intangible assets to determine if there has been an impairment to their carrying value. Impairments of other intangible assets are determined in accordance with SFAS 144. There was no impairment at July 31, 2006.

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 approximated 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 and accounts payable 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.

Equity Based Compensation

In connection with offers of employment to the Company's executives as well as in consideration for agreements with certain consultants, the Company issues options and warrants to acquire its common stock. Employee and non-employee awards are made in the discretion of the Board of Directors.

Such options and warrants may be exercisable at varying exercise prices currently ranging from $0.02 to $0.41 per share of common stock with certain of these grants becoming exercisable immediately upon grant subject to shareholder approval. Currently, certain grants vest for a period of five months to two years (generally concurrent with service periods for grants to employees/consultants - See Note 22 - Employee and Consulting Agreement). Certain grants contain a provision whereby they become immediately exercisable upon a change of control.

Effective February 1, 2006, the Company adopted the provisions of SFAS No. 123R. Under FAS 123R, share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite service period. The Company adopted the provisions of FAS 123R using a modified prospective application. Under this method, compensation cost is recognized for all share-based payments granted, modified or settled after the date of adoption, as well as for any unvested awards that were granted prior to the date of adoption. Prior periods are not revised for comparative purposes. Because the Company previously adopted only the pro forma disclosure provisions of SFAS 123, it will recognize compensation cost relating to the unvested portion of awards granted prior to the date of adoption, using the same estimate of the grant-date fair value and the same attribution method used to determine the pro forma disclosures under SFAS 123, except that forfeitures rates will be estimated for all options, as required by FAS 123R.

The cumulative effect of applying the forfeiture rates is not material. FAS 123R requires that excess tax benefits related to stock options exercises be reflected as financing cash inflows instead of operating cash inflows.

The fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model. Expected volatility is based on the historical volatility of the price of the Company stock. The risk-free interest rate is based on U.S. Treasury issues with a term equal to the expected life of the option. The Company uses historical data to estimate expected dividend yield, expected life and forfeiture rates. The estimated per share weighted average grant-date fair values of stock options and warrants granted during the years ended July 31, 2006 and 2005, were $0.32 and $0.38, respectively. The fair values of the options granted were estimated based on the following weighted average assumptions:

	Years ended July 31, 2006	2005
Expected volatility	95% - 165%	70% - 100%
Risk-free interest rate	5.95%	3.10%
Expected dividend yield	-	-
Expected life	1 - 2 years	3 years

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Stock option and warrant activity for employees during the years ended July 31, 2005 and 2006 is as follows:

	Number of Options		Weighted Average exercise price	Weighted average remaining contracted term (years)		Aggregate intrinsic value
Outstanding at July 31, 2004	5,588,636	$	.32	-	$	-
Options granted	-		-	-		-
Options exercised	(877,273)		.09	-		-
Options expired	-		-	-		-
Outstanding at July 31, 2005	4,711,363	$	.30	0.30	$	1,277,977
Options granted	4,611,363		.13	-		-
Options exercised	(590,909)		.05	-		-
Options expired	(3,161,363)		.05	-		-
Warrants and options outstanding at July 31, 2006	5,570,454	$	.16	1.17	$	702,250
Warrants and options exercisable at July 31, 2006	4,120,454	$	.10	0.71	$	680,250

Unvested stock option and warrant balances for employees at July 31, 2006 are as follows:

	Number of Options		Weighted Average Exercise price	Weighted average remaining contracted term (years)		Aggregate Intrinsic value
Outstanding at August 1, 2005	-		-	-	$	-
Options granted	150,000	$	.32	1.83		16,500
Unvested Options outstanding at July 31, 2006	150,000	$	.32	1.83	$	16,500

Stock option and warrant activity for non-employees during the years ended July 31, 2005 and 2006 is as follows:

	Number of Options		Weighted Average Exercise price	Weighted average remaining contracted term (years)		Aggregate Intrinsic value
Outstanding at July 31, 2004	1,300,000	$	.31	-	$	-
Options granted	31,452,004		.29	-		-
Options exercised	(550,000)		.09	-		-
Options expired	(300,000)		.23	-		-
Outstanding at July 31, 2005	31,902,004	$	.30	1.13	$	3,430,120
Options granted	6,844,000		.28	-		-
Options exercised	(4,235,004)		.27	-		-
Options expired	(350,000)		.10	-		-
Warrants and options outstanding at July 31, 2006	34,161,000	$	.29	1.33	$	2,540,530
	33,911,000	$	.29	1.31	$	2,539,630

Warrants and options exercisable at July 31, 2006

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Prior to the adoption of FAS 123R, the Company applied the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations including FASB Interpretation No. 44, *Accounting for Certain Transactions involving Stock Compensation an interpretation of APB Opinion No. 25* issued in March 2000 ("FIN 44"), to account for its fixed plan stock options. Under this method, compensation expense was recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, *Accounting for Stock-Based Compensation*, established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure, an amendment of FASB Statement No. 123*. This Statement amended FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation.

The following table illustrates the effect on the net loss and net loss per share as if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock based compensation prior to February 1, 2006:

		Year Ended July 31, 2006
Net loss	$	(4,804,692)
Add stock-based employee compensation expense (recovery) included in reported net income (loss)		-
Deduct total stock-based employee compensation expense determined under fair value based method for all awards, net of tax		(773,263)
Pro forma net loss	$	(5,577,955)
Pro forma net loss per common share (Basic and diluted)	$	(.05)
Weighted average common shares outstanding: Basic and diluted		112,204,471
Net loss per common share basic and diluted	$	(.04)

Reclassifications

Certain items in these financial statements have been reclassified to conform to the current period presentation. These reclassifications had no impact on the Company's results of operations, stockholders' equity (deficit) or cash flows.

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 consist principally of cash and cash equivalents and marketable securities. The Company maintains cash balances at financial institutions which exceed the Federal Deposit Insurance Corporation limit of $100,000 at times during the year.

