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MAGELLAN GOLD Corp

Form 10-K

April 06, 2017

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K**

**ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

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

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

Commission file number 333-174287

**MAGELLAN GOLD CORPORATION**

(Name of Registrant in its Charter)

Nevada	273566922
(State or other jurisdiction of incorporation or organization)	I.R.S. Employer Identification Number

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2010A Harbison Drive # 312, Vacaville, CA 95687  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (707) 884-3766

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

Securities registered under Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

Yes [ ] No [ X ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes [ ] No [ X ]

*Note* – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [ X ] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of

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Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  (Do not check if a smaller reporting company) Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

The aggregate market value of the 12,200,273 shares of voting and non-voting common equity held by non-affiliates of the Company calculated by taking the last sales price of the Company's common stock of \$0.25 on June 30, 2016 was \$3,050,068.25

The number of shares outstanding of the registrant's common stock, as of March 29, 2017 is 65,630,548.

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (*e.g.*, Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes:

None.

## Forward-looking Statements

### In General

This report contains statements that plan for or anticipate the future. In this report, forward-looking statements are generally identified by the words "anticipate," "plan," "believe," "expect," "estimate," and the like.

With respect to our mineral exploration business, these forward-looking statements include, but are not limited to, statements regarding the following:

- \* the risk factors set forth below under "Risk Factors";
- risks and hazards inherent in the mining business (including environmental hazards, industrial accidents, weather
- \* or geologically related conditions);
- uncertainties inherent in our exploratory and developmental activities, including risks relating to permitting and
- \* regulatory delays;
- \* our future business plans and strategies;
- \* our ability to commercially develop our mining interests.;
- \* changes that could result from our future acquisition of new mining properties or businesses;
- \* expectations regarding competition from other companies;
- \* effects of environmental and other governmental regulations;
- \* the worldwide economic downturn and difficult conditions in the global capital and credit markets; and
- \* our ability to raise additional financing necessary to conduct our business.

Forward looking statements may include estimated mineral reserves and resources which could differ materially from those projected in the forward-looking statements. The factors that could cause actual results to differ materially from those projected in the forward-looking statements include:

- \* the risk factors set forth below under “Risk Factors”;
- \* changes in the market prices of precious minerals, including gold; and
- \* uncertainties inherent in the estimation of ore reserves.

Readers are cautioned not to put undue reliance on forward-looking statements. We disclaim any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise.

In light of the significant uncertainties inherent in the forward-looking statements made in this Report, the inclusion of this information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved.

## **PART I**

### **ITEM 1. DESCRIPTION OF BUSINESS**

#### **INTRODUCTION**

##### **About Our Company**

Magellan Gold Corporation (“Magellan”, “the Company”, “our” or “we”) was formed and organized effective September 28, 2010, under the laws of the State of Nevada. We are an exploration stage company and our principal business is the acquisition and exploration of mineral resources in Arizona, California and Nevada. We have not presently determined whether the properties to which we have mining rights contain mineral deposits that are economically recoverable.

We were formed and organized by Athena Silver Corporation (“Athena”), a Delaware corporation, and by John C. Power and John D. Gibbs, two of the control persons and principal shareholders of Athena. Effective September 2010, we issued an aggregate of 33 million shares of common stock to our founders in consideration of \$.0025 per share: 30 million shares were issued to Messrs. Power and Gibbs and 3 million shares were issued to Athena. During 2011, the majority of the shares issued to Athena were distributed, in the nature of a spin-off dividend of such shares, to the shareholders of Athena, as of a Record Date of December 31, 2010, pro rata.

Our initial focus was on two mining leases secured in 2010 to explore 70 unpatented lode claims known as the “Secret Claims” in Washoe County, Nevada and 10 unpatented lode claims known as the “Randall Claims” in Churchill County, Nevada. We did not renew these leases after the Silver District option was signed in August 2012 and it became our flagship project.

In August 2012, we entered into an Option Agreement with Columbus Silver (US) Corporation (“Columbus”) to purchase “The Silver District Claims” consisting of 85 unpatented lode mining claims, 4 patented lode claims, an Arizona State Exploration Permit of 154.66 acres and 23 unpatented mill site claims, totaling over 2,000 acres in La Paz County, Arizona. The underlying claims are subject to third party lease and or purchase obligations and net smelter royalties of varying percentages. In June and July 2013, Magellan staked 9 additional unpatented lode mining claims in the Silver District adjacent to the land package under option from Columbus; the Company currently retains 2 of these original 9 claims.



Effective September 29, 2014, we entered into a Purchase Agreement with Columbus Silver (US) Corporation, a wholly-owned subsidiary of Columbus Exploration Corporation (TSXV:CLX) to purchase the patented and unpatented mining claims that had been covered by the Option Agreement. The Purchase Agreement superseded the Option Agreement and conveyed the Silver District Claims to the Company. In consideration of the Silver District Claims, we made a one-time payment to Columbus in the amount of \$100,000. Following our purchase of the Silver District Claims, we formed a new wholly-owned subsidiary “Gulf + Western Industries, Inc.” (“Gulf + Western”) and transferred our interest in the Silver District Claims to Gulf + Western.

In November 2015 we were granted a new Arizona State Exploration Permit that effectively increases the size of our exploration permit in the Silver District from 154.66 acres to 334.85 acres.

In October 2012 Magellan staked fifty (50) unpatented lode mining claims known as the “Sacramento Mountains Project” totaling approximately 1,000 acres on Federal (BLM) land. In 2015, we renewed 14 of these claims and let the balance of the claims lapse. The Project was located in the northwest corner of the Sacramento Mountains approximately 10 miles WNW of Needles, California. On February 12, 2016,

the White House announced President Obama had designated three national monuments in southern California covering 1.8 million acres of federal lands. Our Sacramento claims are within borders of one of these new monuments. We determined this new designation would have an adverse effect on our ability to explore or develop mineral deposits on our Sacramento Mountains Project and as a result allowed the claims to lapse, thereby terminating the project.

### **Reverse Triangular Merger with Gulf + Western Industries, Inc.**

In June 2015, we assigned shares of Gulf + Western representing 15% of the total outstanding shares of Gulf + Western to W. Pierce Carson, as consideration of his agreeing to serve as President of Gulf + Western. In July 2016, we completed a reverse triangular merger pursuant to which a newly formed merger subsidiary was merged into Gulf + Western, and the 15% equity interest in Gulf + Western owned by Mr. Carson was converted into 8,623,957 shares of Magellan common stock. As a result of the merger, Gulf + Western became a wholly-owned subsidiary of Magellan.

### **Rio Silver, Inc. Option Agreement**

On October 24, 2016, Magellan Gold Corporation (the “Company”) entered into a Mining Option Agreement (the “Option Agreement”) between and among Rio Silver Inc., a Canadian company (“Rio Silver”), Minera Rio Plata S.A.C., a Peruvian company and subsidiary of Rio Silver (“Minera”), and Magellan Gold Peru S.A.C., a Peruvian company and wholly owned subsidiary of the Company (“Magellan Peru”) pursuant to which Rio Silver through Minera, shall grant to the Company the sole and exclusive option to acquire an undivided 50% interest in and to property located in Peru.

Under the terms of the Agreement, the Company Magellan has the right to earn an undivided 50% interest in the Niñobamba Silver/Gold Project in central Peru. To earn its 50% interest, Magellan must spend \$2.0 million in exploration over three years. The Niñobamba project is comprised of four concessions that total 31 square kilometers (7,660 acres). As announced September 12, 2016, three of the concessions were recently acquired from a Peruvian company owned jointly by Newmont Mining Corporation and Southern Peru Copper Corporation. In January 2017, the exploration venture lodged an application for a new 553-hectare concession, bringing its consolidated land package to 36.5 square kilometers (9,027 acres). Title to the new concession is expected to be granted by the Peruvian Ministry during the first half of 2017.

In connection with the Rio Silver transaction, Magellan is obliged to subscribe to two private placement unit financings in Rio Silver, each for aggregate proceeds of Cdn\$75,000. The Company completed the first unit private placement on August 23, 2016. In January 2017 the second unit private placement was completed.

Our primary focus during the next twelve months will be to further explore, and, if warranted and feasible, conduct exploration drilling to further develop the Niñobamba Silver/Gold Project in central Peru and our Silver District Project, subject to available funding.

We have only had limited operations to date and rely upon the sale of our securities and borrowings from significant investors to fund our operations, as we have not generated any revenue.

Our principal executive offices are located at 2010A Harbison Drive # 312, Vacaville, CA 95687. Our telephone number is (707) 884-3766, and our Internet website is [www.magellangoldcorp.com](http://www.magellangoldcorp.com).

## **Conflicts of Interests**

Athena Silver Corporation is a company under common control. Mr. Power is our CFO and director and is also a director and CEO of Athena. Mr. Power and Mr. Gibbs are significant investors in both Magellan and Athena.

Silver Saddle Resources, LLC (“Silver Saddle”) is a private company under common control. Mr. Power and Mr. Gibbs are significant investors and managing members of Silver Saddle.

Magellan, Athena and Silver Saddle are exploration stage companies and each is involved in the business of acquisition and exploration of mineral resources.

The existence of common ownership and common management could result in significantly different operating results or financial position from those that could have resulted had Magellan, Athena and Silver Saddle been autonomous. In addition, the common ownership could result in significant conflicts of interest both in terms of the allocation of working capital as well as under the doctrine of corporate opportunity, inasmuch as all three entities are engaged in mineral exploration in the United States. Messrs. Power and Gibbs have not adopted any policy or guidelines to mitigate the potential adverse effects of their conflicting interests between and among, Magellan, Athena and Silver Saddle.

Investors in Magellan should be cognizant that the interests of Magellan may, in the future, be in conflict with the other activities of Magellan’s control persons.

## **No Proven or Probable Mineral Reserves/Exploration Stage Company**

We are considered an exploration stage company under SEC criteria since we have not demonstrated the existence of proven or probable mineral reserves at any of our properties. In Industry Guide 7, the SEC defines a “reserve” as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Proven or probable mineral reserves are those reserves for which (a) quantity is computed and (b) the sites for inspection, sampling, and measurement are spaced so closely that the geologic character is defined and size, shape and depth of mineral content can be established (proven) or the sites are farther apart or are otherwise less adequately spaced but high enough to assume continuity between observation points (probable). Mineral Reserves cannot be considered proven or probable unless and until they are supported by a feasibility study, indicating that the mineral reserves have had the requisite geologic, technical and economic work performed and are economically and legally extractable.

We have not completed a feasibility study with regard to all or a portion of any of our properties to date. Any mineralized material discovered or extracted by us should not be considered proven or probable mineral reserves. As of December 31, 2016, none of our mineralized material met the definition of proven or probable mineral reserves. We expect to remain an exploration stage company for the foreseeable future, even though we were extracting and processing mineralized material. We will not exit the exploration stage until such time, if ever, that we demonstrate the existence of proven or probable mineral reserves that meet the guidelines under SEC Industry Guide 7.

## **Our Properties**

Our primary focus during the next twelve months, and depending on available resources, will be to acquire, explore, and if warranted and feasible, permit and develop our mineral properties.

We have two material mineral properties, namely the Silver District Project in southwest Arizona and the Niñobamba Silver-Gold Project in south-central Peru. We currently intend to engage in exploration activities on these properties and, if commercially recoverable deposits are found, mineral development activities. To date, we have only begun preliminary exploration work.

The following map illustrates the location of our Silver District Project in the State of Arizona:

#### **SILVER DISTRICT, LA PAZ COUNTY, ARIZONA**

Effective August 28, 2012, Magellan entered into an Option Agreement with Columbus Silver (US) Corporation, a Nevada corporation (“Columbus”), which Option Agreement granted the Company the right to acquire all of Columbus’ interest in its Silver District properties located in La Paz County, Arizona. Magellan paid Columbus an initial \$63,200 on signing the Option and an additional \$50,000 before December 31, 2012. An amendment was signed in August 2013 extending the payments to exercise the option.

During February 2014 and January 2013, we paid the final two payments of \$80,000 and \$30,000, respectively, towards the purchase of the James Blaine-patented claim purchase obligation entered into between Columbus and a

third party. We also paid all of the costs to maintain all of the claims and leases in 2013, 2014, 2015 and 2016.

Effective September 29, 2014, we entered into a Purchase Agreement with Columbus to purchase the patented and unpatented mining claims that had been covered by the Option Agreement. The Purchase Agreement superseded the Option Agreement and conveyed the Silver District Claims to the Company. In consideration of the Silver District Claims, we made a one-time payment to Columbus in the amount of \$100,000. Following our purchase of the Silver District Claims, we formed a new wholly-owned

subsidiary “Gulf + Western Industries, Inc.” (“Gulf + Western”) and transferred our interest in the Silver District Claims to Gulf + Western.

The Silver District project area consists of 87 unpatented lode mining claims, 6 patented lode claims, an Arizona State Exploration Permit of 334.85 acres and 23 unpatented mill site claims, totaling over 2,000 acres. The project is located approximately 80 kilometers (50 miles) north of Yuma in southwest Arizona.

### ***2014 Drilling Program***

In May 2014, we completed the drilling of three holes at our Silver District Project. The three holes were the initial holes of a permitted 12-hole exploratory program on Magellan’s unpatented claims near the Papago and Red Cloud Mines. The drilling program was permitted and bonded with the BLM and State of Arizona. Following the drilling program, our bond with the BLM in the amount of \$21,457 was refunded.

Two of the three holes drilled (core holes PA-01 / 336 total depth & PA-02 / 380 total depth) were designed to test the Papago target, and one hole (RC-01/ 244 total depth) was directed at the Red Cloud target. Our consulting geologist selected 52 samples that were delivered to ALS Labs in Reno, NV for analysis.

The highlights of the assay results include the following:

Excellent comparison of our core hole PA-01 with historic RC hole S242P. Magellan PA-01 intercept of 90 feet grading 6.05 OPT Ag, (including 10 feet of 17.06 OPT Ag), compared very favorably with the historic result of 90 feet grading 5.78 OPT Ag (including 10 feet averaging 14.60 OPT Ag).

Previously unreported significant zinc and lead assays from the mineralization in PA-01 4.71% Zn and 1.56% Pb over 90 feet, including 10 feet averaging 8.35% Zn and 4.02% Pb.

PA-01 intercepted a previously unknown vein structure, about 15 feet wide and approximately 50 feet below the known mineralized structure, that includes 3 feet grading 3.64% Zn, 0.62% Pb and 0.15 OPT Ag. The significance of this occurrence relative to the Papago resource area is unknown.

PA-02 was drilled 250 feet east of PA-01 to test for the down plunge extension of that intercept, but did not encounter any mineralization due to offset by a late fault.

RC-01 was drilled just north of the Red Cloud open pit to intersect the extension of the Red Cloud vein beneath the Red Cloud Fault. Although the vein was known to be partly cut off by that fault, the hole intersected over 10 feet of the footwall of the vein, which has never been mined, including five feet grading 3.2% Pb, 7.47% Zn, 0.6 OPT Ag and Trace Au. The granodiorite in the footwall of the vein was extensively altered with stockwork veins for over 50 feet, containing anomalous levels of Pb, Zn, Ag and Au.



The 2014 drill results will be incorporated into the existing historic drill database for use in planning additional drilling. Geologic evaluation of the entire district continues as Magellan develops additional drill targets in and around the multiple satellite deposits in the Silver District land package.

***2015 Sampling Program***

In 2015 the Company carried out a program of rock chip surface sampling. The samples were collected across seven of fourteen known deposits. Results were successful in validating the occurrence of silver values up to 13.0 ounces per ton and fluorspar values up to 25.7% over significant widths. Silver District

deposits are localized along three major vein systems having a collective strike length of eight miles. Previous shallow drilling that partially tested these vein systems identified mineralized material containing silver and fluorite, with additional barite and lead-zinc mineralization.

The sample results are consistent with historical drilling results. In addition, with respect to any future mining development, ICP 33-element analysis returned low values for environmentally undesirable elements such as mercury, arsenic and uranium.

Following are highlights of sample results:

**Clip (15 ft rock chip across vein):** 13.0 opt Ag; 5.2% Fluorspar (CaF<sub>2</sub>);

6.9% Barite (BaSO<sub>4</sub>)

**Geronimo (12 ft rock chip across vein):** 10.5 opt Ag; 5.7% Fluorspar; 1.5% Pb

**MP (20 ft rock chip across vein):** 5.3 opt Ag

**Red Cloud (30 ft rock chip across vein):** 4.1 opt Ag; 25.7% Fluorspar; 2.1% Zn

**Pacific (20 ft rock chip across vein):** 1.0 opt Ag; 20.9% Fluorspar; 2.2% Pb;

3.8%Zn

For locations of the deposits from which the samples were collected, refer to Magellan's management presentation available on the Company's website, [www.magellangoldcorp.com](http://www.magellangoldcorp.com).

Geochemical analyses were performed by ALS Minerals in Reno, NV and Vancouver, B.C. Silver analysis was by four acid digestion, HCl leach and atomic absorption finish. Fluorine analysis was by Na<sub>2</sub>O<sub>2</sub> fusion, citric acid leach and ion selective electrode. Barium analysis was by fusion XRF. Lead and zinc analyses were by four acid digestion with ICP-AES finish. All samples were analyzed as part of a 33 element package by four acid digestion and ICP-AES finish. Gold analysis was by fire assay with atomic absorption finish.

### ***2016 Exploration Program***

During 2016 we conducted exploration in the vicinity of the Red Cloud Mine, one of two mines in the district that produced significant quantities of silver-lead ores during the ten-year period 1883-1893. Mineralization in the Red

Cloud area is controlled by veins localized along fault structures. The vein targets, which in most places are poorly exposed, occur along a prospective fault zone passing through the Red Cloud Mine. The zone and its possible continuation extends 1,000 meters to the north-northwest of the mine, and to the south-southeast continues for over 800 meters towards the Papago Prospect, where drilling in 2014 returned significant results.

Our exploration program in 2016 consisted of a ground magnetic survey and a geochemical orientation survey. The work had several objectives, including gaining a better understanding of the geology and in particular the locations of major fault structures, testing the usefulness of geochemical techniques for locating buried mineralization, and delineating drill targets.

Zonge International performed a GPS-based 2 kilometer x 1 kilometer ground magnetic survey during May 2016. Ground magnetic/GPS data were acquired on 20 lines oriented N70 degrees East and spaced approximately 100 meters apart, for a total distance of 18 line-kilometers of data acquisition. Total-field magnetic measurements and GPS positions were acquired at 1-second intervals, which corresponds to a down-line station spacing of about 1 meter.

Red Cloud Magnetic Survey Interpretation, Showing Rock Domains, Fault Structures, Mines and Prospects and Exploration Target Zones



The magnetic results suggest there are four main magnetic domains in the survey area: 1) relatively low susceptibility metamorphic and granitic basement rocks that occupy the western edge and southeast corner of the survey; 2) higher susceptibility volcanic rocks that bound the Red Cloud in the central eastern part of the survey; 3) low to very low susceptibility volcanic rocks in the northeast corner of the survey that are essentially “non-magnetic or transparent” and reflect the rocks beneath them (probably older volcanic rocks); 4) high to very high susceptibility rocks in the extreme northwest corner of the survey and possibly in the extreme northeast corner.

Structurally, the Red Cloud Fault and probable extensions is evident for about 800 or more meters both north-northwest and south-southeast of the Red Cloud Mine. To the south-southeast it apparently extends toward Papago and the Pacific Patent. It may be cut off or offset on the north end by a significant east-west fault that also separates the two volcanic units. To the south, the andesitic volcanic rocks (and possibly the southern end of the Red Cloud Fault) are cut off by a northeast trending late fault that is obscured by valley fill sediments. Some northwest and west-northwest textures and breaks within the volcanic units are also highlighted. Structural complexity is evident around the Papago drilling area. Late post-mineral faults that juxtapose rocks of high susceptibility with those of low susceptibility are defined clearly, even at 100-meter line spacing.

In summary, the magnetic survey has helped to define major lithologic domains. It also has been especially useful in showing the location of major faults, some of which served as conduits for mineralization and some of which are post-mineral. Several locations along the major Red Cloud fault where poorly exposed constitute prospective exploration targets.

In May 2016, we performed a geochemical orientation survey over the Red Cloud ore body in an attempt to detect known deep mineralization through overlying barren volcanic rocks. If successful, this technique could be useful in identifying additional ore bodies beneath post-mineral cover. In the Silver District, all the known ore bodies crop out at surface. Exploration for extensions of known ore bodies and potentially blind ore bodies must rely on indirect methods such as geochemistry or geophysics.

Twenty-three soil samples were collected at 15-meter intervals along two parallel lines approximately 100 meters apart in the hanging wall of the Red Cloud Vein. The samples were prepared for analysis by MEG, Inc. of Reno, Nevada. A split of all 23 samples were analyzed for mercury (Hg) by MEG using their proprietary GAS'm method. A second split of all 23 samples was submitted to ALS in Reno for Ionic Leach analysis for a 60-element suite of metals including silver, lead, zinc, molybdenum, gold and mercury, which are the primary and main secondary metals found in Red Cloud ore. Both of these methods measure metal ions that are loosely attached to the surfaces of clay minerals in the soil, having been mobilized from a deep mineralized source, traveled upward through barren overlying rock and been re-deposited on the clay minerals.