Accounting for Derivatives and Hedging Activities

The Company entered into two identically structured derivative contracts with Standard Bank in March 2006. Each derivative consisted of a series of forward sales of gold and a purchase gold cap. The Company agreed to sell a total volume of 121,927 ounces of gold forward to Standard Bank at a price of $500 per ounce on a quarterly basis during the period from March 2007 to September 2010. The Company also agreed to a purchase gold cap on a quarterly basis during this same period and at identical volumes covering a total volume of 121,927 ounces of gold at a price of $535 per ounce. Although these contracts are not designated as hedging derivatives, they serve an economic purpose of protecting the company from the effects of a decline in gold prices. Because they are not designated as hedges, however, special hedge accounting does not apply. Derivative results are simply marked to market through earnings, with these effects recorded in *other income* or *other expense*, as appropriate under FASB Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“FAS 133”).

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, 2006.

Recently Issued Accounting Pronouncements

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payment" ("SFAS 123R"). On April 14, 2005, the Securities and Exchange Commission issued an amendment to Rule 4-01 of Regulation S-X that allows companies to implement SFAS 123R at the beginning of their next fiscal year, instead of the next reporting period that begins after June 15, 2005 as originally required. Accordingly, the Company adopted SFAS 123R effective January 1, 2006 using the "modified prospective" method in which compensation cost is recognized beginning with the effective date based on (a) the requirements of SFAS 123R for all share-based payments granted after the effective date and (b) the requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date. In addition, the Company expects to continue to utilize the Black-Scholes option-pricing model, which is an acceptable option valuation model in accordance with SFAS 123R, to estimate the value of stock options granted to employees.

Beyond those restricted stock and stock option awards previously granted, the Company cannot predict with certainty the impact of SFAS 123R on its future consolidated financial statements as the type and amount of such awards are determined on an annual basis and encompass a potentially wide range depending upon the compensation decisions made by the Company's Board of Directors. SFAS 123R also requires the benefits of tax deductions in excess of compensation cost recognized in the financial statements to be reported as a financing cash flow, rather than an operating cash flow as currently required under Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows" ("SFAS 95"). This requirement, to the extent it exists, will decrease net operating cash flows and increase net financing cash flows in periods subsequent to adoption. The Company believes this pronouncement will not have a material impact on its consolidated financial statements.

On March 29, 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB107") which expresses the view of the SEC Staff regarding the interaction of SFAS 123R and certain SEC rules and regulations and provides the staff's views regarding the valuation of share-based payment arrangements. The Company believes that the views provided in SAB 107 are consistent with the approach taken in the valuation and accounting associated with share-based compensation issued in prior periods as well as those issued during 2005.

In June 2005, the FASB's Emerging Issues Task Force ("EITF") issued EITF Issue No. 05-02 "The Meaning of "Conventional Convertible Debt Instrument" in EITF Issue 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, A Company's Own Stock", which retains the exception in paragraph 4 of EITF Issue No. 00-19 for conventional debt instruments. Those instruments in which the holder has an option to convert the instrument into a fixed number of shares (or a corresponding amount of cash at the issuer's discretion) and its ability to exercise the option is based on either (a) the passage of time or (b) a contingent event, should be considered "conventional" for purposes of applying that exception. The consensus should be applied on a prospective basis for new or modified instruments starting from the third quarter of 2005. When there is a modification of a convertible debt instrument, the change in the fair value of an embedded conversion option should be included in the analysis of determining whether a debt extinguishment has occurred. The change in the fair value of the embedded conversion option is calculated as the difference between the fair value of the conversion option immediately prior to and after the modification. Also, when a modification of a convertible debt instrument occurs, the change in the fair value of the embedded conversion prior should be recognized as a discount (or premium) with a corresponding increase (or decrease) in additional paid-in capital. Lastly, a beneficial feature should not be recognized or reassessed upon modification of a convertible debt instrument. The adoption of EITF No. 05-02 is not expected to have a material effect on the Company’s consolidated financial statements or results of operations.

In November 2005, FASB issued FSP FAS 115-1 and FAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("FSP FAS 115-1"), which provides guidance on determining when investments in certain debt and equity securities are considered impaired, whether an impairment is other-than-temporary, and on measuring such impairment loss. FSP FAS 115-1 also includes accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. FSP FAS 115-1 is required to be applied to reporting periods beginning after December 15, 2005. The Company was required to adopt FSP FAS 115-1 in the first quarter of 2006. The adoption of this statement did not have a material impact on the Company's consolidated results of operations or financial condition.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs - An amendment of ARB No. 43, Chapter 4" ("SFAS No. 151"). SFAS No. 151 amends the guidance in Accounting Research Bulletin No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Additionally, SFAS No. 151 requires that the allocation of fixed production overheads to the cost of conversion be based on the normal capacity of the production facilities. SFAS No. 151 was required to be adopted in the first quarter of 2006. The Company determined that the adoption of SFAS No. 151 will not have a material impact on the consolidated financial statements.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153 (SFAS 153"), "Exchanges of Non-monetary Assets-an amendment of APB Opinion No. 29." SFAS 152 addresses the measurement of exchanges of non-monetary assets. It eliminates the exception from fair value measurement for non-monetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29 "Accounting for Non-monetary Transactions" and replaces it with an exception for exchanges that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. As required by SFAS 153, the Company adopted this new accounting standard effective July 1, 2005. The adoption of SFAS 153 did not have a material impact on the Company's financial statements.

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In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, “Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3” (“SFAS 154”). This statement replaces APB opinion No. 20, “Accounting Changes” and FASB Statement No. 3, “Reporting Accounting Changes in Interim Financial Statements” and changes the requirements for the accounting for and reporting of a change in accounting principle. This statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transaction provision. When a pronouncement includes specific transaction provisions, those provisions should be followed. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company will adopt the provisions of SFAS No. 154 for its fiscal year beginning after July 31, 2006. Management currently believes that adoption of the provisions of SFAS No. 154 will not have a material impact on the Company’s consolidated financial statements.

In February 2006, the FASB issued SFAS 155, "Accounting for Certain Hybrid Financial Instruments" ("SFAS No.155") - an amendment of FASB Statements No. 133 and 140. SFAS 155 amends FAS 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No.133"), and SFAS 140 ("SFAS No.140"), "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", to permit fair value re-measurement of any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation. Additionally, FAS 155 seeks to clarify which interest-only strips and principal-only strips are not subject to the requirements of SFAS 133 and to clarify that concentrations of credit risk in the form of subordination are not embedded derivatives. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. Management does not believe the adoption of this standard will have a material impact on the financial condition or the results of operations of the Company.

On July 13, 2006, the Financial Accounting Standards Board issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). The requirements are effective for fiscal years beginning after December 15, 2006. The purpose of FIN 48 is to clarify and set forth consistent rules for accounting for uncertain tax positions in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". The cumulative effect of applying the provisions of this interpretation are required to be reported separately as an adjustment to the opening balance of retained earnings in the year of adoption. Management does not believe the adoption of this standard will have a material impact on the financial condition or the results of operations of the Company.

NOTE 3 - Marketable Securities

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

		July 31, 2006
Marketable equity securities, at cost	$	50,000
Marketable equity securities, at fair value (See Notes 11 & 13)	$	90,000

NOTE 4 - Other Current Assets

Other current assets consist of the following at July 31, 2006:

Cash collateral on project facility (Note 20)	$	4,267,445
Other current assets		216,407
Total Other Current Assets	$	4,483,852

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Explanation of Responses:

NOTE 5 - Property and Equipment

Property and Equipment consist of the following at July 31, 2006:

Construction in progress	$	661,899
Water Well		141,243
Building		116,000
Equipment		75,757
Vehicle		51,385
Improvements		15,797
Office Equipment		12,266
Furniture		1,843
Total	$	1,076,190
Less: accumulated depreciation		(40,218)
Property and equipment, net	$	1,035,972

Depreciation expense for the year ended July 31, 2006 and 2005 was $33,838 and $6,742, respectively.

In March 2006, the Company made a $250,000 down payment to a US supplier to acquire a new crushing system, including conveyors, for use at its El Chanate project. The total price for this equipment is approximately $1,164,000. The Company is required to purchase the equipment by the end of the third quarter of 2006, or the supplier is entitled to retain the down payment. As the Company has adequate funds to purchase this equipment, it anticipates purchasing the equipment within the requisite time period (see Note 24 - “Subsequent Events” for further details).

On May 19, 2006, the Company sold its Equipment Held for Resale and received proceeds, net of commissions, of $192,000. The Company recorded a loss on sale of this equipment of approximately $202,000.

NOTE 6 - Intangible Assets

Intangible assets consist of the following as of July 31, 2006:

Investment in Right of way	$	18,620
Less: accumulated amortization		(4,820)
Intangible assets, net	$	13,800

Amortization expense for the year ending July 31, 2006 and 2005 was $4,131 and $689, respectively.

NOTE 7 - Joint Venture

On February 23, 2002, MSR, one of the Company’s wholly-owned Mexican subsidiaries, entered into a joint venture agreement with Grupo Minero FG S.A. de C.V. (“FG”) to explore, evaluate and develop the El Chanate concessions. 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.

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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.

In April 2004, effective March 31, 2004, MSR, one of the Company’s 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 amicably terminated the JV Agreement and released each other from all obligations under the JV Agreement. In consideration of FG's contributions to the venture of $457,455, the Company issued to FG 2,000,000 restricted shares of its 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 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. (see Note 24 - “Subsequent Events” for details on the Company’s acquisition of its five percent net profits interest from FG.

NOTE 8 - 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, 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 6), Minera Chanate, in a series of transactions, sold all of its surface land and mining claims to Oro, another of the Company’s wholly-owned subsidiaries. Ora, in turn, leased the foregoing land and mining claims to MSR.

NOTE 9 - 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 4.35% to 5.01% annually and mature at various dates through 2010.

NOTE 10 - Mining Concessions

Mining concessions consists of the following:

El Charro	$	25,324

El Chanate		44,780
Total	$	70,104

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The El Chanate exploitation and exploration concessions are carried at historical cost and were acquired in connection with the purchase of the stock of Minera Chanate (see Note 1).

The Company acquired an additional mining concession - El Charro. El Charro lies within the current El Chanate property boundaries. The Company is required to pay 1 1/2% net smelter royalty in connection with the El Charro concession.

NOTE 11 - Loans Receivable - Affiliate

Loans receivable - affiliate consist of expense reimbursements from a publicly-owned corporation in which the Company has an investment. 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 3 & 13).

NOTE 12 - Other Investments

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

NOTE 13 - Other Comprehensive Income(Loss)-Supplemental Non-Cash Investing Activities

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

Balance - July 31, 2004	$	88,739
Equity Adjustments from Foreign Currency Translation		28,975
Unrealized Gains on Marketable Securities		40,000
Balance - July 31, 2005		157,714
Equity Adjustments from Foreign Currency Translation		48,779
Unrealized Gains (loss) on Marketable Securities		(60,000)
Balance - July 31, 2006	$	146,493

NOTE 14 - Related Party Transactions

In August 2002, the Company purchased marketable equity securities of a related company. The Company recorded approximately $10,350 and $9,300 in expense reimbursements including office rent from this entity for the year ended July 31, 2006 and 2005, respectively (see Notes 3 and 11). The Company utilizes a Mexican Corporation 100% owned by two officers/Directors and stockholders of the Company for mining support services. These services include but are not limited to the payment of mining salaries and related costs. The Mexican Corporation bills the Company for these services at cost. Mining expenses charged by the Mexican Corporation and reported on the statement of operations amounted to approximately $122,000 and $24,000 for the year ended July 31, 2006 and 2005, respectively.