The orientation survey produced encouraging results. Samples collected from directly above the known, dipping ore body contain levels of silver, lead, molybdenum, zinc, mercury and gold that are ten to one hundred times background. Mercury analyses from the GAS'm survey agreed with mercury analyses from the Ionic Leach method.

Those samples collected closest to the outcropping vein had the highest values, diminishing with distance by a factor of 10 as the dipping vein passed below the water table at a vertical depth of almost 400 feet. The mobilization process for the metals is only effective above the water table in oxidizing conditions, so this fall-off in values was expected.

The orientation survey demonstrates that primary metals from the Red Cloud ore body can be detected through tens to hundreds of feet of barren overlying material as long as the mineralized source is above the water table. Expanding the sample grid along strike to the north and south is warranted to search for

extensions of the Red Cloud vein and to explore for other deposits. The ALS Ionic Leach process is the best analytical tool for an expanded survey, as it adequately detects the principal metals (including mercury) from the known ore bodies.

Based on the encouraging results obtained from the orientation survey, in January-February 2017 we conducted a program of additional soil sampling and submitted approximately 250 samples to ALS for Ionic Leach analysis.

## **SILVER DISTRICT PATENTED MINING CLAIMS**

RED CLOUD Patented Mining Claim – MS 749; Parcel #301-34-003 La Paz Co. Assessor

(Subject to lease agreement)

JAMES G. BLAINE Patented Mining Claim – MS 1258-A Parcel #301-31-001 La Paz Co. Assessor

BLACK ROCK Patented Mining Claim – MS 291 Parcel #301-34-002 La Paz Co. Assessor

PACIFIC Patented Mining Claim – MS 292 Parcel #301-34-002 La Paz Co. Assessor

SILVER GLANCE Patented Mining Claim – MS 246 Parcel #301-34-001 La Paz Co. Assessor

(Subject to lease agreement; title to be perfected)

MENDIVIL Patented Mining Claim – MS 279 Parcel #301-33-002 La Paz Co. Assessor

(Subject to lease agreement; title to be perfected)

## **ARIZONA STATE EXPLORATION PERMIT**

**ARIZONA STATE EXPLORATION PERMIT #08-118475 - GRANTED December 2, 2015; 334.85 ACRES+/-**

## **SILVER DISTRICT UNPATENTED MINING CLAIMS**

Plata No. 1(3rd am.) AMC# 44189 (subject to lease agreement)

Plata No. 2(2nd am.) AMC# 44190 (subject to lease agreement)

POP #1 (2dAm.) AMC# 43990



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POP #2 (2d Am.)	AMC# 43991
POP #3 (2d Am)	AMC# 43992
POP #4 (2d Am)	AMC# 43993
POP #5 (2d Am)	AMC# 43994
POP #6 (2d Am)	AMC# 43995
POP #7 (2d Am)	AMC# 43996
POP #8 (2d Am)	AMC# 43997
POP #9 (2d Am)	AMC# 43998
POP #10 (2d Am)	AMC# 43999
POP #11 (2d Am)	AMC# 44000
POP #13 (2dAm)	AMC# 44002
POP #14 (2dAm)	AMC# 44003
POP #15 (2dAm)	AMC# 44004
POP #16 (2dAm)	AMC# 44005
POP #17 (Am)	AMC# 44006
POP #19 (Am)	AMC# 44008
POP #21 (Am)	AMC# 44010
POP #22 (Am)	AMC# 44011
POP #24 (2d Am)	AMC# 44013

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POP #25 (2d Am	AMC# 44014
POP #26 (2d Am	AMC# 44015
POP #27 (2d Am	AMC# 44016
POP #28 (2d Am	AMC# 44017
POP #29 (2d Am	AMC# 44018
POP #30 (Am)	AMC# 44019
POP #31 (Am)	AMC# 44020
POP #32 (Am)	AMC# 44021
POP #37 (2d Am)	AMC# 44026
POP #38 (2d Am)	AMC# 44027
POP #43 (Am)	AMC# 44032
POP #50 – POP #51	AMC# 207723-207724
POP #53 – POP #57	AMC# 207725-207729
POP #62	AMC# 207734
RUF #1	AMC # 129269
RUF #2	AMC # 129270
RUF #5	AMC # 129273
RUF #9	AMC # 129277
RUF #10	AMC# 129278
RUF #12	AMC# 129280
RUF #13	AMC# 129281
RUF #14	AMC# 129282
RUF #15	AMC# 129283
RUF #17	AMC# 129285
RUF #18	AMC# 129286
RUF #22	AMC# 129290
RUF #23	AMC# 129291
RUF #24	AMC# 129292
MIL #1	AMC # 129261
MIL #2	AMC# 129262
MIL #3	AMC# 129263
MIL #4	AMC# 129264
MIL #5	AMC# 129265
MIL #6	AMC# 129266
G + W #2	AMC # 129255
G + W #3	AMC # 129256
G + W #4	AMC # 129257
PL-1 – PL-2	AMC # 366944-366945
Arch	AMC # 366937
RU 1 – RU 3	AMC # 366947-366949
CH-1 – CH-6	AMC # 366938-366943

POP 39	AMC # 366946
A-1	AMC # 369924
RIHO	AMC # 369925
MAX 13-26	AMC # 386562-386575
Ruth #1 Amended	AMC # 42216
Ruth #3 Amended	AMC# 44218
Ruth #5 Amended	AMC# 44220
Ruth #7 Amended	AMC# 44222
Plata No. 3 Amended	AMC# 44191
Plata No. 5 Amended	AMC# 44193

Plata No. 6 Amended AMC# 44194  
Plata No.10 Amended AMC# 44195  
Plata No.11 Amended AMC# 44196  
Plata No.12 Amended AMC# 44197  
Plata No.14 AMC# 44199  
Plata No.15 Amended AMC# 44200  
Chuck No.5 AMC# 44208  
Chuck No.7 AMC# 44210  
Chuck No.9 AMC# 44212

STAKED BY MAGELLAN

SD 30 AMC424398

SD 37 AMC424404

Certain of the Silver District Claims are subject to third party lease and/or net smelter royalties of varying percentages.

**Discontinued Mineral Interests**

*Sacramento Mountains Project*

The Sacramento Mountains Project is located approximately 10 miles west-northwest of Needles, California in the northwest corner of the Sacramento Mountains. In October 2012 Magellan staked fifty unpatented lode mining claims (SMF 1-50) on Federal (BLM) land.

In August 2015 we renewed fourteen core claims with the BLM and let the remaining claims lapse. The claims we retained are listed as follows:

<b>BLM Claim Nos.</b>	<b>Claim Names</b>
CAMC 305872 – CAMC – 305881	SMF 2 – 11
CAMC 305888 – CAMC – 305891	SMF 18 – 21

On February 12, 2016, the White House announced President Obama had designated three national monuments in southern California covering 1.8 million acres of federal lands. Our Sacramento claims are within the borders of one of these new monuments. We determined the designation would adversely affect our ability to explore for or develop mineral deposits on our claims and therefore allowed the claims to lapse, thereby terminating our Sacramento Mountains Project.

### **Unpatented Mining Claims: The Mining Law of 1872**

Except for the Arizona State Mineral Lease and patented claims held within the Silver District Claims, our mineral rights consist of leases covering "unpatented" mining claims created and maintained in accordance with the U.S. General Mining Law of 1872, or the "General Mining Law." Unpatented mining claims are unique U.S. property interests, and are generally considered to be subject to greater title risk than other real property interests because the validity of unpatented mining claims is often uncertain. The validity of an unpatented mining claim, in terms of both its location and its maintenance, is dependent on strict compliance with a complex body of federal and state statutory and decisional law that supplement the General Mining Law. Also, unpatented mining claims and related rights, including rights to use the surface, are subject to possible challenges by third parties or contests by the federal government. In addition, there are few public records that definitively control the issues of validity and ownership of unpatented mining claims. We have not filed a patent application for any of our unpatented mining claims

that are located on federal public lands in the United States and, under possible future legislation to change the General Mining Law, patents may be difficult to obtain.

Our exploration, development and mining rights relate to patented and unpatented mining claims covering federal and State lands in Arizona and California. Most of our patented and unpatented claims are located in the Silver District in Arizona.

Location of mining claims under the General Mining Law, is a self-initiation system under which a person physically stakes an unpatented mining claim on public land that is open to location, posts a location notice and monuments the boundaries of the claim in compliance with federal laws and regulations and with state location laws, and files notice of that location in the county records and with the Bureau of Land Management (“BLM”). Mining claims can be located on land as to which the surface was patented into private ownership under the Stockraising Homestead Act of 1916, 43 U.S.C. §299, but the mining claimant cannot injure, damage or destroy the surface owner's permanent improvements and must pay for damage to crops caused by prospecting. Discovery of a valuable mineral deposit, as defined under federal law, is essential to the validity of an unpatented mining claim and is required on each mining claim individually. The location is made as a lode claim for mineral deposits found as veins or rock in place, or as a placer claim for other deposits. While the maximum size and shape of lode claims and placer claims are established by statute, there are no limits on the number of claims one person may locate or own. The General Mining Law also contains provision for acquiring five-acre claims of non-mineral land for mill site purposes. A mining operation typically is comprised of many mining claims.

The holder of a valid unpatented mining claim has possessory title to the land covered thereby, which gives the claimant exclusive possession of the surface for mining purposes and the right to mine and remove minerals from the claim. Legal title to land encompassed by an unpatented mining claim remains in the United States, and the government can contest the validity of a mining claim. The General Mining Law requires the performance of annual assessment work for each claim, and subsequent to enactment of the Federal Land Policy and Management Act of 1976, 43 U.S.C. §1201 et seq., mining claims are invalidated if evidence of assessment work is not timely filed with BLM. However, in 1993 Congress enacted a provision requiring payment of \$140 per year (now \$155 per year) claim maintenance fee in lieu of performing assessment work, subject to an exception for small miners having less than 10 claims. No royalty is paid to the United States with respect to minerals mined and sold from a mining claim. In addition, in Nevada, holders of unpatented mining claims are required to pay the county recorder of the county in which the claim is situated an annual fee of \$10.50 per claim.

The General Mining Law provides a procedure for a qualified claimant to obtain a mineral patent (*i.e.*, fee simple title to the mining claim) under certain conditions. It has become much more difficult in recent years to obtain a patent. Beginning in 1994, Congress imposed a funding moratorium on the processing of mineral patent applications which had not reached a designated stage in the patent process at the time the moratorium went into effect. Additionally, Congress has considered several bills in recent years to repeal the General Mining Law or to amend it to provide for the payment of royalties to the United States and to eliminate or substantially limit the patent provisions of the law.

Mining claims are conveyed by deed, or leased by the claimant to the party seeking to develop the property. Such a deed or lease (or memorandum of it) needs to be recorded in the real property records of the county where the property is located, and evidence of such transfer needs to be filed with BLM. It is not unusual for the grantor or lessor to reserve a royalty, which as to precious metals often is expressed as a percentage of net smelter returns.

## **Patented Mining Claims**

Patented mining claims, such as the ones located in our Silver District Project, are mining claims on federal lands that are held in fee simple by the owner. No maintenance fees or royalties are payable to the BLM; however lease payments and royalties with third parties are applicable on some of these claims.

## **LOCATION, HISTORY AND GEOLOGY OF OUR PROPERTIES**

### **SILVER DISTRICT**

The property covers the heart of the historic Silver District in La Paz County, approximately 80 kilometers (50 miles) north of Yuma in southwest Arizona. This property is currently without known reserves and our proposed program is exploratory in nature.

#### *Location, Access and Composition*

The Silver District is located approximately 50 miles by road north of Yuma, Arizona on the southeast flank of the Trigo Mountains. Access to the property via a 4WD vehicle from Yuma is seasonally good, with 34 miles of paved or well-maintained gravel road and another 14 miles of seasonally maintained unimproved roads to the Red Cloud Mine, in the southwestern corner of the district.

The Silver District Project consists of 87 unpatented lode mining claims, 6 patented lode claims, an Arizona State Exploration Permit of 334.85 acres and 23 unpatented mill site claims, totaling over 2,000 acres in La Paz County, Arizona.

Certain of the underlying claims are subject to third party lease and or purchase obligations and net smelter royalties of varying percentages.

#### *History*



The Silver District was discovered in 1862 and supported small but significant silver-lead production, largely from underground operations at the Red Cloud and Clip (Blaine patented claim) mines, during the ten year period from 1883 to 1893. Recorded production is estimated at 1.56 million ounces silver and 2.33 million pounds lead. There have been occasional small scale development activities since that time and in recent years the area has been a site for collection of high value, specimen wulfenite crystals.

Modern exploration, principally shallow drilling, metallurgical test work and a number of scoping studies to evaluate development of the silver and fluorspar deposits, was carried out intermittently from 1973 through 1992, initially by Gulf + Western Industries (no relation to our recently-formed subsidiary) through its New Jersey Zinc subsidiary, and followed by Orbex Resources and its successor companies, Silver Glance Resources and Silverspar Minerals. A total of 465 holes for an aggregate length of 62,866 feet were drilled during this period. The project has been largely inactive since the early 1990's.

Columbus Silver (US) Corporation acquired the project in 2004 and focused its efforts on re-consolidation of the property position, organization and compilation of technical records and limited field mapping and sampling.

### ***Power and Water***

There are no modern mine developments or equipment on the property. The Red Cloud Mine patented mining claim has a covered shop and full time watchman with living facilities. It also has a water well and a small diesel generator. There is no commercial water or power available at the site and these would have to be developed with any mining development.

### ***Geology***

The Silver District deposits consist of variable silver and lead-zinc mineralization in massive quartz-calcite-fluorspar-barite veins and breccia zones that occur within three major north-northwest trending vein systems having a collective strike length of about eight miles. The veins cut Tertiary volcanic and volcanoclastic rock formations, which overly an older, possibly Pre-Cambrian crystalline to metamorphic basement complex. Potential ore-grade silver (lead-zinc), fluorspar and barite deposits occur as pod-like bodies within all three vein systems. Various historic resource estimates, all pre-dating NI 43-101 reporting standards, have been carried out by past operators in the District.

## **EXPLORATION PLANS**

Subject to available funding, the following outlines our exploration plans for the Silver District.

Past explorers identified a number of outcropping ore bodies (some of which saw production in the late 19th and early 20th centuries) and with shallow drilling defined new and larger deposits to open-pit depths. These known occurrences are the exposed portions of three long, through-going district wide fault trends. Potential for the discovery of additional mineralization is excellent at depth below known ore bodies and along the fault trends between known ore bodies. The best method for making new discoveries is by drilling at depth below known ore bodies. Geology, geophysics and geochemistry could prove useful in defining blind targets in non-outcropping areas. We chose the known mineralization at the historic Red Cloud and Papago mines as our initial exploration targets in the exploration drilling carried out in 2014 and for our exploration program in 2016.

Geological mapping, with rock sampling and assaying, will help guide drilling and geophysical surveying over the next twelve months. Geophysical geochemical test surveys to detect sulfide mineralization below known resources at Red Cloud and Papago, if successful, will be used to delineate drill targets under other historic resources and along the unexplored sections of the major mineralized structures.

Subject to securing the necessary funding, we have budgeted \$500,000 for exploration work over the next 12 to 24 months, comprising \$100,000 for geology, geochemistry and computer modeling, \$50,000 for geophysical orientation surveys, and \$350,000 for diamond drilling and assaying of approximately 6,000 feet of core.

We anticipate the exploration program will be supervised by Douglas R Bowden, a consulting geologist based in Sparks, Nevada. Mr. Bowden has over 35 years of experience in mining exploration in the United States, Canada and Mexico and is a licensed geologist in the State of Utah.

## **SACRAMENTO MOUNTAINS PROJECT**

### *Location, Access and Composition*

The Sacramento Mountains Project was located in the northwest corner of the Sacramento Mountains, approximately 10 miles west-northwest of Needles, San Bernardino County, California.

Magellan controlled 100% unencumbered interest in fourteen unpatented lode mining claims on federal land, totaling approximately 280 acres. Originally, in 2012 we staked fifty claims but in August 2015 renewed only fourteen core claims with the BLM while allowing the remainder of the claims to lapse.

On February 12, 2016, the White House announced President Obama had designated three national monuments in southern California covering 1.8 million acres of federal lands. Our Sacramento claims are within borders of one of these new monuments. We determined this new designation would have an adverse effect on our ability to explore or develop minerals on our Sacramento Mountains Project. In 2016, we let our claims lapse, thereby terminating the Sacramento Mountains Project.

## **NIÑOBAMBA SILVER-GOLD PROJECT**

### ***Location and Access***

This property is currently without known reserves and our proposed program is exploratory in nature.

The Niñobamba property is located 330 km southeast of Lima in the Department of Ayacucho, south-central Peru. Access is via air to Ayacucho, a city of approximately 200,000 inhabitants, and then a 1.5-

hour drive on paved roads to the property. Alternatively, the property can be reached via an eight-hour drive from Lima on paved national highways. A national highway passes close to the northern boundary of the property. From the highway, unimproved roads provide access to the property. Terrain is typical of the high plateaus of Peru, with sparse vegetation and a moderate climate. The property's main land use is for pastoral purposes and the population is small.

The land package includes a large, contiguous property comprising five concessions totaling 36.5 square kilometers (9,027 acres). The Dorita Primera Concession has been controlled by Rio Silver for many years. In September 2016 three additional concessions (Chanca 908, 909, 910) were acquired from a Peruvian company owned jointly 60:40 by Newmont Mining Corporation and Southern Peru Copper Corporation. Consideration for transfer of the concessions included a small cash payment and a 2.0% NSR royalty. In January 2017 application was made for an additional concession (Plata 600), title for which is pending from the Peruvian Ministry.

### ***History***

Early mining in the area is known since colonial times, as early as the 16th century. In more recent times, significant historical exploration work has been conducted on the Niñobamba concessions over many years by Rio Silver and several major companies, including AngloGold, Bear Creek Mining, Newmont Gold and Southern Peru Copper Corp,

This historical work provides the project with an an extensive database comprising geological, geochemical, geophysical and drilling data, as well as numerous gold, silver and combined silver-gold targets in an historic silver mining district with positive infrastructure in mining-friendly Peru.

### ***Power and Water***

There are no mine developments or equipment on the property. Power is available nearby but would have to be upgraded for commercial use. Water is available locally but would need to be developed in larger quantities to support any proposed mining operation.

### ***Geology***

The principal magmatic focus of the Niñobamba concessions and the surrounding mineral district is the Nevado Portuqueza volcanic center, a Pliocene central volcano-collapse caldera complex with associated silver mineralization. Mineralized zones in the district have been dated at 1.94 Ma.

The host rock sequences of epithermal silver-gold mineralization at Niñobamba consists of different lithologies including volcanoclastic sedimentary sequences, and andesitic and dacitic lavas. Alteration and mineralization commonly appears to be related to northeast-trending, subvertical, long extending structures. Volcanic stratigraphy indicates that mineralization is younger than and possibly related to the same magmatic event that produced the late stage emplacement of dacitic dikes. No unequivocal evidence for post-mineralization volcanic activity has been found.

### **EXPLORATION PLANS**

The geologic environment is prospective for high sulfidation, epithermal precious metal deposits, and for high grade vein deposits. We plan to focus first on the areas trenched earlier by Rio Silver. Two subparallel zones of silver-gold and silver mineralization; the “Niñobamba North Zone” and the “Niñobamba South Zone,” exhibit good continuity, substantial widths at surface and strike extents of 400+ meters as shown by the results of 17 trenches completed in 2012. Mineralization demonstrates the potential for an outcropping, bulk-tonnage, and disseminated-silver-gold deposit. Surface trenches were cut perpendicular to the mineralized zones. Highlights of the trench assay results from the Niñobamba North Zone include; 56 meters of 1.03 g/t Au and 98.9 g/t silver in trench TR-01; 21 meters of 121 g/t Ag in trench TR-04; and 108 meters of 62.4 g/t Ag in trench TR-05. Highlights of the trench assay results from the Niñobamba South Zone include: 42 meters of 131 g/t Ag in trench TR-02; 29 meters of 119.3 g/t Ag in TR-03; and 23 meters of 92.1 g/t Ag in TR-11. All trench samples were rock-saw cut channel samples.

As part of the Option Agreement, Magellan committed to conduct a 700-meter diamond drilling program in 2017 to further test the Niñobamba North and South Zones. The goal of the drilling program will be to progressively outline a silver-gold resource in these target areas.



With the recent property additions, there are potential strike extensions to the southwest of the Niñobamba North and South Zones. Additionally, there are numerous untested or only partially tested new targets to the west on the newly added concessions that previously were the focus of gold and copper exploration programs by Newmont Gold and Southern Peru Copper Corp. We have initiated a compilation of the extensive database now available. The extent and timing of further exploration in 2017 will be determined once all compiled materials have been reviewed. To help guide exploration, the parties have formed a technical committee comprising representatives from both Magellan and Rio Silver.

Magellan has established its Peruvian subsidiary, and as Operator of the program, will rely upon the 20+ years of Peruvian exploration experience of the Rio Silver geological team.

## OUR EXPLORATION PROCESS

Our exploration program is designed to acquire, explore and evaluate exploration properties in an economically efficient manner. We have not at this time identified or delineated any mineral reserves on any of our properties.

Our current focus is primarily on the exploration of our Silver District (Arizona) and our Niñobamba Silver-Gold Project (Peru). We plan to develop a formal sample collection and analysis process in due course; this process will include appropriate quality assurance and quality control procedures.