During the fiscal years ended July 31, 2006 and 2005, the Company paid its V.P. Development and Director $63,000 and $68,000, respectively, for professional geologist and management services rendered to the Company, plus expenses. This individual also earned wages of $30,000 during the last three months of the fiscal year ended July 31, 2006. During the fiscal years ended July 31, 2006 and 2005, the Company paid its V.P. Exploration and Director consulting fees of $78,500 and $56,900, respectively. In addition, this individual earned wages of $10,000 during the last month of fiscal 2006. During the fiscal year ended July 31, 2006 and 2005, we paid a director legal and consulting fees of $8,000 and $6,625, respectively.

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The Company's V.P. Development and Director has, since 1995, been a Senior Consultant in the Minerals Advisory Group LLC, Tucson, Arizona, an entity that provided $25,000 worth of services to the Company for the fiscal year ended July 31, 2006.

In January 2006, the Company extended the following stock options through January 3, 2007, all of which are exercisable at $0.05 per share: Chief Executive Officer and Director - 1,250,000 shares; Director - 500,000 shares; V.P. Investor Relations and Director - 327,727 shares; V.P. Development and Director - 500,000 shares; and V.P. Mine Development - 25,000 shares. There was not a material increase in the intrinsic value of these options at the date of modification as compared to the intrinsic value of the original issuance of these stock options on the applicable measurement date.

NOTE 15 - 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, 2006, the Company issued 4,825,913 shares of stock upon the exercising of common stock purchase warrants and options for net proceeds of $741,820, including 200,000 and 300,000 shares to its CEO and V.P. Mine Development for net proceeds of $10,000 and $15,000, respectively. The Company has also issued 1,000,000 shares of Common Stock (See Note 20) in connection with receiving a commitment letter from Standard Bank informing the Company of its approval for providing a $12 million (now $12.5 million) senior financing facility.

The Company closed two private placements in 2006 pursuant to which the Company issued an aggregate of 21,240,000 units, each unit consisting of one share of the Company's common stock and a warrant to purchase ¼ of a share of the Company's common stock for net proceeds of $4,999,500, net of commissions of $310,500. The Company also received net proceeds of $2,373,600, net of commissions of $206,430, from the exercising of 8,600,000 warrants in February 2006. The Warrant issued to each purchaser is exercisable for one share of the Company's common stock, at an exercise price equal to $0.30 per share. Each Warrant has a term of eighteen months and is fully exercisable from the date of issuance. The Company issued to the placement agent in one of the placements eighteen month warrants to purchase up to 934,000 shares of the Company's common stock at an exercise price of $0.25 per share. Such placement agent warrants are valued at approximately $189,000 using the Black-Scholes option pricing method.

Recapitalization

On September 22, 2005, The Board of Directors recommended an amendment to the Company's Certificate of Incorporation to increase the Company's authorized shares of capital stock from 150,000,000 to 200,000,000 shares. In addition, the Board of Directors recommended that the Company reincorporate in the State of Delaware. These amendments were approved by the stockholders on November 18, 2005 and the Company effected the reincorporation in Delaware and the authorized share increase on November 21, 2005. In addition, the par value was decreased from $0.001 per share to $0.0001 per share.

Warrant Re-pricing

In December 2005, the Board of Directors ratified the temporary re-pricing of certain warrants that were issued in connection with the February 2005 private placement from $0.30 per share to $0.20 per share exercise price. In addition, warrants issued to the placement agent were also re-priced from $0.25 per share to $0.20 per share exercise price. These re-pricings were in effect for the period November 28, 2005 through January 31, 2006.

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NOTE 16 - Income Taxes

For income tax purposes, the Company has available net operating loss carryforwards ("NOL") as of July 31, 2006 of approximately $15,000,000 to reduce future federal taxable income. If any of the NOL's are not utilized, they will expire at various dates through 2025. 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,			
		2006		2005
Computed "expected" tax benefit	$	5,823,176	$	4,661,620
Decrease in tax benefit resulting from net operating loss for which no benefit is currently available		5,823,176		4,661,620
	$	-	$	-

The Company has deferred tax assets of approximately $5,823,176 at July 31, 2006 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 $1,161,556 and $553,740 in 2006 and 2005, respectively.

NOTE 17 - Loss on Equipment 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 18 - Liquidity and Going Concern Uncertainty

The Company is a development stage enterprise with no mining revenues and has incurred recurring losses amounting to $31,388,503 through July 31, 2006. The Company incurred net losses of $4,804,692 and $2,005,682 during the years ended July 31, 2006 and 2005, respectively. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern (see Note 1).

During the year ended July 31, 2006, the Company has successfully obtained external financing through sales of its stock and exercise of options and, subsequent to the fiscal year end, it closed on a credit facility (see “Note 20 - Project Finance Facility” and Note 24 - ‘Subsequent Events” below). However, as the Company has no source of income and does not anticipate revenues from its planned mining operations until the second calendar quarter 2007, it may need additional funding to commence mining operations, cover any material cost overruns on the El Chanate project, cover ongoing general and administrative expenses and/or fund exploration.

There can be no assurance that sufficient funds, if required during the next year or thereafter, will be generated from operations or that funds will be available from external 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.

The Company has developed a plan to address potential liquidity and funding issues until mining operations in Mexico can support ongoing cash flow needs. Should additional funds be needed, the Company intends to raise such funds through the sale of its securities, the exercising of certain warrants, the sale of a royalty interest in the future production from the Chanate properties and/or joint venturing with one or more strategic partners.

There is no assurance, however, that any of the Company's proposed plans to raise capital and otherwise fund operations, if needed, 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 19 - Commitments and Contingencies

Minera Chanate Option

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

Lease Commitments

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

Approximate future minimum payments under this lease are as follows:

Year Ending July 31,

2007	$	51,000
2008		4,200
	$	55,200

Rent expense under the office lease in New York City was approximately $63,000 and $63,000 for the years ended July 31, 2006 and 2005, respectively.