Subject to our ability to raise the necessary funds, we may acquire additional exploration properties near our existing properties or elsewhere and implement exploration programs that may cover these future properties.

We expect our exploration work on a given property to proceed generally in three phases. Decisions about proceeding to each successive phase will take into consideration the completion of the previous phases and our analysis of the results of those phases.

The first phase is intended to determine whether a prospect warrants further exploration and involves:

researching the available geologic literature;

interviewing geologists, mining engineers and others familiar with the prospect sites;

conducting geologic mapping, geophysical testing and geochemical testing;

examining any existing workings, such as trenches, prospect pits, shafts or tunnels;

digging trenches that allow for an examination of surface vein structures as well as for efficient reclamation, re-contouring and re-seeding of disturbed areas; and,

analyzing samples for minerals that are known to have occurred in the test area.

Subject to obtaining the necessary permits in a timely manner, the first phase can typically be completed on an individual property in several months at a cost of less than \$200,000.

The second phase is intended to identify any mineral deposits of potential economic importance and would involve:

- examining underground characteristics of mineralization that were previously identified;
- conducting more detailed geologic mapping;
- conducting more advanced geochemical and geophysical surveys;
- conducting more extensive trenching; and
- conducting exploratory drilling.

Subject to obtaining the necessary permits in a timely manner, the second phase can typically be completed on an individual property in nine to twelve months at a cost of less than \$1 million. Our Silver District Project has reached the second phase.

The third phase is intended to precisely define depth, width, length, tonnage and value per ton of any deposit that has been identified and would involve:

- drilling to develop the mining site;
- conducting metallurgical testing; and

obtaining other pertinent technical information required to define an ore reserve and complete a feasibility study.

Depending upon the nature of the particular deposit, the third phase on any one property could take one to five years or more and cost well in excess of \$1 million. None of our properties has reached the third phase.

We intend to explore and develop our properties ourselves, although our plans could change depending on the terms and availability of financing and the terms or merits of any joint venture proposals.

## **PLAN OF EXPLORATION**

We intend to conduct further exploration on our Silver District (Arizona) and Niñobamba Silver-Gold Project (Peru) during 2017 in the manner previously described. Our 2017 plan of exploration is contingent upon securing additional loans or equity funding. We anticipate exploration expenditures in 2017 could fall in the range \$800,000 to \$1,000,000.

## **GOLD AND SILVER PRICES**

Our operating results are substantially dependent upon the world market prices of gold and silver. We have no control over gold or silver prices, which can fluctuate widely. The volatility of such prices is illustrated by the following graphs, which respectively set forth the prices of gold and silver per ounce (as reported by [www.kitco.com](http://www.kitco.com)) during the periods indicated:

These historical prices are not indicative of future gold or silver prices.

## **MARKETING**

All of our mining operations, if successful, will produce precious metals in doré form or a concentrate that contains precious metals.

We plan to refine and market our precious metals doré and concentrates using a geographically diverse group of third party smelters and refiners. The loss of any one smelter or refiner may have a material adverse effect if alternate smelters and refiners are not available. We believe there is sufficient global capacity available to address the loss of any one smelter or refiner.

## **HEDGING ACTIVITIES**

Our strategy is to provide shareholders with leverage to changes in gold and silver prices by selling precious metals production at market prices. We may sell precious metals from our future mines, if any, both pursuant to forward contracts and at spot prices prevailing at the time of sale. We may also enter into derivative contracts to protect the selling price for certain anticipated gold and silver production and to manage risks associated with commodities and foreign currencies.

## **GOVERNMENT REGULATION**

### **General**

Our activities are and will be subject to extensive federal, state and local laws governing the protection of the environment, prospecting, mine development, production, taxes, labor standards, occupational health, mine safety, toxic substances and other matters. The costs associated with compliance with such regulatory requirements are substantial and possible future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development and continued operation of our properties, the extent of which cannot be predicted. In the context of environmental permitting, including the approval of reclamation plans, we must comply with known standards and regulations which may entail significant costs and delays. Although we are committed to environmental responsibility and believe we are in substantial compliance with applicable laws and regulations, amendments to current laws and regulations, more stringent implementation of these laws and regulations through judicial review or administrative action or the adoption of new laws could have a materially adverse effect upon our results of operations.

### **Federal Environmental Laws**

Certain mining wastes from extraction and beneficiation of ores are currently exempt from the extensive set of Environmental Protection Agency ("EPA") regulations governing hazardous waste, although such wastes may be subject to regulation under state law as a solid or hazardous waste. The EPA has worked on a program to regulate these mining wastes pursuant to its solid waste management authority under the Resource Conservation and Recovery Act ("RCRA"). Certain ore processing and other wastes are currently regulated as hazardous wastes by the EPA under RCRA. If our future mine wastes, if any, were treated as hazardous waste or such wastes resulted in operations being designated as a "Superfund" site under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or "Superfund") for cleanup, material expenditures would be required for the construction of additional waste disposal facilities or for other remediation expenditures. Under CERCLA, any present owner or operator of a Superfund site or an owner or operator at the time of its contamination generally may be held liable and may be forced to undertake remedial cleanup action or to pay for the government's cleanup efforts. Such owner or operator may also be liable to governmental entities for the cost of damages to natural resources, which may be substantial. Additional regulations or requirements may also be imposed upon our future tailings and waste disposal, if any, in Nevada under

the Federal Clean Water Act (“CWA”) and state law counterparts. We have reviewed and considered current federal legislation relating to climate change and we do not believe it to have a material effect on our operations. Additional regulation or requirements under any of these laws and regulations could have a materially adverse effect upon our results of operations.



## **EMPLOYEES AND CONSULTANTS**

Effective June 1, 2016, we entered into an Employment Agreement with Dr. Pierce Carson and engaged his services as President and CEO of Magellan for an initial term of one year. Under the terms of the Employment Agreement, Mr. Carson is entitled to a salary of \$6,667 per month for the first three months, and \$10,000 per month for the following nine months. If the Company is unable to pay the salary, the Company has the right to satisfy its obligation with shares of common stock. Through the date of this Report, the Company has not paid any compensation under the Employment Agreement.

Our CFO is a part-time employee, Mr. Power, who devotes approximately 25% of his time and attention to our business. We have agreed to pay Mr. Power \$2,500 per month for his services.

We rely heavily on the services of our consulting geologist and other technical consultants.

## **ITEM 1A – RISK FACTORS.**

*An investment in our securities is speculative and involves a high degree of risk. Please carefully consider the following risk factors, as well as the possibility of the loss of your entire investment, before deciding to invest in our securities.*

### ***Risks Related to our Business***

**Due to our history of operating losses our auditors are uncertain that we will be able to continue as a going concern.**

Our financial statements have been prepared assuming that we will continue as a going concern. Due to our continuing operating losses and negative cash flows from our operations, the reports of our auditors issued in connection with our financial statements for the fiscal years ended December 31, 2016 and 2015, contain explanatory paragraphs indicating that the foregoing matters raised substantial doubt about our ability to continue as a going concern. We cannot provide any assurance that we will be able to continue as a going concern.

**We have no history of or experience in mineral production.**

We have no history of or experience in producing gold or other metals. In addition, our management lacks technical training and experience with exploring for, starting and/or operating a mine. With no direct training or experience in these areas, our management may not be fully aware of many of the specific requirements related to working within this industry. Their decisions and choices may not take into account standard engineering or managerial approaches mineral exploration companies commonly use. Our operations, earnings and ultimate financial success could suffer due to our management's lack of experience in this industry. As a result, we would be subject to all of the risks associated with establishing a new mining operation and business enterprise. We may never successfully establish mining operations, and any such operations may not achieve profitability.

**Our principal shareholders and control persons are also principal shareholders and control persons of Athena and Silver Saddle, which could result in conflicts with the interests of minority stockholders.**

Messrs. Gibbs and Power are control persons and principal shareholders of Magellan, Athena and Silver Saddle. Magellan, Athena and Silver Saddle are engaged in mineral exploration activities, although in different geographical regions. While the geographical focus of the companies is different, numerous

conflicts could arise in the future. For example, Messrs. Gibbs and Power have provided the majority of working capital for all three companies to date, and in the likely event that these companies require additional capital in the future their resources may be inadequate to finance the activities of all. In addition, if new prospects become available, a conflict may exist with respect to which company to offer those opportunities. Messrs. Gibbs and Power have not developed a conflict of interest policy to mitigate the potential adverse effects of these conflicts and as a result these conflicts represent a significant risk to the shareholders of the Company. Conflicts for access to limited resources and opportunities cannot be eliminated completely, and investors should be aware of their potential.

**We have no proven or probable reserves.**

We are currently in the exploration stage and have no proven or probable reserves, as those terms are defined by the Securities and Exchange Commission (“SEC”) on any of our properties.

In order to demonstrate the existence of proven or probable reserves under SEC guidelines, it would be necessary for us to advance the exploration of our Properties by significant additional delineation drilling to demonstrate the existence of sufficient mineralized material with satisfactory continuity which would provide the basis for a feasibility study which would demonstrate with reasonable certainty that the mineralized material can be economically extracted and produced. We do not have sufficient data to support a feasibility study with regard to the Properties, and in order to perform the drill work to support such feasibility study, we must obtain the necessary permits and funds to continue our exploration efforts. It is possible that, even after we have obtained sufficient geologic data to support a feasibility study on the Properties, such study will conclude that none of the identified mineral deposits can be economically and legally extracted or produced. If we cannot adequately confirm or discover any mineral reserves of precious metals on the Properties, we may not be able to generate any revenues. Even if we discover mineral reserves on the Properties in the future that can be economically developed, the initial capital costs associated with development and production of any reserves found is such that we might not be profitable for a significant time after the initiation of any development or production. The commercial viability of a mineral deposit once discovered is dependent on a number of factors beyond our control, including particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as metal prices. In addition, development of a project as significant as the ones we might be planning will likely require significant debt financing, the terms of which could contribute to a delay of profitability.

**The exploration of mineral properties is highly speculative in nature, involves substantial expenditures and is frequently non-productive.**

Mineral exploration is highly speculative in nature and is frequently non-productive. Substantial expenditures are required to:

- establish ore reserves through drilling and metallurgical and other testing techniques;
- determine metal content and metallurgical recovery processes to extract metal from the ore; and,

- design mining and processing facilities.

If we discover ore at the Properties, we expect that it would be several additional years from the initial phases of exploration until production is possible. During this time, the economic feasibility of production could change. As a result of these uncertainties, there can be no assurance that our exploration programs will result in proven and probable reserves in sufficient quantities to justify commercial operations.

**Even if our exploration efforts at the Properties are successful, we may not be able to raise the funds necessary to develop the Properties.**

If our exploration efforts at the Properties are successful, our current estimates indicate that we may be required to raise \$50 million or more in external financing to develop and construct the mines. Sources of external financing could include bank borrowings and debt and equity offerings, but financing has become significantly more difficult to obtain in the current market environment. The failure to obtain financing would have a material adverse effect on our growth strategy and our results of operations and financial condition. We currently have no specific plan to obtain the necessary funding and there exist no agreements, commitments or arrangements to provide us with the financing that we may need. There can be no assurance that we will commence production at any of our Properties or generate sufficient revenues to meet our obligations as they become due or obtain necessary financing on acceptable terms, if at all, and we may not be able to secure the financing necessary to begin or sustain production at the Properties. Our failure to raise needed funding could also result in our inability to meet our future royalty and work commitments under our mineral leases, which could result in a forfeiture of our mineral interest altogether and a default under other financial commitments. In addition, should we incur significant losses in future periods, we may be unable to continue as a going concern, and we may not be able to realize our assets and settle our liabilities in the normal course of business at amounts reflected in our financial statements included or incorporated herein by reference.

**We may not be able to obtain permits required for development of the Properties.**

In the ordinary course of business, mining companies are required to seek governmental permits for expansion of existing operations or for the commencement of new operations. We will be required to obtain numerous permits for our Properties. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and often involving public hearings and costly undertakings. Our efforts to develop the Properties may also be opposed by environmental groups. In addition, mining projects require the evaluation of environmental impacts for air, water, vegetation, wildlife, cultural, historical, geological, geotechnical, geochemical, soil and socioeconomic conditions. An Environmental Impact Statement would be required before we could commence mine development or mining activities. Baseline environmental conditions are the basis on which direct and indirect impacts of the Properties are evaluated and based on which potential mitigation measures would be proposed. If the Properties were found to significantly adversely impact the baseline conditions, we could incur significant additional costs to avoid or mitigate the adverse impact, and delays in the development of Properties could result.

Permits would also be required for, among other things, storm-water discharge; air quality; wetland disturbance; dam safety (for water storage and/or tailing storage); septic and sewage; and water rights appropriation. In addition, compliance must be demonstrated with the Endangered Species Act and the National Historical Preservation Act.

**The mining industry is intensely competitive.**

The mining industry is intensely competitive. We may be at a competitive disadvantage because we must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than we do. Increased competition could adversely affect our ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future. We may also encounter increasing competition from other mining companies in our efforts to locate acquisition targets, hire experienced mining professionals and acquire exploration resources.

**Our future success is subject to risks inherent in the mining industry.**

Our future mining operations, if any, would be subject to all of the hazards and risks normally incident to developing and operating mining properties. These risks include:

- insufficient ore reserves;
- fluctuations in metal prices and increase in production costs that may make mining of reserves uneconomic;
- significant environmental and other regulatory restrictions;
- labor disputes; geological problems;
- failure of underground stopes and/or surface dams;
- force majeure events; and
- the risk of injury to persons, property or the environment.

**Our future profitability will be affected by changes in the prices of metals.**

If we establish reserves, and complete development of a mine, our profitability and long-term viability will depend, in large part, on the market price of gold. The market prices for metals are volatile and are affected by numerous factors beyond our control, including:

- global or regional consumption patterns;
- supply of, and demand for, gold and other metals;
- speculative activities;
- expectations for inflation; and,
- political and economic conditions.

The aggregate effect of these factors on metals prices is impossible for us to predict. Decreases in metals prices could adversely affect our ability to finance the exploration and development of our properties, which would have a material adverse effect on our financial condition and results of operations and cash flows. There can be no assurance that metals prices will not decline.

The price of gold may decline in the future. If the price of gold and silver is depressed for a sustained period, we may be forced to suspend operations until the prices increase, and to record asset impairment write-downs. Any continued or increased net losses or asset impairments would adversely affect our financial condition and results of operations.

**We are subject to significant governmental regulations.**

Our operations and exploration and development activities are subject to extensive federal, state, and local laws and regulations governing various matters, including:

- environmental protection;
- management and use of toxic substances and explosives;
- management of natural resources;
- exploration and development of mines, production and post-closure reclamation;
- taxation;
- labor standards and occupational health and safety, including mine safety; and
- historic and cultural preservation.

Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties or enforcement actions, including orders issued by regulatory or judicial authorities enjoining or curtailing



operations or requiring corrective measures, installation of additional equipment or remedial actions, any of which could result in us incurring significant expenditures. We may also be required to compensate private parties suffering loss or damage by reason of a breach of such laws, regulations or permitting requirements. It is also possible that future laws and regulations, or a more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of any future operations and delays in the exploration of our properties.

**Changes in mining or environmental laws could increase costs and impair our ability to develop our properties.**

From time to time the U.S. Congress, or the Executive Branch by decree, may determine to revise U.S. mining and environmental laws. It remains unclear to what extent new legislation or regulations may affect existing mining claims or operations. The effect of any such revisions on our operations cannot be determined conclusively until such revision is enacted; however, such legislation could materially increase costs on properties located on federal lands, such as ours, and such revision could also impair our ability to develop the Properties and to explore and develop other mineral projects.

**Mineral exploration and development inherently involves significant and irreducible financial risks. We may suffer from the failure to find and develop profitable mineral deposits.**

The exploration for and development of mineral deposits involves significant financial risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Unprofitable efforts may result from the failure to discover mineral deposits. Even if mineral deposits are found, such deposits may be insufficient in quantity and quality to return a profit from production, or it may take a number of years until production is possible, during which time the economic viability of the project may change. Few properties which are explored are ultimately developed into producing mines. Mining companies rely on consultants and others for exploration, development, construction and operating expertise.

Substantial expenditures are required to establish ore reserves, extract metals from ores and, in the case of new properties, to construct mining and processing facilities. The economic feasibility of any development project is based upon, among other things, estimates of the size and grade of ore reserves, proximity to infrastructures and other resources (such as water and power), metallurgical recoveries, production rates and capital and operating costs of such development projects, and metals prices. Development projects are also subject to the completion of favorable feasibility studies, issuance and maintenance of necessary permits and receipt of adequate financing.

Once a mineral deposit is developed, whether it will be commercially viable depends on a number of factors, including: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; government regulations including taxes, royalties and land tenure; land use, importing and exporting of minerals and environmental protection; and mineral prices. Factors that affect adequacy of infrastructure include: reliability of roads, bridges, power sources and water supply; unusual or infrequent weather phenomena; sabotage; and government

or other interference in the maintenance or provision of such infrastructure. All of these factors are highly cyclical. The exact effect of these factors cannot be accurately predicted, but the combination may result in not receiving an adequate return on invested capital.

**Significant investment risks and operational costs are associated with our exploration activities. These risks and costs may result in lower economic returns and may adversely affect our business.**

Mineral exploration, particularly for gold, involves many risks and is frequently unproductive. If mineralization is discovered, it may take a number of years until production is possible, during which time the economic viability of the project may change.

Development projects may have no operating history upon which to base estimates of future operating costs and capital requirements. Development project items such as estimates of reserves, metal recoveries and cash operating costs are to a large extent based upon the interpretation of geologic data, obtained from a limited number of drill holes and other sampling techniques, and feasibility studies. Estimates of cash operating costs are then derived based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of metals from the ore, comparable facility and equipment costs, anticipated climate conditions and other factors. As a result, actual cash operating costs and economic returns of any and all development projects may materially differ from the costs and returns estimated, and accordingly, our financial condition and results of operations may be negatively affected.

**Our failure to satisfy the financial commitments under the agreements controlling our rights to explore on our current prospects could result in our loss of those potential opportunities.**

We hold all of our mineral interests under agreements and commitments that require ongoing financial obligations, including work commitments. Our failure to satisfy those obligations could result in a loss of those interests. In such an event, we would be required to recognize an impairment of the assets currently reported in our financial statements.

**We are required to obtain government permits to begin new operations. The acquisition of such permits can be materially impacted by third party litigation seeking to prevent the issuance of such permits. The costs and delays associated with such approvals could affect our operations, reduce our revenues, and negatively affect our business as a whole.**

Mining companies are required to seek governmental permits for the commencement of new operations. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and often involving public hearings and costly undertakings. The duration and success of permitting efforts are contingent on many factors that are out of our control. The governmental approval process may increase costs and cause delays depending on the nature of the activity to be permitted, and could cause us to not proceed with the development of a mine. Accordingly, this approval process could harm our results of operations.

**Any of our future acquisitions may result in significant risks, which may adversely affect our business.**

An important element of our business strategy is the opportunistic acquisition of operating mines, properties and businesses or interests therein within our geographical area of interest. While it is our practice to engage independent mining consultants to assist in evaluating and making acquisitions, any mining properties or interests therein we may acquire may not be developed profitably or, if profitable when acquired, that profitability might not be sustained. In connection with any future acquisitions, we may incur indebtedness or issue equity securities, resulting in increased interest expense, or dilution of the percentage ownership of existing shareholders. We cannot predict the impact of future acquisitions on the price of our business or our common stock. Unprofitable acquisitions, or additional indebtedness or

issuances of securities in connection with such acquisitions, may impact the price of our common stock and negatively affect our results of operations.

**Our ability to find and acquire new mineral properties is uncertain. Accordingly, our prospects are uncertain for the future growth of our business.**

Because mines have limited lives based on proven and probable ore reserves, we may seek to replace and expand our future ore reserves, if any. Identifying promising mining properties is difficult and speculative. Furthermore, we encounter strong competition from other mining companies in connection with the acquisition of properties producing or capable of producing gold. Many of these companies have greater financial resources than we do. Consequently, we may be unable to replace and expand future ore reserves through the acquisition of new mining properties or interests therein on terms we consider acceptable. As a result, our future revenues from the sale of gold or other precious metals, if any, may decline, resulting in lower income and reduced growth.

**Changes in the corporate and securities laws and regulations are likely to increase our costs.**

The Sarbanes-Oxley Act of 2002 (“SOX”), which became law in July 2002, has required changes that affect our corporate governance, securities disclosure and compliance practices. In response to the requirements of SOX, the SEC and major stock exchanges have promulgated new rules and listing standards covering a variety of subjects. Compliance with these new rules and listing standards are likely to increase our general and administrative costs, and we expect these to continue to increase in the future. In particular, we are required to include the management report on internal control as part of this and future annual reports pursuant to Section 404 of SOX. We have evaluated our internal control systems in order (i) to allow management to report on our internal controls, as required by these laws, rules and regulations, (ii) to provide reasonable assurance that our public disclosure will be accurate and complete, and (iii) to comply with the other provisions of Section 404 of SOX. We cannot be certain as to the timing of the completion of our evaluation, testing and remediation actions or the impact these may have on our operations.