In June 2006, the Company's Mexican operating subsidiary retained the contracting services of a Mexican subsidiary of M3 Engineering & Technology Corporation ("M3M") to provide EPCM (engineering procurement construction management) services. M3M will supervise the construction and integration of the various components necessary to commence production at the El Chanate Project. The contracted services shall not exceed $1,200,000 and the contract is based on the EPCM services to be provided by the M3. As of July 31, 2006, the Company has incurred approximately $72,000 in services provided.

Land Easement

On May 25, 2005, MSR entered into an agreement for an irrevocable access easement and an irrevocable fluids (electricity, gas, water and others) easement to land located at Altar, Sonora, Mexico. The term of the agreement is 5 years, extendable for 1-year additional terms, upon MSR's request. The agreement would be suspended only by force majeure or Acts of God; and extendable for duration of suspension. In consideration for these easements, $18,000 was paid upon the signing of the agreement and yearly advance payments equal to 2 annualized general minimum wages (365 X 2 general minimum wages) in force in Altar, Sonora, Mexico, are required. These yearly payments are to be made on September 1 of each year, using the minimum wage in effect on that day for the calculation of the amount payable. These payments are to be made for as long as the construction and production mining works and activities of MSR are being carried out, and are to cease as soon as such works and activities are permanently stopped.

El Charro

In May 2005, the Company acquired rights to the El Charro concession for approximately $20,000 and a royalty of 1.5% of net smelter return. The Company acquired the El Charro concession because it is surrounded entirely by the Company’s other concessions.

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, 2006.

NOTE 20 - Project Finance Facility

On February 2, 2005, the Company mandated Standard Bank London Limited as the exclusive arranger of a project finance facility of up to $10 million for the Company’s El Chanate gold mining project and associated hedging. As required by the mandate, the Company issued to Standard Bank 1,000,000 common stock purchase warrants and paid an initial cash fee of $100,000. Such warrants have been valued at approximately $253,000 using the Black-Scholes option pricing model and are reflected as deferred financing costs as a reduction of stockholders' equity on the Company's balance sheet. Such costs will be amortized to operations over the life of the debt and in the event the transaction with Standard Bank is not consummated, such costs will be charged to operations immediately. The initial cash fee of $100,000 is included in Deferred Finance Costs on the Company's balance sheet. Per the Company’s arrangement with Standard Bank, the shares issuable upon exercise of the 1,000,000 common stock purchase warrants have been included in a registration statement filed with the Securities and Exchange Commission covering their public resale.

On November 11, 2005 the Company received a commitment letter from Standard Bank informing it that its credit committee had approved the banks arranging and providing for a senior project financing facility for up to $12 million. Amongst other requirements, the commitment letter requires us to raise additional equity funding, net of expenses, that, along with cash on hand, is adequate to cover all required covenants and completion conditions. In connection with this letter, the Company paid $100,000 and issued 1,000,000 shares of the Company common stock. The Company recorded the $100,000 as deferred financing costs on the Company's balance sheet. Such costs will be amortized to operations over the life of the debt and in the event the transaction with Standard Bank is not consummated, such costs will be charged to operations immediately. The Company recorded the issuance of the 1,000,000 shares of common stock as deferred financing costs of approximately $270,000 as a reduction of stockholders' equity on the Company's balance sheet. The issuance of these shares was recorded at the fair market value of the Company's common stock at the commitment letter date or $0.27 per share. Pursuant to this letter, instead of delivering on the Closing Date of the facility an additional 14,600,000 common stock purchase warrants, as contemplated in the original Mandate, the Company would be required to deliver an additional 1,000,000 shares of common stock and an additional 12,600,000 common stock purchase warrants.

During March 2006, as part of the process with Standard Bank, the Company entered into a gold price protection agreement with Standard Bank plc to protect it against future fluctuations in the price of gold. The Company agreed to a series of gold forward sales and call option purchases in anticipation of entering into a credit agreement with Standard Bank, which will be used to fund part of the cost of development of the Company's El Chanate project. As of July 31, 2006, the Company was continuing to negotiate with Standard Bank on the terms of the credit agreement. Under the price protection agreement, the Company has agreed to sell a total volume of 121,927 ounces of gold forward to Standard Bank at a price of $500 per ounce on a quarterly basis during the period from March 2007 to

September 2010. The Company will also purchase call options from Standard Bank on a quarterly basis during this same period covering a total volume of 121,927 ounces of gold at a price of $535 per ounce. The Company paid a premium to Standard Bank associated with these transactions. In addition, the Company provided cash collateral of approximately $4.3 million to secure the Company's obligations under this agreement and recorded this as an other current asset as of July 31, 2006. The cash collateral will be returned to the Company when the loan agreement is executed and all conditions precedent to funding have been satisfied.

See “Note 23 & 24” for further information on this derivative instrument and progress of the credit agreement with Standard Bank.

NOTE 21 - Mining and Engineering Contracts

In early December 2005, the Company’s wholly-owned Mexican subsidiary, MSR, which holds the rights to develop and mine El Chanate Project, entered into a Mining Contract with a Mexican mining contractor, Sinergia Obras Civiles y Mineras, S.A. de C.V,("Sinergia"). The Mining Contract becomes effective if and when MSR sends the Contractor a formal "Notice of Award".

Pursuant to the Mining Contract, the Contractor, using its own equipment, will generally perform all of the mining work (other than crushing) at the El Chanate Project for the life of the mine. The Mining Contract becomes effective upon delivery by MSR to the Contractor of a formal "Notice to Proceed". Subsequent to delivery of the "Notice to Proceed" and prior to commencement of any work by Sinergia, MSR must pay Sinergia a mobilization payment of $70,000, and must also make an advance payment of $520,000 to Sinergia. This advance payment is recoverable by MSR out of 100% of subsequent payments due to Sinergia under the Mining Contract. Sinergia's mining rates are subject to escalation on an annual basis. This escalation is tied to the percentage escalation in Sinergia's costs for its equipment, interest rates and labor. If the "Notice to Proceed" was not received by Sinergia by June 1, 2006, Sinergia could elect to either terminate the agreement or modify its initial mining rates. MSR is not obligated to proceed with the Mining Contract if those modified rates are unacceptable to MSR. On June 1, 2006, MSR sent a letter to Sinergia requesting a meeting to discuss possible modifications to the Mining Contract and a deferment of the June 1st deadline. See Note 24 “Subsequent Events” for further information.