Furthermore, there is no precedent available by which to measure compliance adequacy. If we are not able to implement the requirements relating to internal controls and all other provisions of Section 404 in a timely fashion or achieve adequate compliance with these requirements or other requirements of SOX, we might become subject to sanctions or investigation by regulatory authorities such as the SEC or FINRA. Any such action may materially adversely affect our reputation, financial condition and the value of our securities, including our common stock. We expect that SOX and these other laws, rules and regulations will increase legal and financial compliance costs and will make our corporate governance activities more difficult, time-consuming and costly. We also expect that these new requirements will make it more difficult and expensive for us to obtain director and officer liability insurance.

**If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential shareholders could lose confidence in our financial reporting, this would harm our business and the trading price of our stock.**

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. If we cannot provide financial reports or prevent fraud, our business reputation and operating

results could be harmed. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

**Nevada law and our by-laws protect our directors from certain types of lawsuits.**

Nevada law provides that our directors will not be liable to us or our stockholders for monetary damages for all but certain types of conduct as directors. Our by-laws require us to indemnify our directors and officers against all damages incurred in connection with our business to the fullest extent provided or allowed by law. The exculpation provisions may have the effect of preventing shareholders from recovering damages against our directors caused by their negligence, poor judgment or other circumstances. The indemnification provisions may require us to use our assets to defend our directors and officers against claims, including claims arising out of their negligence, poor judgment, or other circumstances.

***Risks Related to our Peruvian Joint Venture***

***Our operations in Peru are subject to political and social unrest risks.***

During the last several years, areas in Peru, including areas surrounding our Peruvian project, have been the target of local political and community protests. We cannot predict whether similar or more significant incidents will occur in the future. The recurrence of significant political or community opposition or protests could continue to adversely affect our exploration and development activities.

The Central Government of Peru continued to support responsible mining as a vehicle for the growth and future development of Peru in 2016. However, we are unable to predict whether the Central government will continue to take similar positions in the future. We are unable to predict the positions that will be taken in the future and whether such positions or changes in law will affect our project. Such changes may include increased labor regulations, environmental and other regulatory requirements, and additional taxes and royalties, as well as future protests, community demands and road blockages. We cannot predict future positions of either the Central or regional government on foreign investment, mining concessions, land tenure or other regulation. Any change in government positions or laws on these issues could adversely affect the assets and operations of our Peruvian project, which could have a material adverse effect on our results of operations and financial position.

In addition, in early 2015, the Peruvian government agency responsible for certain environmental regulations, the Ministry of the Environment (“MINAM”), issued proposed water quality criteria for designated beneficial uses which apply to mining companies. These criteria would modify the in-stream water quality criteria pursuant to which we will be required to design water treatment processes and infrastructure. In 2015, MINAM issued the final regulation that modified the water quality standards and extended the compliance deadline. This law provides 60 days to notify

whether the Company is able to comply with the new standards and one year to submit a modification to the previously approved Environmental Impact Assessment. A total of up to four years are allowed for permitting, detailed engineering, and construction of water treatment facilities required for compliance with the new water quality standards. We are currently assessing treatment options in connection with the water quality standards. Those treatment options may result in increased costs. If we are unsuccessful in designing, constructing and implementing effective treatment options in the next four years, it could result in potential fines and penalties relating to potential intermittent non-compliant exceedances. These impacts may adversely impact the future cost, production and financial performance of our operations in Peru.



There are uncertainties regarding future changes in applicable laws related to exploration, development and mining operations in Peru. The Company is not able to determine the impact of other potential political and country risks on its future financial position, which include

cancellation or renegotiation of contracts;

changes in foreign laws or regulations;

changes in tax laws;

royalty and tax increases or claims by governmental entities;

retroactive tax or royalty claims;

expropriation or nationalization of property;

inflation of costs that is not compensated by a currency devaluation;

restrictions on the remittance of dividend and interest payments offshore;

environmental controls and permitting;

opposition from local community members or non-governmental organizations;

civil strife, acts of war, guerrilla activities, insurrection and terrorism, and

other risks arising out of foreign sovereignty over the areas in which the Company's operations are conducted.

Such risks could potentially arise in any country in which the Company operates. The Company may also evaluate business opportunities in other jurisdictions where such risks may exist. Furthermore, in the event of a dispute arising from such activities, the Company may be subject to the exclusive jurisdiction of courts outside North America or may not be successful in subjecting persons to the jurisdiction of the courts in North America, which could adversely affect the outcome of a dispute.

***The Company is subject to extensive government regulations and permit requirements.***

Operations, development and exploration on the Company's properties are affected to varying degrees by political stability and government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, restrictions on production, price controls, tax increases, maintenance of claims, tenure, and expropriation of property. Failure to comply with applicable laws and regulations may result in fines or administrative penalties or enforcement actions, including orders issued by regulatory or judicial authorities enjoining or curtailing operations or requiring corrective measures, installation of additional equipment or remedial actions, any of which could result in the Company incurring significant expenditures.

The activities of the Company require licenses and permits from various governmental authorities. The Company currently has been granted the requisite licenses and permits to enable it to carry on its existing business and operations. There can be no assurance that the Company will be able to obtain all the necessary licenses and permits which may be required to carry out exploration, development and mining operations for its projects in the future. The Company might find itself in situations where the state of compliance with regulation and permits can be subject to interpretation and challenge from authorities that could carry risk of fines or temporary stoppage.

*The Company's mining concessions may be terminated in certain circumstances.*

Under the laws of Peru where the Company's operations, exploration and development projects and prospects are located, mineral resources belong to the state and governmental concessions are required to explore for, and exploit, mineral reserves. The Company holds mining, exploration and other related concessions in each of the jurisdictions where it is operating and where it is carrying on development projects and prospects. The concessions held by the Company in respect of its operations, exploration and development projects and prospects may be terminated under certain circumstances, including where

minimum production levels are not achieved by the Company (or a corresponding penalty is not paid), if certain fees are not paid or if environmental and safety standards are not met. Termination of any of the Company's concessions could have a material adverse effect on the Company's business, financial condition or results of operations.

***Opposition of the Company's exploration, development and operational activities may adversely affect the Company's reputation, its ability to receive mining rights or permits and its current or future activities.***

Maintaining a positive relationship with the communities in which the Company operates is critical to continuing successful exploration and development. Community support for operations is a key component of a successful exploration or development project. Various international and national laws, codes, resolutions, conventions, guidelines and other materials relating to corporate social responsibility (including rights with respect to health and safety and the environment) may also require government consultation with communities on a variety of issues affecting local stakeholders, including the approval of mining rights or permits.

The Company may come under pressure in the jurisdictions in which it explores or develops to demonstrate that other stakeholders benefit and will continue to benefit from its commercial activities. Local stakeholders and other groups may oppose the Company's current and future exploration, development and operational activities through legal or administrative proceedings, protests, roadblocks or other forms of public expression against the Company's activities. Opposition by such groups may have a negative impact on the Company's reputation and its ability to receive necessary mining rights or permits. Opposition may also require the Company to modify its exploration, development or operational plans or enter into agreements with local stakeholders or governments with respect to its projects, in some cases causing considerable project delays. Any of these outcomes could have a material adverse effect on the Company's business, financial condition, results of operations and Common Share price.

***The title to the Company's properties could be challenged or impugned.***

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore the precise area and location of the properties may be in doubt. The Company's properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by unidentified or unknown defects. Title insurance is generally not available for mineral properties and the Company's ability to ensure that it has obtained secure claims to individual mineral properties or mining concessions may be constrained. A successful challenge to the Company's title to a property or to the precise area and location of a property could cause delays or stoppages to the Company's exploration, development or operating activities without reimbursement to the Company. Any such delays or stoppages could have a material adverse effect on the Company's business, financial condition and results of operations.

***The Company relies on local counsel and advisors and the experience of its management and board of directors in foreign jurisdictions.***

The legal and regulatory requirements in Peru with respect to mineral exploration and mining activities, as well as local business customs and practices are different from those in the United States. The officers and directors of the Company must rely, to a great extent, on the Company's local legal counsel and local consultants retained by the Company in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect the Company's business operations, and to assist

the Company with its governmental relations. The Company must rely, to some extent, on those members of management and the Company's board of directors who have previous experience working and conducting business in these countries in order to enhance its understanding of and appreciation for the local business customs and practices. The Company also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of banking, financing, labour, litigation and tax matters in these countries. There can be no guarantee that reliance on such local counsel and advisors and the Company's management and board of directors will result in compliance at all times with such legal and regulatory requirements and business customs and practices. Any such violations could result in a material adverse effect on the Company's business, financial condition and results of operations.

***The Company may be responsible for corruption and anti-bribery law violations.***

The Company's business is subject to the Foreign Corrupt Practices Act (the "FCPA") and the Corrupt Foreign Public Officials Act (the "CFPOA"), which generally prohibit companies and company employees from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. The FCPA also requires companies to maintain accurate books and records and internal controls, including at foreign-controlled subsidiaries. There is a risk of potential FCPA violations. In addition, the Company is subject to the anti-bribery laws of Peru and of any other countries in which it conducts business in the future. The Company's employees or other agents may, without its knowledge and despite its efforts, engage in prohibited conduct under the Company's policies and procedures and the FCPA, the CFPOA or other anti-bribery laws for which the Company may be held responsible. If the Company's employees or other agents are found to have engaged in such practices, the Company could suffer severe penalties and other consequences that may have a material adverse effect on its business, financial condition and results of operations.

***The Company may be adversely affected by operating expense exchange rate fluctuations.***

The Company's activities and operations in Peru make it subject to foreign currency fluctuations. Although the Company uses U.S. dollars as the currency for the presentation of its financial statements, the Company's operating expenses are incurred in Peruvian Sol in proportions that will typically range between 40% and 60% of total expenses, depending on the country. The fluctuation of these currencies in relation to the U.S. dollar will consequently have an impact upon the profitability of the Company's mineral properties and therefore its ability to continue to finance its exploration, development and operations. Such fluctuations may also affect the value of the Company's assets and shareholders' equity. Future exploration, development and operational plans may need to be altered or abandoned if actual exchange rates for these currencies are less than or more than the rates estimated in any such future plans. To date, the Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. The Company cannot be sure that any hedging techniques it may implement in the future will be successful or that its business, financial condition, and results of operations will not be materially adversely affected by exchange rate fluctuations.

***Risks Related to Our Stock***

**Future issuances of our common stock could dilute current shareholders and adversely affect the market if it develops.**

We have the authority to issue up to 100 million shares of common stock and 25 million shares of preferred stock and to issue options and warrants to purchase shares of our common stock, without shareholder approval. Future share issuances are likely due to our need to raise additional working capital in the future. Those future issuances will likely result in dilution to our shareholders. In addition, we

could issue large blocks of our common stock to fend off unwanted tender offers or hostile takeovers without further shareholder approval, which would not only result in further dilution to investors in this offering but could also depress the market value of our common stock, if a public trading market develops.

**We may issue preferred stock that would have rights that are preferential to the rights of our common stock that could discourage potentially beneficial transactions to our common shareholders.**

An issuance of shares of preferred stock could result in a class of outstanding securities that would have preferences with respect to voting rights and dividends and in liquidation over our common stock and could, upon conversion or otherwise, have all of the rights of our common stock. Our Board of Directors' authority to issue preferred stock could discourage potential takeover attempts or could delay or prevent a change in control through merger, tender offer, proxy contest or otherwise by making these attempts more difficult or costly to achieve. The issuance of preferred stock could impair the voting, dividend and liquidation rights of common stockholders without their approval.

**There is currently an illiquid market for our common shares, and shareholders may be unable to sell their shares for an indefinite period of time.**

There is presently an illiquid market for our common shares. There is no assurance that a liquid market for our common shares will ever develop in the United States or elsewhere, or that if such a market does develop that it will continue.

**Over-the-counter stocks are subject to risks of high volatility and price fluctuation.**

We have not applied to have our shares listed on any stock exchange or on the NASDAQ Capital Market, and we do not plan to do so in the foreseeable future. The OTC market for securities has experienced extreme price and volume fluctuations during certain periods. These broad market fluctuations and other factors, such as commodity prices and the investment markets generally, as well as economic conditions and quarterly variations in our results of operations, may adversely affect the market price of our common stock and make it more difficult for investors to sell their shares.

Trading in our securities is on an electronic bulletin board established for securities that do not meet NASDAQ listing requirements. As a result, investors will find it substantially more difficult to dispose of our securities. Investors may also find it difficult to obtain accurate information and quotations as to the price of, our common stock.

Our stock price may be volatile and as a result, shareholders could lose all or part of their investment. The value of our shares could decline due to the impact of any of the following factors upon the market price of our common stock:

failure to meet operating budget;

decline in demand for our common stock;

operating results failing to meet the expectations of securities analysts or investors in any quarter;

downward revisions in securities analysts' estimates or changes in general market conditions;

investor perception of the mining industry or our prospects; and

general economic trends.



In addition, stock markets have experienced extreme price and volume fluctuations and the market prices of securities have been highly volatile. These fluctuations are often unrelated to operating performance and may adversely affect the market price of our common stock.

**Outstanding shares that are eligible for future sale could adversely impact a public trading market for our common stock**

All of the shares of common stock that were distributed under the Athena spin-off dividend are free-trading shares. In addition, in the future, we may offer and sell shares without registration under the Securities Act. All of such shares will be "restricted securities" as defined by Rule 144 ("Rule 144") under the Securities Act and cannot be resold without registration except in reliance on Rule 144 or another applicable exemption from registration. Under Rule 144, our non-affiliates can sell restricted shares held for at least six months, subject only to the restriction that we made available public information as required by Rule 144. Our affiliates can sell restricted securities every ninety-days, subject to compliance with manner of sale, Form 144 filing and current public information requirements.

No prediction can be made as to the effect, if any, that future sales of restricted shares of common stock, or the availability of such common stock for sale, will have on the market price of the common stock prevailing from time to time. Sales of substantial amounts of such common stock in the public market, or the perception that such sales may occur, could adversely affect the then prevailing market price of the common stock.

**Owners of our common stock are subject to the "penny stock" rules.**

Since our shares are not listed on a national stock exchange or quoted on the Nasdaq Market within the United States, trading in our shares on the OTC market is subject, to the extent the market price for our shares is less than \$5.00 per share, to a number of regulations known as the "penny stock rules". The penny stock rules require a broker-dealer to deliver a standardized risk disclosure document prepared by the SEC, to provide the customer with additional information including current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, monthly account statements showing the market value of each penny stock held in the customer's account, and to make a special written determination that the penny stock is a suitable investment for the investor and receive the investor's written agreement to the transaction. To the extent these requirements may be applicable they will reduce the level of trading activity in the secondary market for our shares and may severely and adversely affect the ability of broker-dealers to sell our shares, if a publicly traded market develops.

**We do not expect to pay cash dividends in the foreseeable future. Any return on investment may be limited to the value of our stock.**

We have never paid any cash dividends on any shares of our capital stock, and we do not anticipate that we will pay any dividends in the foreseeable future. Our current business plan is to retain any future earnings to finance the expansion of our business. Any future determination to pay cash dividends will be at the discretion of our Board of Directors, and will be dependent upon our financial condition, results of operations, capital requirements and other factors as our board of directors may deem relevant at that time. If we do not pay cash dividends, our stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

**Nevada law and our by-laws protect our directors from certain types of lawsuits.**

Nevada law provides that our directors will not be liable to us or our stockholders for monetary damages for all but certain types of conduct as directors. Our by-laws require us to indemnify our directors and officers against all damages incurred in connection with our business to the fullest extent provided or allowed by law. The exculpation provisions may have the effect of preventing stockholders from recovering damages against our directors caused by their negligence, poor judgment or other circumstances. The indemnification provisions may require us to use our assets to defend our directors and officers against claims, including claims arising out of their negligence, poor judgment, or other circumstances.

**ITEM 1B. – UNRESOLVED STAFF COMMENTS.**

None.

**ITEM 2. PROPERTIES**

**Mining Properties**

Descriptions of our mining properties are contained in the Business discussion in this Report.

**ITEM 3. LEGAL PROCEEDINGS**

None

**ITEM 4. REMOVED AND RESERVED**

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

Effective May 2012, our common stock was approved for quotation on the OTC Bulletin Board under the ticker symbol "MAGE." The Company's shares are now quoted on the OTC.QB of the OTC Markets Group, Inc. The following sets forth the high and low trading prices for the periods shown:

	2016		2015	
	High	Low	High	Low
First quarter ended March 31	\$0.08	\$0.04	\$0.05	\$0.03
Second quarter ended June 30	\$0.35	\$0.05	\$0.09	\$0.03
Third quarter ended September 30	\$0.28	\$0.09	\$0.08	\$0.04
Fourth quarter ended December 31	\$0.28	\$0.07	\$0.08	\$0.04

The bid and ask prices of the Company's common stock as of December 31, 2016 were \$0.065 and \$0.0869 respectively, as reported on the OTCBB. The OTCBB prices are bid and ask prices which represent prices between broker-dealers and do not include retail mark-ups and mark-downs or any commissions to the broker-dealer. The prices do not reflect prices in actual transactions. As of March 30, 2017 there were approximately 51 record owners of the Company's common stock.

The OTC.QB is a registered quotation service that displays real-time quotes, last sale prices and volume information in over-the-counter (OTC) securities. An OTC equity security generally is any equity that is not listed or traded on NASDAQ or a national securities exchange. The OTCQB is not an issuer listing service, market or exchange.

Although the OTCQB does not have any listing requirements, per se, to be eligible for quotation on the OTCQB, issuers must remain current in their filings with the SEC or applicable regulatory authority.

Our Board of Directors may declare and pay dividends on outstanding shares of common stock out of funds legally available therefore in its sole discretion; however, to date, no dividends have been paid on common stock and we do not anticipate the payment of dividends in the foreseeable future.

Trading in our common stock is subject to rules adopted by the SEC regulating broker dealer practices in connection with transactions in "penny stocks." Those disclosure rules applicable to penny stocks require a broker dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the SEC. That disclosure document advises an investor that investment in penny stocks can be very risky and that the investor's salesperson or broker is not an impartial advisor but rather paid to sell the shares. The disclosure contains further warnings for the investor to exercise caution in connection with an investment in penny stocks, to independently investigate the security, as well as the salesperson with whom the investor is working and to understand the risky nature of an investment in this security. The broker dealer must also provide the customer with certain other information and must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. Further, the rules require that, following the proposed transaction, the broker provide the customer with monthly account statements containing market information about the prices of the securities.

## **Recent Sales of Unregistered Securities**

None, except as previously reported.

## **EQUITY COMPENSATION PLAN INFORMATION**

We have not adopted any equity compensation or stock option plans, except as follows:

When he was first engaged as President, CEO and Director of G+W in June 2015, W. Pierce Carson was granted shares of G+W representing 15% of the total issued and outstanding shares of G+W.

In July 2016, we completed a reverse triangular merger pursuant to which a newly formed merger subsidiary was merged into Gulf + Western, and the 15% equity interest in Gulf + Western owned by Mr. Carson was converted into 8,623,957 shares of Magellan common stock. As a result of the merger, Gulf + Western became a wholly-owned subsidiary of Magellan.

Effective June 1, 2016, we entered into an Employment Agreement with Mr. Carson and engaged his services as President and CEO of Magellan for an initial term of one year. Under the terms of the Employment Agreement, Mr. Carson is entitled to a salary of \$6,667 per month for the first three months, and \$10,000 per month for the following nine months. If the Company is unable to pay the salary, the Company has the right to satisfy its obligation with shares of common stock. Through the date of this Report, the Company has not paid any compensation under the Employment Agreement.

## **ITEM 6. SELECTED FINANCIAL DATA**

We are a smaller reporting company as defined by the Exchange Act and are not required to provide the information required under this item.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

We use the terms "Magellan," the "Company," "we," "our," and "us" to refer to Magellan Gold Corporation.

The following discussion should be read in conjunction with our consolidated financial statements, including the notes thereto, appearing elsewhere in this Report. The discussion of results, causes and trends should not be construed to imply any conclusion that these results or trends will necessarily continue into the future.

### **Forward-Looking Statements**

Some of the information presented in this Form 10-K constitutes “forward-looking statements”. These forward-looking statements include, but are not limited to, statements that include terms such as “may,” “will,” “intend,” “anticipate,” “estimate,” “expect,” “continue,” “believe,” “plan,” or the like, as well as all statements that are not historical facts. Forward-looking statements are inherently subject to risks and uncertainties that could cause actual results to differ materially from current expectations. Although we believe our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, there can be no assurance that actual results will not differ materially from expectations.

All forward-looking statements speak only as of the date on which they are made. We undertake no obligation to update such statements to reflect events that occur or circumstances that exist after the date on which they are made.

## Overview

We were incorporated on September 28, 2010, in Nevada. Our principal business is the acquisition and exploration of mineral resources. We have not presently determined whether the properties to which we have mineral rights contain mineral reserves that are economically recoverable.

We have only had limited operations to date and we rely upon the sale of our securities and borrowings from significant investors to fund our operations, as we have not generated any revenue.

In August 2012, we entered into an option agreement and subsequently purchased the “Silver District” project consisting of 85 unpatented lode mining claims, 4 patented lode claims, a Arizona State Exploration Permit of 154.66 acres and 23 unpatented mill site claims, totaling over 2,000 acres in La Paz County, Arizona. Since our acquisition, we have increased our land position in the Silver District by staking two unpatented lode mining claims, leased two additional patented claims and have increased our Arizona State Exploration Permit to 334.85 acres.

On September 30, 2014, we formed and organized a new wholly-owned subsidiary, Gulf + Western Industries, Inc., a Nevada corporation (“Gulf+Western” or “G+W”), to own our Silver District mining interests. On October 1, 2014 we completed the transfer of those assets from Magellan to G+W. At the time of the transfer, Magellan owned all the outstanding common stock of G+W. Effective December 31, 2014, Magellan pledged all its ownership interest in G+W to Mr. John D. Gibbs, a significant shareholder in the Company, as security for outstanding amounts under a line of credit agreement between Magellan and Mr. Gibbs. As of December 31, 2016, the total amount owed under the credit agreement was \$1,090,207, which includes \$932,500 of principal and \$157,707 of accrued interest.

On June 1, 2015, we transferred 15% of our ownership interest in G+W to Dr. Pierce Carson in exchange for one year of service as President, Chief Executive Officer and Director of G+W. As a result of the transaction, Magellan’s ownership interest in G+W was reduced to 85%. The transaction was valued at \$50,000 representing deferred compensation for the one-year period June 2015, through May 2016. On June 1, 2016 Magellan entered into a one-year employment agreement with Dr. Carson in which he assumes the positions of President and Chief Executive Officer of Magellan. As a result, Mr. John Power resigned his positions as President and Chief Executive Officer concurrent with the execution of Dr. Carson’s employment agreement. Mr. Power has retained the positions of Chief Financial Officer and Director of Magellan. Dr. Carson was appointed a Director of Magellan effective June 30, 2016.

In July 2016, the Company completed a share exchange with Dr. Carson in which Dr. Carson surrendered his 15% interest in G+W in exchange for 8,623,957 shares of Magellan Gold Corporation. As a result of this transaction, G+W became a wholly owned subsidiary of Magellan Gold Corporation.



On October 24, 2016, the Company entered into a Mining Option Agreement (“Agreement”) between and among Rio Silver Inc., a Canadian company (“Rio Silver”), Minera Rio Plata S.A.C., a Peruvian company and subsidiary of Rio Silver (“Minera”), and Magellan Gold Peru S.A.C., a Peruvian company and wholly owned subsidiary of the Company (“Magellan Peru”) pursuant to which Rio Silver through Minera, granted to the Company the sole and exclusive option to acquire an undivided 50% interest in and to property located in central Peru. Under the terms of the Agreement, the Company has the right to earn an undivided 50% interest in the Niñobamba Silver/Gold Project in central Peru. To earn its 50% interest, the Company must spend \$2.0 million in exploration activities in the project over three years. The Niñobamba project is comprised of four concessions that total 31 square kilometers (7,660 acres).

Our primary focus during the next twelve months, and depending on available resources, will be to further explore our mineral properties.

**Results of Operations***Results of Operations for the Years Ended December 31, 2016 and 2015*

	Years Ended December 31,	
	2016	2015
Operating expenses:		
Exploration costs	<b>\$70,599</b>	<b>\$19,351</b>
General and administrative expenses	<b>353,666</b>	<b>173,864</b>
Total operating expenses	<b>424,265</b>	<b>193,215</b>
Operating loss	<b>(424,265)</b>	<b>(193,215)</b>
Other income (expense):		
Interest expense	<b>(62,303)</b>	<b>(56,142)</b>
Loss on change in derivative	<b>(73,604)</b>	<b>(35,420)</b>
Net loss	<b>\$ (560,172)</b>	<b>\$ (284,777)</b>
<i>Operating expenses</i>		

During the year ended December 31, 2016, our total operating expenses were \$424,265 as compared to \$193,215 during the year ended December 31, 2015.

During the year ended December 31, 2016 we incurred \$70,599 of exploration costs as compared to \$19,351 in 2015. Exploration costs for the year ended December 31, 2016 are comprised of \$32,270 in payments made to secure certain mining concessions and other start-up costs associated with our mining efforts in Peru. In addition, we incurred \$11,860 of royalty and lease payments and legal title work associated with our Silver District claims, as well as \$26,469 of geologic related expenses including a contracted ground magnetic survey, laboratory soil analysis and geologist consulting fees associated with our Silver District project. Exploration costs for the year ended December 31, 2015 are primarily comprised of \$13,000 of advance royalty payments associated with our Silver District claims, and geologist fees associated with oversight of our holdings and review of potential opportunities.

General and administrative expenses for the year ended December 31, 2016 totaling \$353,666 were comprised professional fees including accounting and audit fees of \$46,725, legal fees totaling \$29,472, management fees to Mr. Power totaling \$30,000, executive compensation expense of \$86,425, other professional fees including investor relations and website costs of \$110,022, and other expenses totaling \$51,022 mainly comprised of travel expenses, rent, other licenses and fees, and other administrative related expenses.

On November 1, 2016 the Company executed a Finder's Agreement ("Agreement"), with a third party consultant to introduce the Company to potential investors beginning with its November 2016 private placement offering. The term of the Agreement is six months, or until the Company informs the consultant it has located investors to purchase the securities. The consultant is to be compensated for the services by cash payments totaling \$30,000, payable at or before the termination of the Agreement. As of December 31, 2016 the Company had paid approximately \$11,000 to the consultant pursuant to the Agreement, which is included in investor relations expenses for the year ended December 31, 2016.

On June 1, 2015, we transferred 15% of our ownership interest in G+W to Dr. Pierce Carson in exchange for one year of service as President, Chief Executive Officer and Director of G+W. The transaction was valued at \$50,000 representing deferred compensation for the one-year period June 2015, through May

2016. Executive compensation expenses for the year ended December 31, 2016 includes \$20,833 of general and administrative expense representing the amortization of the deferred compensation.

On June 1, 2016 we executed an employment agreement with Dr. Pierce Carson in which Dr. Carson assumed the positions of President and Chief Executive Officer of Magellan Gold Corporation. The term of the agreement covers the period from June 1, 2016 to May 31, 2017. During the term of the agreement, Dr. Carson will be paid a base salary in equal semi-monthly installments. Dr. Carson's salary is set at \$6,667 per month during the three-month period from June 1, 2016 through August 31, 2016, and thereafter at \$10,000 per month during the nine-month period from September 1, 2016 through May 31, 2017. A total of \$65,592 representing Dr. Carson's base salary and applicable payroll taxes was expensed and is included in general and administrative expenses for the year ended December 31, 2016. As of December 31, 2016 all of the salary and payroll expense was unpaid and is included in accrued liabilities.

General and administrative expenses for the year ended December 31, 2015 totaling \$173,864 were comprised of professional fees including accounting and audit fees of \$42,907, legal fees totaling \$25,447, management fees to Mr. Power totaling \$30,000, \$29,167 of executive compensation expense representing the amortization of deferred executive compensation as discussed above, other professional fees of \$11,464, and other expenses totaling \$34,879 mainly comprised of travel expenses, claim renewal and other fees paid to the BLM (\$17,050 Silver District and \$2,170 Sacramento Project), licenses and other administrative related expenses.

Interest expense for the years ended December 31, 2016 and 2015 totaled \$62,303 and \$56,142, respectively, and is primarily attributable to our related party line of credit, which accrues interest at the rate of 6.0% per year, and our related party notes payable which accrue interest at a weighted average interest rate of 6.58%.

In addition, in October 2014 we converted certain amounts payable to a legal services provider into a Convertible Note Payable. Interest accrues quarterly on the outstanding principal and interest balances of the Note at 6% per annum. At December 31, 2016 the note balance was \$33,020 together with accrued interest of \$1,316. At December 31, 2015 the note balance was \$51,532 with accrued interest of \$4,054. The note principal and accrued interest is convertible at any time into shares of common stock at a conversion price of \$0.039.

The Note contains certain anti-dilution provisions that would reduce the conversion price should the Company issue common stock equivalents at a price less than the Note conversion price. Accordingly, the conversion features of the Note are considered a discount to the Note. The Note is evaluated quarterly, and upon any quarterly valuations in which the value of the discount changes we recognize a gain or loss due to a decrease or increase, respectively, in the fair value of the derivative liability. As a result of this evaluation, for the years ended December 31, 2016 and 2015, we recorded a loss on the change in the derivative liability of \$73,604 and \$35,420, respectively.

We estimated the fair value of the derivative at December 31, 2016 and 2015 using the Black-Scholes option pricing model, which includes assumptions for expected dividends, expected share price volatility, risk-free interest rate, and expected life of the Note. Our expected volatility assumption is based on our historical weekly closing price of our

stock over a period equivalent to the expected remaining life of the Note.

The following table summarizes the assumptions used to value the derivative liability at December 31, 2016:

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**Fair value assumptions – derivative: December 31, 2016**

Risk free interest rate	0 . 85%
Expected term (years)	1 . 0
Expected volatility	158%
Expected dividends	0%

The following table summarizes the assumptions used to value the derivative liability at December 31, 2015:

**Fair value assumptions – derivative: December 31, 2015**

Risk free interest rate	0 . 65%
Expected term (years)	1 . 0
Expected volatility	155%
Expected dividends	0%

**Liquidity and Capital Resources:**

Our consolidated financial statements have been prepared on a going concern basis, which assumes that we will be able to meet our obligations and continue our operations during the next fiscal year. Asset realization values may be significantly different from carrying values as shown in our consolidated financial statements and do not give effect to adjustments that would be necessary to the carrying values of assets and liabilities should we be unable to continue as a going concern. At December 31, 2016, we had not yet generated any revenues or achieved profitable operations and we have accumulated losses of \$1,921,929. We expect to incur further losses in the development of our business, all of which casts substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern depends on our ability to generate future profits and/or to obtain the necessary financing to meet our obligations arising from normal business operations when they come due.

We intend to meet our cash requirements for the next 12 months primarily through the utilization of our line of credit, as well as the private placement of debt or equity instruments.

We maintain a line of credit arrangement with John D. Gibbs, a significant investor, to facilitate timely cash flows for the Company's operations. This agreement was initiated in 2012 and has been amended at various times since its inception to increase the amount available under the credit line. In 2014, we amended the agreement to include a pledge of all our equity interests in G+W, which owns the Silver District properties, as security for all amounts outstanding under the credit agreement. As of December 31, 2016 the credit line had a borrowing limit of \$1,000,000, accrues interest at 6% per annum and matures on December 31, 2018. At December 31, 2016 a total of \$932,500 was outstanding under this line of credit. In addition, a total of \$157,707 of interest has been accrued on this obligation.

In June 2016, we closed a private placement of our securities in which we sold 4,875,000 units consisting of common stock and warrants. Net proceeds of this private placement were \$194,325. And in November 2016, we sold in a private placement of equity securities a total of 1,100,000 units also comprised of common stock and warrants. Net proceeds of this private placement were \$110,000. The funds received in these private placements were used for general working capital as well as to fund our efforts to expand our portfolio of exploration opportunities.

Our primary priority is to retain our reporting status with the SEC, which means that we will first ensure that we have sufficient capital to cover our legal and accounting expenses. Once these costs are accounted for, in accordance with how much financing we are able to secure, we will focus on further exploration and development of our mineral properties. We will likely not expend funds on the remainder of our planned activities unless we have the required capital.

### *Cash Flows*

A summary of our cash provided by and used in operating, investing and financing activities is as follows:

	<b>Years Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Net cash used in operating activities	<b>\$ (277,954)</b>	<b>\$ (154,273)</b>
Net cash used in investing activities	<b>(71,753)</b>	<b>–</b>
Net cash provided by financing activities	<b>349,325</b>	<b>155,046</b>
Net increase (decrease) decrease in cash	<b>(382)</b>	<b>773</b>
Cash and cash equivalents, beginning of period	<b>867</b>	<b>94</b>
Cash and cash equivalents, end of period	<b>\$485</b>	<b>\$867</b>

At December 31, 2016, we had cash of \$485 and a \$1,413,221 working capital deficit. This compares to cash of \$867 and a working capital deficit of \$1,193,037 at December 31, 2015.

Net cash used in operating activities during the year ended December 31, 2016 was \$277,954 and was mainly comprised of our \$560,172 net loss during the period, adjusted by non-cash charges of \$20,833 representing the amortization of deferred compensation, amortization of service contracts paid common stock of \$28,629, the loss on an increase in our derivative liability of \$73,604, and the conversion of our deposit with Rio Silver, Inc. used to fund expenses for certain mining concessions associated with our Peru mining efforts. In addition, it reflects a cash adjusted increase in prepaid expenses and other assets totaling \$1,827, as well as increases in accounts payable and accrued expenses totaling \$89,176, and increases in accrued interest totaling \$59,803 representing accrued interest on our related party line of credit and related party and other notes payable.

Net cash used in operating activities during the year ended December 31, 2015 was \$154,273 and was mainly comprised of our \$284,777 net loss during the year, which was partially offset with the change in our derivative liability and the amortization of deferred officer compensation. We also had an increase in prepaid expenses of \$559 as well as increases in accounts payable and accrued expenses totaling \$17,584, and increases in accrued interest totaling \$48,892 representing accrued interest on our related party line of credit and other notes payable.



As a result of the execution of a Letter of Intent and the subsequent execution of the Mining Option Agreement with Rio Silver, Inc., the Company was obligated to subscribe to two private placement unit financings in Rio Silver, each for aggregate proceeds of Cdn\$75,000. The Company completed the first unit private placement on August 23, 2016. The first placement included 1,500,000 units priced at Cdn\$0.05, which included one share of Rio Silver common stock and one warrant to purchase one share of Rio Silver common stock for Cdn\$0.05 which expire on February 23, 2018. The cost of the units totaled USD \$59,753 and was recorded as an investment in Rio Silver equity securities.

During the year ended December 31, 2015, we had no investing activity transactions.

During the year ended December 31, 2016, net cash provided by financing activities was \$349,325, and included \$45,000 of additional borrowings under our credit agreement with Mr. Gibbs. And, \$35,000 of cash was received from Mr. Power represented by a 6% note payable due December 31 2016, which was repaid prior to its maturity. In addition, we received \$16,200 in advances from Mr. Power, all of which were also repaid during the period.

Also, in June 2016, we completed a private placement of equity securities in which we sold 4,875,000 units priced at \$0.04 per unit. Each unit was comprised of one share of common stock, one Class A warrant and one Class B warrant. Each Class A warrant entitles the holder to purchase one share of common stock at a price of \$0.07 per share in cash. Each Class B warrant entitles the holder to purchase one share of common stock at a price of \$0.10 per share, exercisable in either cash or pursuant to a cashless exercise. The sale was concluded on June 30, 2016 and resulted in net proceeds of \$194,325, which were net of \$675 of direct offering costs. Both the Class A and Class B warrants had an original expiration date of December 30, 2016, but were both extended to February 28, 2017. The Class B warrants were further extended to June 30, 2017 for any holders of Class A warrants who exercised their warrants in entirety prior to the expiration on February 28, 2017.

In November 2016, we sold in a private placement of equity securities a total of 1,100,000 units comprised of one share of common stock and one warrant to purchase one share of common stock at a price of \$0.10 per share in cash, and expire December 30, 2017. Net proceeds of this private placement were \$110,000.

During the year ended December 31, 2015, net cash provided by financing activities was \$155,046, which primarily reflects additional borrowings totaling \$157,896 under our credit agreement with Mr. Gibbs. In addition, we received \$6,545 and subsequently repaid \$9,395 in outstanding advances made by Mr. Power.

**Other non-cash transactions:** On September 1, 2016 the Company executed an Investor Relations Engagement Agreement (“Agreement”) with Intuitive Pty Ltd (“Intuitive”), an investor relations firm located in Australia. The Agreement provides for Intuitive to undertake an investor relations and communications program that will focus on potential investors outside the United States. The term of the Agreement runs for two years beginning on September 1, 2016. As consideration for the services, the Company issued 500,000 shares of its common stock. The transaction was valued at \$65,000 based on the \$0.13 per share closing price of the Company’s common stock on September 1, 2016. The transaction is being amortized monthly over the life of the Agreement. For the ended December 31, 2016 a total of \$10,833 was charged to general and administrative expenses. The \$54,167 balance of the contract is included in prepaid expenses on the accompanying balance sheet at December 31, 2016.

On October 15, 2016 the Company executed a letter agreement (“Agreement”) with Mining Clips LLC (“Mining Clips”), to provide marketing, public relations and outreach management services. The initial term of the Agreement continued for three months and shall rollover for additional three month periods until such time a mutually agreed upon change is made, or it is terminated by the Company with thirty days notice prior to the end of the three month period in which the Agreement is active. The compensation for the initial period of the Agreement included cash payments totaling \$11,250, payable in equal monthly installments during the term of the Agreement and a total of 62,500 shares of the Company’s common stock. The shares issued were valued at \$8,125, which is being amortized over the three-month service period. As of December 31, 2016 a total of \$6,771 had been amortized and is included in general and

administrative expenses. The \$1,354 balance of the contract is included in prepaid expenses on the accompanying balance sheet at December 31, 2016.

## **Off Balance Sheet Arrangements**

We do not have and have never had any off-balance sheet arrangements.

## **Summary of Significant Accounting Policies**

### ***Basis of Presentation and Principles of Consolidation***

Our consolidated financial statements include our accounts and the accounts of our 100% owned subsidiaries, Gulf + Western Industries, Inc., and Magellan Gold Peru S.A.C. All intercompany transactions and balances have been eliminated. Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

### ***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of expenses during the period presented.

We make our estimate of the ultimate outcome for these items based on historical trends and other information available when the financial statements are prepared. Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available. We believe that our significant estimates, assumptions and judgments are reasonable, based upon information available at the time they were made. Actual results could differ from these estimates, making it possible that a change in these estimates could occur in the near term.

### ***Fair Value of Financial Instruments***

We value our financial assets and liabilities using fair value measurements. Our financial instruments primarily consist of cash and cash equivalents, accounts payable, accrued liabilities, amounts due to related parties and notes payable to related parties. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amount of cash and cash equivalents, accounts payable, accrued liabilities, notes payable to related parties and other amounts due to

related parties approximates fair value because of the short-term nature of these financial instruments.

*Concentrations of Credit Risk*

Our financial instruments which potentially subject us to credit risk are our cash and cash equivalents. We maintain our cash and cash equivalents at reputable financial institutions and currently, we are not exposed to significant credit risk.

### ***Cash and Cash Equivalents***

We consider all amounts on deposit with financial institutions and highly liquid investments with an original maturity of three months or less to be cash equivalents at the date of purchase.

### ***Mineral Rights***

We have determined that our mineral rights meet the definition of mineral rights, as defined by accounting standards, and are tangible assets. As a result, our direct costs to acquire or lease mineral rights are initially capitalized as tangible assets. Mineral rights include costs associated with: leasing or acquiring patented and unpatented mining claims; leasing mining rights including lease signature bonuses, lease rental payments and advance minimum royalty payments; and options to purchase or lease mineral properties.

If we establish proven and probable reserves for a mineral property and establish that the mineral property can be economically developed, mineral rights will be amortized over the estimated useful life of the property following the commencement of commercial production or expensed if it is determined that the mineral property has no future economic value or if the property is sold or abandoned. For mineral rights in which proven and probable reserves have not yet been established, we assess the carrying values for impairment at the end of each reporting period and whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

The net carrying value of our mineral rights represents the fair value at the time the mineral rights were acquired less accumulated depletion and any abandonment or impairment losses. Proven and probable reserves have not been established for mineral rights as of December 31, 2016 and 2015. At December 31, 2016 and 2015 mineral rights totaling \$323,200 were net of \$117,857 of impairment and abandonment charges. No impairment charges were recognized for either the years ended December 31, 2016 or 2015.

### ***Impairment of Long-lived Assets and Mining Rights***

We continually monitor events and changes in circumstances that could indicate that our carrying amounts of long-lived assets, including mineral rights, may not be recoverable. When such events or changes in circumstances occur, we assess the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through their undiscounted expected future cash flow. If the future undiscounted cash flow is less than the carrying amount of these assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets.

***Notes Payable – Related Parties***

Notes payable to related parties are classified as current liabilities as the note holders have the ability to control the repayment dates of the notes.

***Exploration Costs***

Mineral exploration costs are expensed as incurred. When it has been determined that it is economically feasible to extract minerals and the permitting process has been initiated, exploration costs incurred to further delineate and develop the property are considered pre-commercial production costs and will be capitalized and included as mine development costs in our balance sheets.

### ***Income Taxes***

We recognize deferred tax assets and liabilities for temporary differences between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements and the effect of net operating losses based upon the enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. As at December 31, 2016 and 2015, the Company had no uncertain tax positions.

### ***Net Loss per Common Share***

We compute basic net loss per common share by dividing our net loss attributable to common shareholders by our weighted-average number of common shares outstanding during the period. Computation of diluted net loss per common share adds the weighted-average number of potential common shares outstanding to the weighted-average common shares outstanding, as calculated for basic net loss per share, except for instances in which there is a net loss. For the years ended December 31, 2016 and 2015, potential common shares associated with convertible notes payable and outstanding warrants to purchase common stock have been omitted from the net loss per common share computation as they are anti-dilutive due to the net loss for these years.

### ***Stock-based Compensation***

The Company determines the fair value of stock option awards granted to employees in accordance with FASB ASC Topic 718 – 10 and to non-employees in accordance with FASB ASC Topic 505 – 50. Compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period.

### ***New Accounting Standards***

From time to time, the Financial Accounting Standards Board (“FASB”) or other standards setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification are communicated through issuance of an Accounting Standards Update. Unless otherwise discussed, we believe that the impact of recently issued guidance, whether adopted or to be adopted in the future, is not expected to have a material impact on our financial statements upon adoption.