In June 2006, the Company's Mexican operating subsidiary retained the contracting services of Mexican subsidiary of M3 Engineering & Technology Corporation ("M3M") to provide EPCM (engineering procurement construction management) services. M3M will supervise the construction and integration of the various components necessary to commence production at the El Chanate Project. The contracted services shall not exceed $1,200,000 and the contract is based on the EPCM services to be provided by M3M. As of July 31, 2006, the Company has incurred approximately $72,000 pursuant to this contract.

NOTE 22 - Employee and Consulting Agreements

On March 1, 2006, the Company entered into a consulting agreement with Christopher Chipman pursuant to which the Company has retained Mr. Chipman as its Chief Financial Officer. Pursuant to the Agreement with Mr. Chipman, Mr. Chipman devotes approximately 50% of his time to the Company's business. He receives a monthly fee of $7,500 and he was issued two year options to purchase an aggregate of 50,000 shares of the Company's common stock at an exercise price of $.34 per share. The options will vest at the rate of 10,000 shares per month during the initial period of his engagement. Notwithstanding the foregoing, the options are not exercisable unless and until the issuance of the options is approved by the Company's stockholders. The agreement runs for an initial one year period, and is renewable thereafter for an additional year. The Company can terminate the agreement at any time; however, if the Company terminates the agreement other than for cause (as defined in the agreement), the Company is required to pay Mr. Chipman the fees otherwise due and payable to him through the last day of the then current term of the Agreement or six months from such termination, which ever is shorter. Mr. Chipman can terminate the Agreement on 30 days notice.

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On May 12, 2006, the Company entered into an employment agreement with John Brownlie, pursuant to which Mr. Brownlie serves as Vice President Operations. Mr. Brownlie receives a base annual salary of $150,000 and is entitled to annual bonuses. Upon his employment, he received options to purchase an aggregate of 200,000 shares of the Company’s common stock at an exercise price of $.32 per share. 50,000 options vested immediately and the balance vest upon the Company achieving "Economic Completion" as that term is defined in the loan agreement with Standard Bank plc (when the Company has commenced mining operations and has been operating at anticipated capacity for 60 to 90 days). The term of the options is two years from the date of vesting. The agreement runs for an initial two year period, and automatically renews thereafter for additional one year periods unless terminated by either party within 30 days of a renewal date. The Company can terminate the agreement for cause or upon 30 days notice without cause. Mr. Brownlie can terminate the agreement upon 60 days notice without cause or, if there is a breach of the agreement by the Company that is not timely cured, upon 30 days notice. In the event that the Company terminates him without cause or he terminates due to the Company’s breach, he will be entitled to certain severance payments. The Company utilized the Black-Scholes method to fair value the 200,000 options received by Mr. Brownlie. The Company recorded approximately $70,000 as deferred compensation expense as of the date of the agreement and recorded the vested portion or $17,500 as stock compensation expense for the year ended July 31, 2006.

Effective July 31, 2006, the last day of the Company’s fiscal year, the Company entered into employment agreements with the following executive officers: Gifford A. Dieterle, the Company’s President and Treasurer, Roger A. Newell, the Company’s Vice President of Development, Jack V. Everett, the Company’s Vice President of Exploration, and Jeffrey W. Pritchard, the Company’s Vice President of Investor Relations.

The agreements run for a period of three years and automatically renew for successive one-year periods unless the Company or the executive provides the other party with written notice of the Company’s or his intent not to renew at least 30 days prior to the expiration of the then current employment period.

Mr. Dieterle is entitled to a base annual salary of at least $180,000 and each of the other executives is entitled to a base annual salary of at least $120,000. Each executive is entitled to a bonus or salary increase in the sole discretion of the Company’s board of directors. In addition, each of the executives received two year options to purchase an aggregate of 250,000 shares of the Company’s common stock at an exercise price of $0.32 per share (the closing price on July 31, 2006). The Company utilized the Black-Scholes method to fair value the 1,000,000 options received by the executives as part of these employment agreements. The Company recorded approximately $204,000 as stock compensation expense as of July 31, 2006.

The Company has the right to terminate any executive's employment for cause or on 30 days' prior written notice without cause or in the event of the executive's disability (as defined in the agreements). The agreements automatically terminate upon an executive's death. "Cause" is defined in the agreements as (1) a failure or refusal to perform the services required under the agreement; (2) a material breach by executive of any of the terms of the agreement; or (3) executive's conviction of a crime that either results in imprisonment or involves embezzlement, dishonesty, or activities injurious to the Company or the Company’s reputation. In the event that the Company terminates an executive's employment without cause or due to the disability of the executive, the executive will be entitled to a lump sum severance payment equal to one month's salary, in the case of termination for disability, and up to 12 month's salary (depending upon years of service), in the case of termination without cause.

Each executive has the right to terminate his employment agreement on 60 days' prior written notice or, in the event of a material breach by us of any of the terms of the agreement, upon 30 days' prior written notice. In the event of a claim of material breach by us of the agreement, the executive must specify the breach and the Company’s failure to either (i) cure or diligently commence to cure the breach within the 30 day notice period, or (ii) dispute in good faith the existence of the material breach. In the event that an agreement terminates due to the Company’s breach, the executive is entitled to severance payments in equal monthly installments beginning in the month following the executive's termination equal to three month' salary plus one additional month's salary for each year of service to us. Severance payments cannot exceed 12 month's salary.