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, "Leases: Topic 842 (ASU 2016-02)", to supersede nearly all existing lease guidance under GAAP. The guidance would require lessees to



recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets. ASU 2016-02 is effective for the Company in the first quarter of our fiscal year ending December 31, 2019 using a modified retrospective approach with the option to elect certain practical expedients. The Company is currently evaluating the impact of its pending adoption of ASU 2016-02 on its consolidated financial statements.

***Recently Adopted Accounting Standards***

Recently issued Financial Accounting Standards Board Accounting Standards Codification guidance has either been implemented or is not significant to us.

***Subsequent Events***

***Completion of Second Unit Financing in Rio Silver:*** In January 2017, the Company completed its second financing with Rio Silver, Inc. as required under the Mining Option Agreement. The financing included the purchase of 1,250,000 units priced at Cdn\$0.06, which included one share of Rio Silver common stock and one warrant to purchase one share of Rio Silver common stock for Cdn\$0.06 which expire July 19, 2018. The cost of the units totaled USD \$58,294 and has been recorded as an investment in Rio Silver equity securities.

***Extension of Expiration Dates of Class A and Class B Warrants:*** Subsequent to December 31, 2016, the Company extended the Class A and Class B warrants sold in the April 2016 private placement offering which closed in June 2016. The original expiration date of December 30, 2016 was extended to February 28, 2017. The Company further extended the expiration date of the Class B warrants to June 30, 2017 for any warrant holders who exercised their Class A warrants in entirety prior to the February 28, 2017 expiration date. On February 28, 2017, all of our outstanding Class A and Class B Warrants expired without being exercised.

***Sale of Common Stock and Warrants:*** In January and February 2017, the Company completed the sale of an additional 1,200,000 units of one share and one warrant at \$0.10 under its ongoing private placement for net proceeds of \$120,000.

***Rose Petroleum plc Option:***

On March 3, 2017, we signed a Memorandum of Understanding by and among the Company and ROSE PETROLEUM, plc and its wholly-owned subsidiary MINERALES VANE S.A. de C.V. (“**VANE**”) (collectively “**Rose**”) (the “MOU”).

Under the terms of the MOU, in consideration of a non-refundable \$50,000 option payment, the Company has been granted a 90-day option to purchase the SDA Mill, located in Nayarit, Mexico. The option period can be extended for an additional 60 days with another \$100,000 payment. The extension payment will be credited against the purchase price if the transaction closes. The purchase price for the SDA Mill is \$1.5 million, payable \$1.0 million in cash and \$500,000 in restricted common stock of Magellan.

Consummation of the SDA Mill acquisition is subject to numerous conditions, including the parties entering into a separate asset purchase agreement, satisfactory due diligence, the Company completing a financing, an audit of the mill’s financial statements, regulatory approvals and other conditions customary to transactions of this nature. There can be no assurance that the purchase of the mill will be completed.

**Related Party Advance:** John Power, Director and Officer, has made short term advances totaling \$105,000 during the period January through March 2017.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The financial statements required by this item are located in Item 15 beginning on page F-1 of this Annual Report on Form 10-K and are incorporated herein by reference.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES** The SEC, as required by Section 404 of the Sarbanes-Oxley Act, adopted rules requiring every company that files reports with the SEC to include a management report on the effectiveness of disclosure controls and procedures in its periodic reports and an annual assessment of the effectiveness of its internal control over financial reporting in its annual report.

### **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures. Our management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

Our management, with the participation of our CEO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Report. Based upon this evaluation, our CEO concluded that our disclosure controls and procedures were not effective because of the identification of a material weakness in our internal control over financial reporting which is described below.

### **Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with U.S. GAAP.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention of overriding controls. Accordingly, even effective internal control over financial

reporting can provide only reasonable assurance with respect to financial statement preparation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control-Integrated Framework. Based on this evaluation, management concluded that that our internal control over financial

reporting was not effective as of December 31, 2016. Our CEO concluded we have a material weakness due to lack of segregation of duties and a limited corporate governance structure. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Our size has prevented us from being able to employ sufficient resources to enable us to have an adequate level of supervision and segregation of duties within our system of internal control. Therefore while there are some compensating controls in place, it is difficult to ensure effective segregation of accounting and financial reporting duties. Management reported a material weakness resulting from the combination of the following significant deficiencies:

Lack of segregation of duties in certain accounting and financial reporting processes including the initiation, processing, recording and approval of disbursements;

Lack of a formal review process that includes multiple levels of review.

Lack of independent directors.

While we strive to segregate duties as much as practicable, there is an insufficient volume of transactions at this point in time to justify additional full time staff. We believe that this is typical in many exploration stage companies. We may not be able to fully remediate the material weakness until we commence mining operations at which time we would expect to hire more staff. We will continue to monitor and assess the costs and benefits of additional staffing.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to the SEC rules that permit us to provide only management's report in this Annual Report.

#### **Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures:**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including John C. Power, our President who is also our Principal Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

Our management, including our CFO Mr. Power, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, Mr. Power concluded that the design and operation of our disclosure controls and procedures were not effective as of such date to provide assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to management as appropriate, to allow timely decisions regarding disclosures.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2016, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

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## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

#### Directors and Executive Officers

Our current executive officers and directors are:

<b>Name</b>	<b>Age</b>	<b>Position</b>
John C. Power	54	Director & CFO
W. Pierce Carson	74	President, CEO and Director of Magellan and Gulf + Western Industries, Inc.

*W. Pierce Carson has served as our President & CEO since June 1, 2016.* Mr. Carson has over 40 years of experience in the mining industry and has managed the discovery, financing, development and operation of precious metals, base metals and industrial minerals properties in the United States, Australia, Africa and Papua New Guinea. He has been responsible for or closely involved with a number of mineral deposits that have been developed into mines. Mr. Carson held the positions of Senior Geologist, Overseas Mineral Evaluation, and Exploration Manager, Australia for Exxon Minerals Company; Manager of Precious Metals Exploration, North America for Kennecott Copper Corporation; President and Director of Mining & Exploration Operations in Australia, Papua New Guinea, USA, Canada and Mexico for Nord Pacific Ltd.; President and Vice-President of Exploration for Nord Resources Corporation; and Chief Executive Officer for Santa Fe Gold Corporation. Mr. Carson holds a PhD in Economic and Structural Geology and an MS in Ore Deposits from Stanford University, and a Bachelor's Degree in Geology from Princeton University.

*John C. Power* served as President, Secretary and director since our inception in September 2010 until June 1, 2016 when Dr. Carson became President & CEO. Mr. Power continues to serve as our CFO, Secretary and as a Director.

Mr. Power also serves as a director of Athena Silver Corporation since its inception in December 2003 and has served as Athena's President from December 2005 to December 2007 and from January 2009 to the present and has served as Athena's Secretary since January 2007.

Mr. Power is also a co-managing member since 2011 of Silver Saddle Resources, LLC a private company that owns mining claims in Nevada.

From March 2010 to present, Mr. Power has served as co-Managing Member of Ryan Air Exposition, LLC, a private California holding company that invests in antique airplanes. Mr. Power served as President and director of Alta California Broadcasting, Inc., which operated radio stations, from December 1993 to March 2007; and President and director of Four Rivers Broadcasting, Inc., also a radio broadcaster, from May 1997 to March 2005 and Vice President from March 2005 until December 2013. Mr. Power also has served as Co-Managing Member of Wyoming Resorts, LLC, which owns and operates an historic hotel in Thermopolis, Wyoming, since June 1997; and Mr. Power has served as President of Power Curve, Inc., a private investment company, since 1986. Mr. Power has also been the managing member of Best of Sea Ranch, LLC since December 2004 which operated through a joint venture a vacation home rental business in The Sea Ranch California. Mr. Power has been a general partner of Power Vacaville, LP a real estate investment firm since January 2008. Mr. Power also has served as the vice-president and director of The Tide Community Broadcasting, Inc. since July 2012.

From September 2008 to March 2012, Mr. Power served as an officer and director of Hungry Hunter, Inc., a private California-based restaurant enterprise. From March 2008 until February 2010, Mr. Power served as a director of Reserve Energy Corporation, a small private oil and gas exploration and production company; and was Managing Member of Montana Resorts, LLC, which is a holding company for Yellowstone Gateway Resorts, LLC, from May 2002 until May 2008; and was Managing Member of Yellowstone Gateway Resorts, LLC, which owned and operated the Gallatin Gateway Inn, from May 2002 until May 2008. On November 16, 2004, Yellowstone Gateway Resorts, LLC filed a voluntary petition in bankruptcy under Chapter 11 of the U.S. Bankruptcy Code in response to an adverse arbitration award in favor of a former employee. Yellowstone Gateway Resorts, LLC was successfully reorganized under Chapter 11.

Mr. Power attended, but did not receive a degree from, Occidental College and University of California at Davis.

### **Involvement in Certain Legal Proceedings**

During the last 10 years, except as disclosed herein, none of our directors or officers has:

- a.** had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
  
- b.** been convicted in a criminal proceeding or subject to a pending criminal proceeding;
  
- c.** been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
  
- d.** been found by a court of competent jurisdiction in a civil action, the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

### **Family Relationships**

No family relationships exist among our directors. Additionally, there do not exist any arrangements or understandings between any director and any other person pursuant to which any director was elected as such.

### **Conflicts of Interest**

Athena Silver Corporation is a company under common control. Mr. Power is our CFO and director and is also a director and CEO of Athena. Mr. Power and Mr. Gibbs are significant investors in both Magellan and Athena.

Silver Saddle Resources, LLC (“Silver Saddle”) is a private company under common control. Mr. Power and Mr. Gibbs are significant investors and managing members of Silver Saddle.

Magellan, Athena and Silver Saddle are exploration stage companies and each is involved in the business of acquisition and exploration of mineral resources.

The existence of common ownership and common management could result in significantly different operating results or financial position from those that could have resulted had Magellan, Athena and Silver Saddle been autonomous. In addition, the common ownership could result in significant conflicts of interest both in terms of the allocation of working capital as well as under the doctrine of corporate opportunity, inasmuch as all three entities are engaged in mineral exploration in the United States. Messr. Power and Gibbs have not adopted any policy or guidelines to mitigate the potential adverse effects of their conflicting interests between and among, Magellan, Athena and Silver Saddle.

While the foregoing may mitigate the conflicts of interest inherent in the interlocking interests, it will not eliminate all potential future conflicts. Investors in Magellan should be cognizant that the interests of Magellan may, in the future, be in conflict with the other activities of Magellan's control persons.

### **Director Independence**

Our common stock is listed on the OTC Bulletin Board's inter-dealer quotation systems, which does not have director independence requirements. Nevertheless, for purposes of determining director independence, we have applied the definition set forth in NASDAQ Rule 4200(a)(15). Our two directors are both officers of the corporation and are not considered independent.

### **Board Meetings**

During the year ended December 31, 2016, our Board held no meetings but has taken numerous actions by unanimous written consent.

### **Committees of the Board of Directors**

We currently do not have standing audit, compensation or nominating committees of the Board of Directors. We plan to form audit, compensation and nominating committees when it is necessary to do so to comply with federal securities laws or to meet listing requirements of a stock exchange or the Nasdaq Capital Market.

### **Compliance with Section 16(a), Beneficial Ownership**

Under the Securities Laws of the United States, our directors, executive (and certain other) officers, and any persons holding more than ten percent (10%) of our common stock during any part of our most recent fiscal year are required to report their ownership of common stock and any changes in that ownership to the SEC. Specific due dates for these reports have been established and we are required to report in this Report any failure to file by these dates. During the year ended December 31, 2016, all of these filing requirements were satisfied by our officers, directors, and ten-percent holders except that Mr. Gibbs failed to file six reports covering nine transactions in a timely fashion. In making these statements, we have relied on the written representation of our directors and officers or copies of the reports that they have filed with the Commission.

### **Code of Ethics**

We have adopted a Code of Ethics that applies to, among other persons, our company's principal executive officer, as well as persons performing similar functions. As adopted, our Code of Ethics sets forth written guidelines to promote:

honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

full, fair, accurate, timely and understandable disclosure in all reports and documents that we file with, or submit to, the SEC and in other public communications made by us that are within the executive officer's area of responsibility;

compliance with applicable governmental laws, rules and regulations;

the prompt internal reporting of violations of the Code; and

accountability for adherence to the Code.

Our Code of Ethics is on file with the SEC. We will provide a copy of the Code of Ethics to any person without charge, upon request. Requests can be sent to: Magellan Gold Corporation, 2010A Harbison Drive # 312, Vacaville, CA 95687.

## **ITEM 11. EXECUTIVE COMPENSATION**

### **Director Compensation**

Our directors receive no compensation for their services as director.

### **Executive Compensation**

The following table sets forth all compensation paid to our Named Executive Officers for the years ended December 31, 2016 and 2015:

#### **SUMMARY COMPENSATION TABLE**

Name	Principal	Year	Salary	Stock	Options	Incentive Plan	Nonqualified		Total
							Non equity	Deferred	
							Compen-sation	All Other	

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Position		(\$)	Bonus (\$)	Awards (\$)	Awards (\$)	Compen-sation (\$)	Earnings (\$)	Compen-sation (\$)	(\$)
								30,000	
John C. Power, President	2016	0	0	0	0	0	0	30,000	30,000
	2015	0	0	0	0	0	0		30,000
W. Pierce Carson, President	2016								
	(7months)	\$60,000	0	0(1)	0	0	0	0	60,000

(1) When he was first engaged as President, CEO and Director of G+W in June 2015, W. Pierce Carson was granted shares of G+W representing 15% of the total issued and outstanding shares of G+W.

In July 2016, we completed a reverse triangular merger pursuant to which a newly formed merger subsidiary was merged into Gulf + Western, and the 15% equity interest in Gulf + Western owned by Mr. Carson was converted into 8,623,957 shares of Magellan common stock. As a result of the merger, Gulf + Western became a wholly-owned subsidiary of Magellan.

Effective June 1, 2016, we entered into an Employment Agreement with Mr. Carson and engaged his services as President and CEO of Magellan for an initial term of one year. Under the terms of the Employment Agreement, Mr. Carson is entitled to a salary of \$6,667 per month for the first three months, and \$10,000 per month for the following nine months. If the Company is unable to pay the salary, the Company has the right to satisfy its obligation with shares of common stock. Through the date of this Report, the Company has not paid any compensation under the Employment Agreement.



We entered into a consulting agreement with Mr. Power at the rate of \$30,000 per year for his part-time service as our CFO. Mr. Power devotes approximately 25% of his time and attention to our business.

We did not have outstanding equity awards at December 31, 2016 and 2015.

### **Employment Agreements**

Gulf + Western has entered into an employment agreement with W. Pierce Carson to serve as President and CEO for a period of one year ending May 31, 2016. Mr. Carson's compensation was in the form of a transfer of a 15% equity interest in Gulf + Western.

Effective June 1, 2016, we entered into an Employment Agreement with Mr. Carson and engaged his services as President and CEO of Magellan for an initial term of one year. Under the terms of the Employment Agreement, Mr. Carson is entitled to a salary of \$6,667 per month for the first three months, and \$10,000 per month for the following nine months. If the Company is unable to pay the salary, the Company has the right to satisfy its obligation with shares of common stock. Through the date of this Report, the Company has not paid any compensation under the Employment Agreement.

### **Equity Incentive Plan**

We have not adopted any stock option, equity or other incentive equity plan and have no immediate plans to do so.

### **Indemnification of Directors and Officers**

Nevada Revised Statutes provide that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

Nevada Revised Statutes also provide that to the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding, or in defense of any claim, issue or matter therein, the corporation shall indemnify him against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense.

Our Articles of Incorporation authorize us to indemnify our directors and officers to the fullest extent permitted under Nevada Revised Statutes. Our bylaws set forth the procedures that must be followed in order for directors and officers to receive indemnity payments from us.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth information with respect to beneficial ownership of our common stock by:

- \* each person who beneficially owns more than 5% of our common stock;
- \* each of our executive officers named in the Management section;
- \* each of our directors; and
- \* all executive officers and directors as a group.

The following table shows the number of shares owned and the percentage of outstanding common stock owned as of March 17, 2017. Each person has sole voting and investment power with respect to the shares shown, except as noted.

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership (2)	Ownership as a Percentage of Outstanding Common Shares(3)
John Gibbs 807 Wood N Creek Ardmore, OK 73041	36,688,988	(4) <b>55.9%</b>
John C. Power	8,117,330	
W. Pierce Carson	8,623,957	<b>12.36%</b>
All officers and directors as a group (two persons)	16,741,287	25.5%

(1) Unless otherwise stated, address is 2010A Harbison Drive # 312, Vacaville, CA 95687.

Under SEC Rules, we include in the number of shares owned by each person the number of shares issuable under outstanding options or warrants if those options or warrants are exercisable within 60 days of the date of this Annual Report. In calculating percentage ownership, we calculate the ownership of each person who owns exercisable options by adding (i) the number of exercisable options for that person only to (ii) the number of total shares outstanding and dividing that result into (iii) the total number of shares and exercisable options owned by (2) that person.

(3) Shares and percentages beneficially owned are based upon 65,630,548 shares outstanding on March 17, 2016.

Includes 516,500 shares owned by TriPower Resources, Inc., of which John D. Gibbs is President and controlling (4) shareholder.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS  
AND DIRECTOR INDEPENDENCE**

Except as disclosed herein, there have been no transactions or proposed transactions in which the amount involved exceeds the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years in which any of our directors, executive officers or beneficial holders of more than 5% of the outstanding shares of our common stock, or any of their respective relatives, spouses, associates or affiliates, has had or will have any direct or material indirect interest.

**Related Parties**

Athena Silver Corporation is a company under common control. Mr. Power is also a director and CEO of Athena. Mr. Gibbs is a significant investor in both Magellan and Athena. Magellan and Athena are both exploration stage companies involved in the business of acquisition and exploration of mineral resources.

Silver Saddle Resources, LLC is a private company under common control. Mr. Power and Mr. Gibbs are significant investors and managing members of Silver Saddle. Magellan and Silver Saddle are both exploration stage companies involved in the business of acquisition and exploration of mineral resources.

The existence of common ownership and common management could result in significantly different operating results or financial position from those that could have resulted had Magellan, Athena and Silver Saddle been autonomous.

**Management Fees**

The Company maintains a month-to-month management agreement with Mr. Power requiring a monthly payment, in advance, of \$2,500 as consideration for his services to Magellan.

Management fees to Mr. Power totaling \$30,000 for both the years ended December 31, 2016 and 2015 are included in general and administrative expenses in our statement of operations. At December 31, 2016 and 2015, \$10,000 and \$2,500, respectively, of the fees had not been paid and are included in Accrued liabilities on the accompanying balance sheets.

**Line of Credit – Related Parties**

Effective December 31, 2012, we entered into an unsecured credit agreement with Mr. Gibbs with a maximum line balance of \$250,000. The promissory notes bear interest at 6% per annum and the principal plus all accrued interest was due December 31, 2014. On December 31, 2015 we amended our credit agreement with Mr. Gibbs to increase the borrowing limit under the line of credit to \$1,000,000. And effective December 31, 2016 we amended the agreement to extend the maturity date to December 31, 2018. The current outstanding line balance is evidenced by \$932,500 in credit notes.

***Accrued Interest - Related Parties***

Accrued interest due to related parties is included in our consolidated balance sheets as follows:

	December 31, 2016	December 31, 2015
Accrued interest payable - Mr. Power	<b>\$3,932</b>	<b>\$1,775</b>
Accrued interest payable - Mr. Gibbs	<b>157,707</b>	<b>102,211</b>
	<b>\$161,639</b>	<b>\$103,986</b>

During the year ended December 31, 2016, we paid a total of \$2,500 to Mr. Power representing unpaid accrued interest on notes payable. During the year ended December 31, 2015, we paid a total of \$7,250 to Mr. Power representing unpaid accrued interest on notes payable. No amounts have been paid to Mr. Gibbs in either 2016 or 2015 for outstanding accrued interest on the line of credit.

***Advances Payable – Related Parties***

We borrowed and repaid non-interest bearing advances from/to related parties as follows:

	Year Ended December 31, 2016	
	Advances	Repayments
Mr. Power	<b>\$16,200</b>	<b>\$16,200</b>

	Year Ended December 31, 2015	
	Advances	Repayments
Mr. Power	<b>\$6,545</b>	<b>\$9,395</b>

At both December 31, 2016 and 2015, no short-term advances from related parties were outstanding.

The Company also utilizes a credit card owned by Mr. Power to pay travel and other obligations when the availability of cash is limited or the timing of the payments is considered critical. No amounts were outstanding on this credit card at either December 31, 2016 or 2015.

***Deferred Compensation***

On June 1, 2015, the Company appointed W. Pierce Carson to the positions of President, Chief Executive Officer and a Director of G+W. In connection with his appointment, the Company assigned to Mr. Carson restricted shares of G+W common stock representing 15% of the total issued and outstanding shares of G+W in return for one year of his services. The Company determined the value of the transaction at \$50,000, which was recorded as deferred compensation to be amortized monthly over the initial one-year term of the employment agreement. As such, we have recognized \$50,000 of compensation expense through December 31, 2016 in connection with this transaction.

***Subsequent Events***

***Related Party Advance:*** John Power, Director and Officer, has made short term advances totaling \$105,000 during the period January through March 2017.

***Amendment of Credit Agreement:*** On March 31, 2017 and effective December 31, 2016 we amended our credit agreement with Mr. John Gibbs, a significant shareholder, to extend the maturity date of our credit agreement to December 31, 2018. All other terms of the agreement were unchanged.



## Director Independence

Our common stock is not listed on a national securities exchange or inter-dealer quotation system. Under NASDAQ Rule 5605(a)(2) and Item 407(a) of Regulation S-K, a director is not considered to be independent if he or she is also an executive officer of the corporation. Our director is considered an executive officer under Rule 3b-7 of the Exchange Act. Therefore, our director is not independent.

As a result of our limited operating history and minimal resources, we believe that we will have difficulty in attracting independent directors. In addition, we would likely be required to obtain directors' and officers' insurance coverage in order to attract and retain independent directors. We believe that the costs associated with maintaining such insurance is prohibitive at this time.

## ITEM 14. PRINCIPAL ACCOUNTANTING FEES AND SERVICES

We understand the need for our principal accountants to maintain objectivity and independence in their audit of our financial statements. To minimize relationships that could appear to impair the objectivity of our principal accountants, our Board of Directors has restricted the non-audit services that our principal accountants may provide to us primarily to tax services and audit-related services. We are only to obtain non-audit services from our principal accountants when the services offered by our principal accountants are more effective or economical than services available from other service providers, and, to the extent possible, only after competitive bidding. These determinations are among the key practices adopted by the Board of Directors. Our Board has adopted policies and procedures for pre-approving work performed by our principal accountants.

The aggregate fees billed for the fiscal years 2016 and 2015 for professional services rendered by our principal accountants for the audit of our annual financial statements and review of the financial statements included in our Quarterly Reports on Form 10-Q and services that are normally provided by our accountants in connection with statutory and regulatory filings or engagements for these fiscal periods were as follows:

	2016	2015
Audit fees - audit of annual financial statements and review of financial statements included in our quarterly reports, services normally provided by the accountant in connection with statutory and regulatory filings	<b>\$29,000</b>	<b>\$21,200</b>
Audit-related fees - related to the performance of audit or review of financial statements not reported under "audit fees"	0	0

Tax fees - tax compliance, tax advice and tax planning	0	0
All other fees - services provided by our principal accountants other than those identified above	0	0
Total fees	<b>\$29,000</b>	<b>\$21,200</b>

After careful consideration, the Board of Directors has determined that payment of the audit fees is in conformance with the independent status of our principal independent accountants.

**PART IV**

**ITEM 15 – EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

<b>Ex. No.</b>	<b>Title</b>
(1) 3.1	Certificate of Incorporation filed September 28, 2010
(1) 3.2	Bylaws
(4) 3.3	Amended and Restated Bylaws
(6) 3.4	Second Amended and Restated Bylaws
(1) 4.1	Specimen Common Stock Certificate
(1) 10.1	Cowles' Option and Mining Lease
(1) 10.2	Mining Lease – Randall Claims
(1) 10.3	Assignment of Randall Mining Lease Agreement
(1) 10.4	Mining Lease – Secret Claims
(1) 10.5	Consulting Agreement
(2) 10.6	Promissory Note Dated August 23, 2011, in favor of John C. Power
(2) 10.7	Promissory Note Dated August 23, 2011, in favor of John D. Gibbs
(3) 10.8	First Amendment to Mining Lease – Secret Claims
(3) 10.9	Second Amendment to Mining Lease – Randall Claims
(5) 10.10	Promissory Note Dated February 28, 2012, in favor of John D. Gibbs
(7) 10.11	Third Amendment to Mining Lease – Randall Claims
(8) 10.12	Option Agreement – Columbus Silver
(9) 10.13	Amendment No. 1 to Promissory Note in favor of John C. Power
(10) 10.14	Credit Agreement dated December 31, 2012 in favor of John D. Gibbs
(11) 10.15	Amendment No. 1 to Silver District Option Agreement
(12) 10.16	Allonge and Modification Agreement with John D. Gibbs
(13) 10.17	Promissory Note in favor of John Power
(14) 10.18	Silver District / Columbus Silver Purchase Agreement
(14) 10.19	Promissory Note in favor of Clifford Neuman
(15) 10.20	Second Allonge and Modification Agreement with John D. Gibbs
(16) 10.21	Employment Agreement - W. Pierce Carson
(17) 10.22	Employment Agreement – W. Pierce Carson (Magellan)
(18) 10.23	Agreement and Plan of Merger
(19) 10.24	Mining Option Agreement
(19) 10.25	Lock-Up/Voting Trust Agreement

- (19) 10.26 Intuitive Pty, Ltd. Agreement
- (19) 10.27 Mining Clip LLC Agreement
- (19) 10.28 Promissory Note
- (20) 10.29 Memorandum of Understanding
- (7) 14.1 Code of Ethics
- \* 31 Certification Pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- \* 32 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS XBRL Instance\*

101.SCH XBRL Taxonomy Extension Schema\*\*

101.CAL XBRL Taxonomy Extension Calculation\*\*

101.DEF XBRL Taxonomy Extension Definition\*\*

101.LAB XBRL Taxonomy Extension Labels\*\*

101.PRE XBRL Taxonomy Extension Presentation\*\*

- (1) Incorporated by reference as an Exhibit to Form S-1 as filed with the Commission on May 18, 2011.
- (2) Incorporated by reference to the Registrant's Current Report on Form 8-K, as filed with the Commission on August 23, 2011.
- (3) Incorporated by reference as an Exhibit to Quarterly Report on Form 10-Q as filed with the Commission on November 14, 2011.
- (4) Incorporated by reference as an Exhibit to Current Report on Form 8-K as filed with the Commission on February 7, 2012.
- (5) Incorporated by reference as an Exhibit to Current Report on Form 8-K/A-1 as filed with the Commission on March 29, 2012.
- (6) Incorporated by reference as an Exhibit to Current Report on Form 8-K as filed with the Commission on March 30, 2012.
- (7) Incorporated by reference as an Exhibit to Annual Report on Form 10-K as filed with the Commission on March 30, 2012.
- (8) Incorporated by reference as an Exhibit to Current Report on Form 8-K as filed with the Commission on August 30, 2012.
- (9) Incorporated by reference as an Exhibit to Current Report on Form 8-K as filed with the Commission on February 4, 2013.
- (10) Incorporated by reference as an Exhibit to Current Report on Form 8-K as filed with the Commission on February 4, 2013.
- (11) Incorporated by reference as an Exhibit to Current Report on Form 8-K as filed with the Commission on August 23, 2013.
- (12) Incorporated by reference as an Exhibit to Current Report on Form 8-K as filed with the Commission on January 2, 2014.
- (13) Incorporated by reference as an Exhibit to Current Report on Form 8-K as filed with the Commission on April 29, 2014.
- (14) Incorporated by reference as an Exhibit to Current Report on Form 8-K as filed with the Commission on October 2, 2014.
- (15) Incorporated by reference as an Exhibit to Current Report on Form 8-K as filed with the Commission on February 3, 2015.
- (16) Incorporated by reference as an Exhibit to Current Report on Form 8-K as filed with the Commission on June 11, 2015.

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**(17)** Incorporated by reference as an Exhibit to Current Report on Form 8-K as filed with the Commission on June 2, 2016.

**(18)** Incorporated by reference as an Exhibit to Current Report on Form 8-K as filed with the Commission on July 27, 2016.

**(19)** Incorporated by reference as an Exhibit to Current Report on Form 8-K as filed with the Commission on October 27, 2016.

**(20)** Incorporated by reference as an Exhibit to Current Report on Form 8-K as filed with the Commission on March 7, 2017.

\* Filed herewith

\*\* Furnished, not filed.

**MAGELLAN GOLD CORPORATION**

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of

Magellan Gold Corporation

Vacaville, California

We have audited the accompanying consolidated balance sheets of Magellan Gold Corporation and its subsidiaries (collectively the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations, shareholders’ deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Magellan Gold Corporation and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has not generated any revenue and further losses are anticipated. These conditions raise significant doubt about the Company’s ability to continue as a going concern. Management’s plans in this regard are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*/s/ MaloneBailey, LLP*



[www.malonebailey.com](http://www.malonebailey.com)

Houston, Texas

April 6, 2017

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**MAGELLAN GOLD CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

December 31, 2016    December 31, 2015

**ASSETS**

Current  
Assets

Cash  
and  
cash

equity investments	\$485	\$867
--------------------	-------	-------

Prepaid expenses	25,729	559
------------------	--------	-----

Deferred compensation		20,833
-----------------------	--	--------

Total  
current

assets	26,214	22,259
--------	--------	--------

Mineral  
Rights,  
Net  
of

Impairment	323,200	323,200
------------	---------	---------

Deposit  
with  
BLM

		8,639
--	--	-------

Prepaid expenses	29,792	-
------------------	--------	---

Investment  
in  
Rio  
Silver  
equity  
securities  
at

cost	59,753	-
------	--------	---

Total

assets	\$438,959	\$354,098
--------	-----------	-----------

**LIABILITIES  
AND  
SHAREHOLDERS'  
DEFICIT**

Current  
liabilities:

Accounts payable	<del>50,868</del>	<del>50,868</del>	\$34,425
Accrued liabilities	<del>75,592</del>	<del>75,592</del>	2,859
Line of credit - related part	<del>932,500</del>	<del>932,500</del>	887,500
Accrued interest - related part	<del>161,639</del>	<del>161,639</del>	103,986
Accrued interest	<del>1,316</del>	<del>1,316</del>	4,054
Notes payable - related part	<del>65,000</del>	<del>65,000</del>	65,000
Convertible note payable	<del>25,020</del>	<del>25,020</del>	51,532
Derivative liability	<del>119,500</del>	<del>119,500</del>	65,940
Total current liabilities	<del>1,439,435</del>	<del>1,439,435</del>	1,215,296

Shareholders'  
deficit:

Preferred shares, \$0.001 par value, 25,000,000 shares	-	-	
--	---	---	--

authorized,  
no  
shares  
issued  
and  
outstanding

Common  
shares

-  
\$0.001  
par  
value;  
100,000,000  
shares

authorized,  
64,630,548  
and  
48,869,091  
shares

issued  
and

outstanding ~~64,631~~ **48,869**

Additional  
paid-in

capital ~~856,822~~ **424,292**

Accumulated

deficit ~~(1,921,929)~~ **(1,369,103)**

Shareholders'

deficit ~~(1,000,476)~~ **(895,942)**

Noncontrolling  
interest  
in

subsidiary **34,744**

Total

shareholders'

deficit ~~(1,000,476)~~ **(861,198)**

Total  
liabilities

and  
shareholders'

deficit ~~\$438,959~~ **\$354,098**



**MAGELLAN GOLD CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Years Ended December 31,	
	2016	2015
Operating expenses:		
Exploration costs	\$70,599	\$19,351
General and administrative expenses	353,666	173,864
Total operating expenses	424,265	193,215
Operating loss	(424,265)	(193,215)
Other income (expense):		
Interest expense	(62,303)	(56,142)
Loss on change in derivative	(73,604)	(35,420)
Net loss	(560,172)	(284,777)
Net loss attributable to noncontrolling interest	\$ (7,346)	\$ (10,795)
Net loss attributable to common shareholders	\$ (552,826)	\$ (273,982)
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.01)
Basic and diluted weighted-average common shares outstanding	56,733,426	48,869,091

**MAGELLAN GOLD CORPORATION**  
**Consolidated Statements of Shareholders' Deficit**  
**For the years ended December 31, 2016 and December 31, 2015**

	Preferred Stock		Common Stock		Additional	Accumulated	Noncontrolling	Total
	Shares	Amount	Shares	Par Value	Paid-in Capital	Deficit	Interest	
Balance, December 31, 2014	0	\$-	8,869,091	\$48,869	\$419,831	\$(1,095,121)	\$-	\$
Transfer of	-	-	-	-	4,461	-	45,539	50

subsidiary shares to noncontrolling interest									
Net loss	-	-	-	-	-	(273,982)	(10,795)	(2)	
Balance, December 31, 2015	-	-	48,869,091	48,869	424,292	(1,369,103)	34,744	(8)	
Sales of common stock and warrants	-	-	5,975,000	5,975	298,350	-	-	30	
Conversion of Notes payable	-	-	600,000	600	22,800	-	-	23	
Reclassification of derivative liability	-	-	-	-	20,044	-	-	20	
Purchase of non-controlling interest	-	-	8,623,957	8,624	18,774	-	(27,398)	-	
Common stock issued under consulting agreements	-	-	562,500	563	72,562	-	-	73	
Net loss	-	-	-	-	-	(552,826)	(7,346)	(5)	
Balance, December 31, 2016	-	\$-	64,630,548	\$64,631	\$856,822	\$(1,921,929)	\$-	\$	



**MAGELLAN GOLD CORPORATION**  
**CONSOLIDATED STATEMENTS OF**  
**CASH FLOWS**

	<b>Years Ended</b>	
	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Operating activities:		
Net loss	<b>\$ (560,172)</b>	<b>\$ (284,777)</b>
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of deferred compensation	<b>20,833</b>	<b>29,167</b>
Amortization of service contracts	<b>28,629</b>	-
Loss on change in derivative liability	<b>73,604</b>	<b>35,420</b>
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	<b>10,173</b>	<b>(559)</b>
Accounts payable and accrued	<b>89,176</b>	<b>17,584</b>

expenses

Accrued interest	<b>59,803</b>	<b>48,892</b>
------------------	---------------	---------------

Net cash used in operating activities	<b>(277,954)</b>	<b>(154,273)</b>
---------------------------------------	------------------	------------------

Investing activities:

Payment of deposit on investment in mineral properties	<b>(12,000)</b>	<b>-</b>
--	-----------------	----------

Purchase of Rio Silver equity securities	<b>(59,753)</b>	<b>-</b>
--	-----------------	----------

Net cash used in investing activities	<b>(71,753)</b>	<b>-</b>
---------------------------------------	-----------------	----------

Financing activities:

Advances on line of credit - related party	<b>45,000</b>	<b>157,896</b>
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Advances from related parties	<b>16,200</b>	<b>6,545</b>
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Payments on advances from related parties	<b>(16,200)</b>	<b>(9,395)</b>
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Proceeds from note	<b>35,000</b>	<b>-</b>
--------------------	---------------	----------

payable - related party		
Payments on note payable - related party	<b>(35,000)</b>	<b>-</b>
Proceeds from sale of common stock and warrants	<b>304,325</b>	<b>-</b>
Net cash provided by financing activities	<b>349,325</b>	<b>155,046</b>
Net increase (decrease) in cash	<b>(382)</b>	<b>773</b>
Cash at beginning of period	<b>867</b>	<b>94</b>
Cash at end of period	<b>\$485</b>	<b>\$867</b>
Supplemental disclosure of cash flow information		
Cash paid for interest	<b>\$2,500</b>	<b>\$7,250</b>
Cash paid for income taxes	<b>\$-</b>	<b>\$-</b>

Supplemental  
disclosure  
of  
non-cash  
investing  
and  
financing  
activities:

Conversion  
of debt to  
common  
stock

**\$23,400**

**\$-**

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Reclassification of derivative liability to APIC	\$ 20,044	\$-
Common stock issued for prepaid services contracts	\$73,125	\$-
Common stock issued for buyout of non-controlling interest	\$27,398	\$-
Common stock of subsidiary issued in exchange for executive services	\$-	\$50,000

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## MAGELLAN GOLD CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Note 1 – Organization, Basis of Presentation, and Continuance of Operations

##### *Organization and Nature of Operations*

Magellan Gold Corporation (“we” “our”, “us”, the “Company” or “Magellan”) was incorporated on September 28, 2010, under the laws of the State of Nevada. Our principal business is the acquisition and exploration of mineral resources. We have not presently determined whether the properties to which we have mining rights contain mineral reserves that are economically recoverable.

On September 30, 2014, we formed and organized a new wholly-owned subsidiary, Gulf+Western Industries, Inc., a Nevada corporation (“Gulf+Western” or “G+W”), to own and operate our Silver District mining interests. On October 1, 2014 we completed the transfer of those assets from Magellan to G+W. Effective December 31, 2014 Magellan pledged all its ownership interest in G+W to Mr. John D. Gibbs, a significant shareholder in the Company, as security for outstanding amounts under a line of credit agreement between Magellan and Mr. Gibbs.

On June 1, 2015, we transferred 15% of our ownership interest in G+W to Dr. W. Pierce Carson (Dr. Carson), in exchange for one year of service as President, Chief Executive Officer and Director of G+W. As a result of the transaction, Magellan’s ownership interest in G+W was reduced to 85%. The transaction was valued at \$50,000 representing compensation for the one-year period from June 2015 through May 2016. On June 1, 2016 Magellan entered into a one-year employment agreement with Dr. Carson in which he assumes the positions of President and Chief Executive Officer of Magellan. As a result, Mr. John Power resigned his positions as President and Chief Executive Officer concurrent with the execution of Dr. Carson’s employment agreement. Mr. Power has retained the positions of Chief Financial Officer and Director of Magellan. Dr. Carson was appointed a Director of Magellan effective June 30, 2016.

In July 2016, the Company completed a share exchange with Dr. Carson in which Dr. Carson surrendered his 15% interest in G+W in exchange for 8,623,957 shares of Magellan Gold Corporation. As a result of this transaction, G+W became a wholly owned subsidiary of Magellan Gold Corporation.

On October 24, 2016, the Company entered into a Mining Option Agreement (“Option Agreement”) between and among Rio Silver Inc., a Canadian company (“Rio Silver”), Minera Rio Plata S.A.C. (“Minera”), a Peruvian company and subsidiary of Rio Silver, and Magellan Gold Peru S.A.C. (“Magellan Peru”), a Peruvian company and wholly owned subsidiary of the Company pursuant to which Rio Silver through Minera granted to the Company a sole and exclusive option to acquire an undivided 50% interest in and to property located in central Peru. Further information regarding the Option Agreement is included below in Note 4 – Mining Option Agreement.

Our primary focus is to continue evaluation of our properties, and possibly to acquire additional mineral rights and conduct additional exploration, development and permitting activities. Our mineral lease payments, permitting applications and exploration and development efforts will require additional capital. We rely upon the sale of our securities as well as advances and loans from executive management and significant shareholders to fund our operations as we have not generated any revenue.

### ***Liquidity and Going Concern***

Our consolidated financial statements have been prepared on a going concern basis, which assumes that we will be able to meet our obligations and continue our operations during the next fiscal year. Asset realization values may be significantly different from carrying values as shown in our consolidated financial statements and do not give effect to adjustments that would be necessary to the carrying values of assets and liabilities should we be unable to continue as a going concern. At December 31, 2016, we had not yet generated any revenues or achieved profitable operations and we have accumulated losses of \$1,921,929. We expect to incur further losses in the development of our business, all of which casts substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern depends on our ability to generate future profits and/or to obtain the necessary financing to meet our obligations arising from normal business operations when they come due.

On December 31, 2015 we amended our credit agreement with Mr. John Gibbs, a related party, to increase the borrowing limit to \$1,000,000, which provides the Company an additional \$67,500 available under the credit line at December 31, 2016. And effective December 31, 2016 we amended the agreement to extend the maturity date to December 31, 2018. As part of the 2014 amendment, we pledged our ownership interest in our subsidiary, G+W, which owns all our ownership interests in the Silver District properties, as security for all amounts outstanding under the credit agreement.

In June 2016, we closed a private placement of our securities in which we sold 4,875,000 units consisting of common stock and warrants and realized net proceeds of \$194,325. And in November 2016, we sold 1,100,000 units consisting of common stock and warrants, which resulted in total proceeds of \$110,000. The funds were generally used for working capital as well as to fund efforts to expand our portfolio of exploration opportunities.

We anticipate that additional funding will be in the form of additional loans from officers, directors or significant shareholders, or equity financing from the sale of our common stock.

### **Note 2 – Summary of Significant Accounting Policies**

#### ***Basis of Presentation and Principles of Consolidation***

Our consolidated financial statements include our accounts and the accounts of our 100% owned subsidiaries, Gulf + Western Industries, Inc., and Magellan Gold Peru S.A.C. All intercompany transactions and balances have been eliminated. Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

#### ***Use of Estimates***



The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of expenses during the period presented.

We make our estimate of the ultimate outcome for these items based on historical trends and other information available when the financial statements are prepared. Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available. We believe that our significant estimates, assumptions and judgments are reasonable, based upon information available at the time they were made. Actual results could differ from these estimates, making it possible that a change in these estimates could occur in the near term.

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### ***Fair Value of Financial Instruments***

We value our financial assets and liabilities using fair value measurements. Our financial instruments primarily consist of cash and cash equivalents, accounts payable, accrued liabilities, amounts due to related parties and notes payable to related parties. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amount of cash and cash equivalents, accounts payable, accrued liabilities, notes payable to related parties and other amounts due to related parties approximates fair value because of the short-term nature of these financial instruments.

### ***Concentrations of Credit Risk***

Our financial instruments which potentially subject us to credit risk are our cash and cash equivalents. We maintain our cash and cash equivalents at reputable financial institutions and currently, we are not exposed to significant credit risk.

### ***Cash and Cash Equivalents***

We consider all amounts on deposit with financial institutions and highly liquid investments with an original maturity of three months or less to be cash equivalents at the date of purchase.