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In conjunction with the employment agreements, the Company’s board of directors deeming it essential to the best interests of the Company’s stockholders to foster the continuous engagement of key management personnel and recognizing that, as is the case with many publicly held corporations, a change of control might occur and that such possibility, and the uncertainty and questions which it might raise among management, might result in the departure or distraction of management personnel to the detriment of the company and the Company’s stockholders, determined to reinforce and encourage the continued attention and dedication of members of the Company’s management to their engagement without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the company, the Company entered into identical agreements regarding change in control with the executives. Each of the agreements regarding change in control continues through December 31, 2009 and extends automatically to the third anniversary thereof unless the Company gives notice to the executive prior to the date of such extension that the agreement term will not be extended. Notwithstanding the foregoing, if a change in control occurs during the term of the agreements, the term of the agreements will continue through the second anniversary of the date on which the change in control occurred. Each of the agreements entitles the executive to change of control benefits, as defined in the agreements and summarized below, upon his termination of employment with us during a potential change in control, as defined in the agreements, or after a change in control, as defined in the agreements, when his termination is caused (1) by us for any reason other than permanent disability or cause, as defined in the agreement (2) by the executive for good reason as defined in the agreements or, (3) by the executive for any reason during the 30 day period commencing on the first date which is six months after the date of the change in control. Each executive would receive a lump sum cash payment of three times his base salary and outplacement benefits. Each agreement also provides that the executive is entitled to a payment to make him whole for any federal excise tax imposed on change of control or severance payments received by him.

NOTE 23 - Sales Contracts, Commodity and Financial Instruments

In March 2006, the Company entered into two identically structured derivative contracts with Standard Bank (See Note 20). Each derivative consisted of a series of forward sales of gold and a purchase gold cap. The Company agreed to sell a total volume of 121,927 ounces of gold forward to Standard Bank at a price of $500 per ounce on a quarterly basis during the period from March 2007 to September 2010. The Company also agreed to a purchase gold cap on a quarterly basis during this same period and at identical volumes covering a total volume of 121,927 ounces of gold at a price of $535 per ounce. Under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"), these contracts must be carried on the balance sheet at their fair value, with changes to the fair value of these contracts reflected as Other Income or Expense. These contracts were not designated as hedging derivatives; and therefore, special hedge accounting does not apply.

The first derivative was entered into on March 1, 2006 for a premium of $550,000; and the second was entered into on March 30, 2006 for a premium of $250,000. The gold price rose sharply during the period March 1, 2006 through July 31, 2006 and was the primary reason for the decrease in premium on the derivative contracts. As of July 31, 2006, the carrying value of these derivatives was approximately $218,000. The change in fair value on these derivative contracts was approximately $582,000 for the year ended July 31, 2006, and was recorded as an other expense.

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NOTE 24 - Subsequent Events

On August 14, 2006, the Board of Directors (the "Board") of the Company declared a dividend (the "Dividend") of one Series B common share purchase right (a "Right") for each outstanding share of common stock, par value $.0001 per share. Each Right represents the right to purchase one one-thousandth of Series B Share. The Dividend is payable to holders of record on August 14, 2006. In connection with the Dividend, the Company entered into a Rights Agreement with American Stock Transfer & Trust Company as Rights Agent (the "Rights Agreement"), specifying the terms of the Rights. The Rights will impose a significant penalty upon any person or group that acquires beneficial ownership of 20% or more of the Company's outstanding common stock without the prior approval of the Board. The Rights Agreement provides an exemption for any person who is, as of August 15, 2006, the beneficial owner of 20% or more of the Company's outstanding common stock, so long as such person does not, subject to certain exceptions, acquire additional shares of the Company's common stock after that date. The Rights Agreement will not interfere with any merger or other business combination approved by the Board.

On August 15, 2006, The Company entered into a credit agreement (the "Credit Agreement") involving the Company's wholly-owned subsidiaries MSR and Oro, as borrowers, the Company, as guarantor, and Standard Bank plc ("Standard Bank"), as the lender and the offshore account holder. Under the Credit Agreement, MSR and Oro have agreed to borrow money in an aggregate principal amount of up to US$12.5 million (the "Loan") for the purpose of constructing, developing and operating the Company's El Chanate project (the "Mine"). The Company is guaranteeing the repayment of the loan and the performance of the obligations under the Credit Agreement. The Loan is scheduled to be repaid in fourteen quarterly payments with the first principal payment due after certain Mine start-up production and performance criteria are satisfied, which the Company believes will occur in the first calendar quarter of 2008. The Loan bears interest at LIBOR plus 4.00%, with LIBOR interest periods of 1, 2, 3 or 6 months and with interest payable at the end of the applicable interest period.

The Credit Agreement contains covenants customary for a project financing loan, including but not limited to restrictions (subject to certain exceptions) on incurring additional debt, creating liens on the Company's property, disposing of any assets, merging with other companies and making any investments. The Company is required to meet and maintain certain financial covenants, including (i) a debt service coverage ratio of not less than 1.2 to 1.0, (ii) a projected debt service coverage ratio of not less than 1.2 to 1.0, (iii) a loan life coverage ratio of at least 1.6 to 1.0, (iv) a project life coverage ratio of at least 2.0 to 1.0 and (v) a minimum reserve tail. The Company is also required to maintain a certain minimum level of unrestricted cash, and upon meeting certain Mine start-up production and performance criteria, MSR and Oro will be required to maintain a specified amount of cash as a reserve for debt repayment.

The Loan was secured by all of the tangible and intangible assets and property owned by MSR and Oro pursuant to the terms of a Mortgage Agreement, a Non-Possessory Pledge Agreement, an Account Pledge Agreement and certain other agreements entered into in Mexico (the "Mexican Collateral Documents"). As additional collateral for the Loan, the Company, together with its subsidiary, Leadville Mining & Milling Holding Corporation, pledged all of its ownership interest in MSR and Oro. In addition to these collateral arrangements, MSR and Oro will be required to deposit all proceeds of the Loan and all cash proceeds received from operations and other sources in an offshore, controlled account with Standard Bank. Absent a default under the loan documents, MSR and Oro may use the funds from this account for specific purposes such as approved project costs and operating costs.

As part of the fee for entering into and closing the Credit Agreement, the Company has issued to Standard Bank 1,150,000 shares of the Company's restricted common stock and a warrant for the purchase of 12,600,000 shares of the Company's common stock at an exercise price of $0.317 per share, expiring on the earlier of (a) December 31, 2010 or (b) the date one year after the repayment of the Credit Agreement. Previously, pursuant to the mandate and commitment letter for the facility, The Company issued to Standard Bank 1,000,000 shares of the Company's restricted common stock and a warrant for the purchase of 1,000,000 shares of the Company's common stock at an exercise price of $0.32 per share, expiring on the earlier of (a) December 31, 2010 or (b) the date one year after the repayment of the Credit Agreement. The Company has registered for public resale the 1,000,000 shares and the 1,000,000 shares issuable upon exercise of warrants issued to Standard Bank pursuant to the mandate and commitment letter and the Company has agreed to register for resale the shares and the shares issuable upon exercise of the warrants issued to Standard at the closing of the Credit Agreement.

On August 30, 2006, Standard Bank returned to the Company the $4.3 million held as cash collateral to protect the Company against future fluctuations in the price of gold as part of a gold price protection agreement with Standard Bank plc (See Note 4 & 20).

On September 1, 2006, the Company amended its consulting agreement with its Chief Financial Officer. Pursuant to the agreement, the Company's Chief Financial Officer devotes approximately 50% of his time to our business. He receives a monthly fee of $10,000. The agreement runs for an initial one year period, and is renewable thereafter for an additional year. He can terminate the Agreement on 60 days notice. In conjunction with the amended consulting agreement, the Company entered into a change of control agreement similar to the agreements entered into with other executive officers; except that the Company's CFO agreement renews annually and his benefits are based upon one times his base annual fee.

Subsequently to July 31, 2006, the Company issued purchase orders on material and equipment regarding its El Chanate Project amounting to approximately $5,600,000. As of October 24, 2006, the Company has paid approximately $2,500,000 on these commitments, including an additional down payment of approximately $230,000 on the new crushing system, including conveyors.

On September 13, 2006, the Company repurchased the 5% net profits interest formerly held by Grupo Minera FG ("FG"), and subsequently acquired by Daniel Gutierrez Cibrian, with respect to the operations at the El Chanate mine. That net profits interest had originally been granted to FG in connection with the April 2004 termination of the joint venture agreement between FG and MSR, Capital Gold's wholly owned Mexican subsidiary (See Note 7).

The purchase price for the buyback of the net profits interest was $500,000, and was structured as part of the project costs financed by the recently completed loan agreement with Standard Bank, Plc. (See Note 20). Mr. Gutierrez will retain a 1% net profits interest in MSR, payable only after a total $US 20 million in net profits has been generated from operations at El Chanate.

On October 10, 2006, the Company completed the initial draw down on its credit facility from Standard Bank receiving proceeds of $1,250,000. The Company anticipates using the proceeds for the repurchase of the 5% net profits interest formerly held by FG and to continue the mine development at the El Chanate site.

On October 11, 2006, subsequent to the end of the fiscal year, and prior to the initial draw on its credit facility with Standard Bank, the Company entered into interest rate swap agreements in accordance with the terms of the Credit Facility, which requires that the Company hedge at least 50 percent of its outstanding debt under this facility. The agreements entered into cover $9,375,000 or 75% of the outstanding debt. Both swaps covered this same notional amount of $9,375,000, but over different time horizons. The first covered the six months commencing October 11, 2006 and a termination date of March 31, 2007 and the second covering the period from March 30, 2007 and a termination date of December 31, 2010. The Company intends to use discretion in managing this risk as market conditions vary over time, allowing for the possibility of adjusting the degree of hedge coverage as the Company deems appropriate. However, any use of interest rate derivatives will be restricted to use for risk management purposes.

NOTE 25 - Subsequent Events - Sinergia

On August 2, 2006, the Company amended the November 24, 2005 Mining Contract (See Note 21) between its subsidiary, MSR, and Sinergia. Pursuant to the amendment, MSR's right to deliver the Notice to Proceed to Sinergia is extended to November 1, 2006. Provided that this Notice is delivered to Sinergia on or before that date, with a specified date of commencement of the Work (as defined in the contract) not later than February 1, 2007, the mining rates set forth in the Mining Contract will still apply; subject to adjustment for the rate of inflation between September 23, 2005 and the date of commencement of the work. As consideration for these changes, the Company paid Sinergia $200,000 of the requisite advance payment discussed below. On November 1, 2006, MSR delivered the Notice of Award specifying January 25, 2007 as the date of commencement of Work.

Pursuant to the Mining Contract, Sinergia, using its own equipment, will generally perform all of the mining work (other than crushing) at the El Chanate Project for the life of the mine. Subsequent to delivery of the Notice to Proceed and prior to the commencement of any work by Sinergia, MSR must pay Sinergia a mobilization payment of $70,000, and must also make an advance payment of $520,000 to Sinergia (all of which has already been advanced). The advance payments are recoverable by MSR out of 100% of subsequent payments due to Sinergia under the Mining Contract. Pursuant to the Mining Contract, upon termination, Sinergia would be obligated to repay any portion of the advance payment that had not yet been recouped. Sinergia’s mining rates are subject to escalation on an annual basis. This escalation is tied to the percentage escalation in Sinergia’s costs for various parts for its equipment, interest rates and labor. One of the principals of Sinergia is one of the former principals of FG. FG was our former joint venture partner.

100,479,757 SHARES OF
COMMON STOCK

CAPITAL GOLD CORPORATION

PROSPECTUS

December 5, 2006