### ***Mineral Rights***

We have determined that our mineral rights meet the definition of mineral rights, as defined by accounting standards, and are tangible assets. As a result, our direct costs to acquire or lease mineral rights are initially capitalized as tangible assets. Mineral rights include costs associated with: leasing or acquiring patented and unpatented mining claims; leasing mining rights including lease signature bonuses, lease rental payments and advance minimum royalty payments; and options to purchase or lease mineral properties.

If we establish proven and probable reserves for a mineral property and establish that the mineral property can be economically developed, mineral rights will be amortized over the estimated useful life of the property following the commencement of commercial production or expensed if it is determined that the mineral property has no future economic value or if the property is sold or abandoned. For mineral rights in which proven and probable reserves have not yet been established, we assess the carrying values for impairment at the end of each reporting period and whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

The net carrying value of our mineral rights represents the fair value at the time the mineral rights were acquired less accumulated depletion and any abandonment or impairment losses. Proven and probable reserves have not been established for mineral rights as of December 31, 2016. At December 31, 2016 and 2015 mineral rights totaling \$323,200 were net of \$117,857 of impairment and abandonment charges.

***Impairment of Long-lived Assets and Mining Rights***

We continually monitor events and changes in circumstances that could indicate that our carrying amounts of long-lived assets, including mineral rights, may not be recoverable. When such events or changes in circumstances occur, we assess the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through their undiscounted expected future cash flow. If the future undiscounted cash flow is less than the carrying amount of these assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets.

***Notes Payable – Related Party***

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Notes payable to related party are classified as current liabilities as the note holder has the ability to control the repayment dates of the notes.

### ***Exploration Costs***

Mineral exploration costs are expensed as incurred. When it has been determined that it is economically feasible to extract minerals and the permitting process has been initiated, exploration costs incurred to further delineate and develop the property are considered pre-commercial production costs and will be capitalized and included as mine development costs in our balance sheets.

### ***Income Taxes***

We recognize deferred tax assets and liabilities for temporary differences between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements and the effect of net operating losses based upon the enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. As at December 31, 2016 and 2015, the Company had no uncertain tax positions.

### ***Net Loss per Common Share***

We compute basic net loss per common share by dividing our net loss attributable to common shareholders by our weighted-average number of common shares outstanding during the period. Computation of diluted net loss per common share adds the weighted-average number of potential common shares outstanding to the weighted-average common shares outstanding, as calculated for basic net loss per share, except for instances in which there is a net loss. For the years ended December 31, 2016 and 2015, potential common shares associated with convertible notes payable and outstanding warrants to purchase common stock have been omitted from the net loss per common share computation as they are anti-dilutive due to the net loss for these years.

### ***Stock-based Compensation***

The Company determines the fair value of stock option awards granted to employees in accordance with FASB ASC Topic 718 – 10 and to non-employees in accordance with FASB ASC Topic 505 – 50. Compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period.

### ***New Accounting Standards***

From time to time, the Financial Accounting Standards Board (“FASB”) or other standards setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification are communicated through issuance of an Accounting Standards Update. Unless otherwise discussed, we believe that the impact of recently issued guidance, whether adopted or to be adopted in the future, is not expected to have a material impact on our

financial statements upon adoption.

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, "Leases: Topic 842 (ASU 2016-02)", to supersede nearly all existing lease guidance under GAAP. The guidance would require lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets. ASU 2016-02 is effective for the Company in the first quarter of our fiscal year ending December 31, 2019 using a modified retrospective approach with the option to elect certain practical expedients. The Company is currently evaluating the impact of its pending adoption of ASU 2016-02 on its consolidated financial statements.

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***Recently Adopted Accounting Standards***

Recently issued Financial Accounting Standards Board Accounting Standards Codification guidance has either been implemented or is not significant to us.

**Note 3 – Mineral Rights and Properties**

As of December 31, 2016 and 2015, our mineral rights and properties consist of the following:

	December 31, 2016	December 31, 2015
Silver District Claims	<b>\$323,200</b>	<b>\$323,200</b>
	—	—
	<b>\$323,200</b>	<b>\$323,200</b>

***Silver District***

In August 2012, we entered into an option agreement with Columbus Exploration f/k/a Columbus Silver Corporation, which granted us the right to acquire all of Columbus' interest in its Silver District properties located in La Paz County, Arizona. We paid Columbus an initial \$63,200 on signing of the option and a further \$50,000 in December 2012. We paid other patented and unpatented mining claim purchase and lease obligations in 2013 and 2014 to maintain the project claims and leases in good standing. On September 30, 2014, we paid an additional \$100,000 to Columbus Exploration to acquire all of Columbus' interest in its Silver District properties located in La Paz County, Arizona.

The properties acquired from Columbus were assigned into our subsidiary Gulf+Western Industries, Inc. and our total acquisition cost capitalized was \$323,200.

The Silver District property consists of 110 unpatented lode and mill site mining claims, six patented lode claims, and an Arizona State Exploration Permit, all of which are held directly or under lease agreements, totaling over 2,000 acres. Certain of the claims are subject to third party net smelter royalties and/or net profits of varying percentages.

In August 2016, we renewed the BLM lode and mill site claims in La Paz County, Arizona with the Bureau of Land Management and these claims will remain in good standing through August 31, 2017. Additionally, in both August 2016 and 2015, we made advance minimum royalty payments of \$10,000 to a third party landowner on the Red Cloud lease, which includes the Red Cloud Patented claim and two BLM lode claims. We also expanded the Arizona State Exploration Permit to approximately 334.85 acres on the Arizona State section that comprises part of our Silver District land package and our current on our obligations under this permit.

On July 9, 2015, G+W entered into two Lease and Purchase Agreements (“Agreements”) with an individual that grant the Company certain exploration and mining rights for two patented lode claims located in the Silver District, La Paz County, Arizona. The Agreements provide for scheduled variable annual advance minimum royalty payments to the lessor. In addition, the Agreements have an initial term of 20 years, and provide for the purchase of the properties for \$125,000 each during the term of the lease, net of any advance royalty payments made up to the date of the purchase. The Company paid the initial advance royalty payments totaling \$3,000 and advance royalty payments of \$1,000 in July 2016 to maintain these agreements. Due to an uncertainty associated with the clarification of the legal title for these two patented lode claims, these payments have not been capitalized as mining rights, and therefore are included in exploration costs during the period in which the obligation was due.

*Sacramento Mountains Project*

The Sacramento Mountains Project was located in the northwest corner of the Sacramento Mountains approximately 10 miles WNW of Needles, California. In October 2012, Magellan staked fifty (50) unpatented lode mining claims totaling approximately 1,000 acres, in which we have a 100% unencumbered interest, on Federal Bureau of Land Management “BLM”) land, and in January 2013 filed the claims with the BLM. In August 2015, we renewed 14 of these claims with the BLM, and abandoned all of these claims on August 31, 2016.

A plan of operation for a limited exploration drill program was submitted and approved by the BLM in 2013. During 2013, we paid \$8,639 to the BLM representing a deposit for potential reclamation of proposed drilling sites should we decide to carry out exploratory drilling on our Sacramento Mountains project. The deposit was included in the accompanying consolidated balance sheet at December 31, 2015 as deposit with BLM. During 2016, we decided to no longer pursue the drilling program and as a result, we requested and received the return of our deposit in the amount \$8,639 in 2016.

#### **Note 4 – Mining Option Agreement**

On June 30, 2016 the Company signed a non-binding Letter of Intent (“LOI”) with Rio Silver Inc., and on October 24, 2016 the Company executed a definitive Mining Option Agreement (“Option Agreement), pursuant to which Magellan is granted the option to earn an undivided 50% interest in the Niñobamba Silver-Gold Property (“Property”), located 330 kilometers southeast of Lima in the Department of Ayacucho, Peru.

As a condition of the LOI, the Company had paid a refundable \$12,000 deposit. This payment was recorded as a deposit and was subsequently used to maintain certain mining concessions on the property.

In addition to the deposit, the Company is obliged to subscribe to two private placement unit financings in Rio Silver, each for aggregate proceeds of Cdn\$75,000. The Company completed the first unit private placement on August 23, 2016. The first placement included 1,500,000 units priced at Cdn\$0.05, which included one share of Rio Silver common stock and one warrant to purchase one share of Rio Silver common stock for Cdn\$0.05 which expire on February 23, 2018. The cost of the units totaled USD \$59,753 and was recorded as an investment in Rio Silver equity securities and included on the accompanying consolidated balance sheet at December 31, 2016.

Under the terms of the Agreement, the Company has the right to earn an undivided 50% interest in the Niñobamba Silver/Gold Project in central Peru. To earn its 50% interest, the Company must spend \$2.0 million in exploration over three years. The Niñobamba project is comprised of four concessions that total 31 square kilometers (7,660 acres). As announced September 12, 2016, three of the concessions were recently acquired from a Peruvian company owned jointly by Newmont Mining Corporation and Southern Peru Copper Corporation.

#### **Note 5 - Fair Value of Financial Instruments**



Financial assets and liabilities recorded at fair value in our condensed consolidated balance sheets are categorized based upon a fair value hierarchy established by GAAP, which prioritizes the inputs used to measure fair value into the following levels:

Level 1— Quoted market prices in active markets for identical assets or liabilities at the measurement date.

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Level 2— Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable and can be corroborated by observable market data.

Level 3— Inputs reflecting management’s best estimates and assumptions of what market participants would use in pricing assets or liabilities at the measurement date. The inputs are unobservable in the market and significant to the valuation of the instruments.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Financial assets and liabilities measured at fair value on a recurring basis are summarized below:

	<b>Fair Value at December 31, 2016</b>	<b>Fair Value Measurement at December 31, 2016</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Derivative conversion option liability	\$ 119,500	\$ -	\$ -	\$ 119,500

	<b>Fair Value at December 31, 2015</b>	<b>Fair Value Measurement at December 31, 2015</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Derivative conversion option liability	\$ 65,940	\$ -	\$ -	\$ 65,940

A summary of the activity of the derivative liability is shown below:

Balance, December 31, 2014	<b>\$30,520</b>
Total losses (unrealized, realized) included in net loss	<b>35,420</b>
Balance, December 31, 2015	<b>65,940</b>
Reclassification of derivative liability to APIC	<b>(20,044)</b>
Total losses (unrealized, realized) included in net loss	<b>73,604</b>
Balance, December 31, 2016	<b>\$119,500</b>

The carrying values for cash and cash equivalents, prepaid assets, deferred compensation, accounts payable and accrued liabilities, related party line of credit and notes payable approximate their fair value due to their short maturities.

#### **Note 6 – Line of Credit – Related Party**

Effective December 31, 2012, we entered into a line of credit arrangement with John D. Gibbs, a significant investor, to facilitate timely cash flows for the Company's operations. The line of credit originally provided for a maximum balance of \$250,000, accrued interest at 6% annually, and matured on December 31, 2014.

On December 31, 2013 we amended our credit agreement with Mr. Gibbs to increase the borrowing limit under the line of credit to \$750,000. All other terms of the credit agreement, including the interest rate and maturity date remained unchanged.

On December 31, 2014, we again amended the credit agreement to increase the borrowing limit to \$900,000 and extend the maturity date to December 31, 2015. As part of the 2014 amendment and the subsequent appointment of Dr. Pierce Carson as the President, CEO and Director of G+W effective June 1, 2015, we had pledged all of our 85% equity interest in G+W, which owns the Silver District properties, as security for all amounts outstanding under the credit agreement. In July 2016, we completed a share exchange with Dr. Carson to re-acquire the 15% interest in G+W, and therefore at December 31, 2016 our entire 100% interest in G+W remains pledged as security for outstanding amounts under this credit agreement.

On December 31, 2015 we again amended the credit agreement to increase the borrowing limit to \$1,000,000, which provides the Company an additional \$67,500 available under the credit line at December 31, 2016. The amendment also extended the maturity date to December 31, 2016. The line of credit amendment does not have an accounting impact.

During the years ended December 31, 2016 and 2015, draws totaling \$45,000 and \$157,896, respectively, were made and were primarily used to fund working capital and certain obligations due to maintain our mining rights and properties. At December 31, 2016 a total of \$932,500 was outstanding under this line of credit. In addition, a total of \$157,707 of interest has been accrued on this obligation and is included in Interest payable - related parties on the accompanying consolidated balance sheet at December 31, 2016. At December 31, 2015 a total of \$887,500 was outstanding under this line of credit. In addition, a total of \$102,211 of interest had been accrued on this obligation and is included in Interest payable - related parties on the accompanying consolidated balance sheet at December 31, 2015.

**Note 7 – Notes Payable – Related Party**

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In August 2011, we entered into an unsecured loan from John Power, the Company's Chief Financial Officer, evidenced by a \$20,000 promissory note. The promissory note bears interest at 6% per annum and is payable on demand with thirty days' notice from the lender. During the second quarter of 2014, the Company made payments totaling \$5,000 to pay down the principal balance of the note. At December 31, 2016 and 2015, the Note balance was \$15,000. In June 2016, the Company paid Mr. Power \$1,124 representing interest accrued on this note payable. At December 31, 2016 and 2015, interest totaling \$676 and \$900 was accrued on this note payable and is included in Accrued interest – related parties on the accompanying balance sheets.

In January 2014, we entered into an additional unsecured loan from Mr. Power, evidenced by a \$50,000 promissory note. The promissory note bears interest at 6.75% per annum and is payable on demand with thirty days' notice from the lender. In June 2016, the Company paid Mr. Power \$1,376 representing interest accrued on this note payable. At December 31, 2016 and 2015, interest totaling \$2,874 and \$875 was accrued on this note payable and is included in Accrued interest – related parties on the accompanying balance sheets. At both December 31, 2016 and 2015, the Note balance was \$50,000.

Effective September 30, 2016, we entered into an additional unsecured loan from Mr. Power, evidenced by a \$35,000 promissory note. The promissory note bears interest at 6.00% per annum and is payable on demand with thirty days' notice from the lender. During the fourth quarter of 2016, the Company made payments totaling \$35,000 to Mr. Power representing the payoff of the principal of this note payable. At December 31, 2016 unpaid accrued interest on this note totaled \$382 and is included in Accrued interest – related parties on the accompanying balance sheet. No amounts were due and payable on this obligation at December 31, 2015.

#### **Note 8 – Convertible Notes Payable**

On October 1, 2014, we issued a convertible promissory note to a provider of legal services in the original principal amount of \$51,532. The note was issued to evidence the Company's indebtedness for legal services previously rendered. Interest accrues quarterly on the outstanding principal and interest balance of the Note at 6% per annum. The principal plus accrued and unpaid interest is due upon five days' written demand of the note holder. The note is unsecured.

The note principal and accrued interest is convertible at any time into shares of common stock at a conversion price of \$0.039, which represented the closing bid price of the common stock on the OTC Bulletin Board on the date of issuance.

On April 6, 2016 the Note holder elected to convert a total of \$23,400, consisting of \$18,512 of principal and \$4,888 of accrued interest. The conversion resulted in the issuance of 600,000 shares of the Company's common stock. At December 31, 2016 the remaining note balance was \$33,020. As a result of the conversion, a total of \$20,044 of the derivative liability associated with the note was reclassified to additional paid in capital on the conversion date.

The note contains certain anti-dilution provisions that would reduce the conversion price should the Company issue common stock equivalents at a price less than the note conversion price. Accordingly, the conversion features of the note are considered a discount to the note. However, since the note is payable upon demand by the note holder, the value of the discount was considered interest expense at the time of its inception. The note is evaluated quarterly, and upon any quarterly valuations in which the value of the discount changes we recognize a gain or loss due to a decrease or increase, respectively, in the fair value of the derivative liability. On December 30, 2016 the fair value of the derivative liability was determined to be \$119,500, resulting in a loss on change of the

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derivative liability of \$73,604 for the year ended December 31, 2016. On December 31, 2015 the fair value of the derivative liability was determined to be \$65,940, resulting in a loss on change of the derivative liability of \$35,420 for the year ended December 31, 2015.

We estimate the fair value of this derivative at each balance sheet date until such time the note is paid or converted in full.

We estimated the fair value of the derivative at December 31, 2016 and 2015 using the Black-Scholes option pricing model, which includes assumptions for expected dividends, expected share price volatility, risk-free interest rate, and expected life of the note. Our expected volatility assumption is based on our historical weekly closing price of our stock over a period equivalent to the expected remaining life of the note.

The following table summarizes the assumptions used to value the derivative liability at December 31, 2016:

**Fair value assumptions – derivative: December 31, 2016**

Risk free interest rate	0 . 85%
Expected term (years)	1 . 0
Expected volatility	158%
Expected dividends	0%

The following table summarizes the assumptions used to value the derivative liability at December 31, 2015:

**Fair value assumptions – derivative: December 31, 2015**

Risk free interest rate	0 . 65%
Expected term (years)	1 . 0
Expected volatility	155%
Expected dividends	0%

A total of \$1,316 (net of accrued interest converted), and \$4,054 of interest had accrued on the note at December 31, 2016 and 2015, respectively, and is included in Accrued interest on the accompanying consolidated balance sheets.

**Note 9 – Equity**

**Sales of common stock and warrants:** In June 2016, we completed a private placement of equity securities in which

we sold 4,875,000 units priced at \$0.04 per unit. Each unit was comprised of one share of common stock, one Class A warrant and one Class B warrant, each with original expiration dates of December 30, 2016. Each Class A warrant entitles the holder to purchase one share of common stock at a price of \$0.07 per share in cash. Each Class B warrant entitles the holder to purchase one share of common stock at a price of \$0.10 per share, exercisable in either cash or pursuant to a cashless exercise. All warrants include anti-dilution rights for stock splits, stock dividends and the sale of substantially all the Company's assets. We allocated the proceeds of the offering to additional paid-in capital based on the relative fair values of the equity instruments at the dates of the sale transactions in the following manner: common stock issued at 49%, the Class A warrants at 29%, and the Class B warrants at 22%. Both the Class A and Class B warrants were to expire December 30, 2016, but



were extended by the Company to February 28, 2017. The Company further extended the expiration date of the Class B warrants to June 30, 2017 for any warrant holders who exercised their Class A warrants in entirety prior to the February 28, 2017 expiration date.

The sale was concluded on June 30, 2016 and resulted in net proceeds of \$194,325, which were net of \$675 of direct offering costs. The funds received were generally used for general working capital as well as to fund our efforts to expand our portfolio of exploration opportunities.

In November 2016, we sold in a private placement of equity securities a total of 1,100,000 units priced at \$0.10 per unit. Each unit was comprised of one share of common stock, and one warrant entitling the holder to purchase one share of common stock at a price of \$0.10 per share in cash, and expire December 30, 2017. The warrants include anti-dilution rights for stock splits, stock dividends and the sale of substantially all the Company's assets. We allocated the proceeds of the offering to additional paid-in capital based on the relative fair values of the equity instruments at the dates of the sale transactions in the following manner: common stock issued at 59%, and the warrants at 41%.

The sale was concluded on November 30, 2016 and resulted in net proceeds of \$110,000. The funds received were used for general working capital.

**Acquisition of non-controlling interest in operating subsidiary:** In June 2015 we transferred 15% of our ownership interest in G+W to Dr. W. Pierce Carson (Dr. Carson), in exchange for one year of service as President, Chief Executive Officer and Director of G+W. As a result of the transaction, Magellan's ownership interest in G+W was reduced to 85%. The transaction was valued at \$50,000 representing compensation for the one-year period from June 2015 through May 2016. In July 2016, the Company completed a share exchange with Dr. Carson in which Dr. Carson surrendered his 15% interest in G+W in exchange for 8,623,957 shares of Magellan Gold Corporation. As a result of this transaction, G+W became a wholly owned subsidiary of Magellan Gold Corporation.

**Investor Relations contract – Intuitive PTY LTD:** On September 1, 2016 the Company executed an Investor Relations Engagement Agreement (“Agreement”) with Intuitive Pty Ltd (“Intuitive”), an investor relations firm located in Australia. The Agreement provides for Intuitive to undertake an investor relations and communications program that will focus on potential investors outside the United States. The term of the Agreement runs for two years beginning on September 1, 2016. As consideration for the services, the Company issued 500,000 shares of its common stock. The transaction was valued at \$65,000 based on the \$0.13 per share closing price of the Company's common stock on September 1, 2016. The transaction is being amortized monthly over the life of the Agreement. For the year ended December 31, 2016 a total of \$10,833 was charged to general and administrative expenses. The \$54,167 balance of the contract is included in prepaid expenses on the accompanying balance sheet at December 31, 2016.

**Investor Relations contract – Mining Clips LLC:** On October 15, 2016 the Company executed a letter agreement (“Agreement”) with Mining Clips LLC (“Mining Clips”), to provide marketing, public relations and outreach management services. The initial term of the Agreement continued for three months and shall rollover for additional three month periods until such time a mutually agreed upon change is made, or it is terminated by the Company with thirty days notice prior to the end of the three month period in which the Agreement is active. The initial compensation for the services included cash payments totaling \$11,250, payable in equal monthly installments during the term of the Agreement. In addition, a total of 62,500 shares of the Company’s common stock were issued as compensation for the initial three-month service period. The shares issued were valued at \$8,125, which is being amortized over the three-month service period. As of December 31, 2016 a total of \$6,771 had been amortized and is included in general and administrative expenses.

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## **Note 10 - Commitments and Contingencies**

As part of our acquisition of the Silver District properties from Columbus Exploration, we assumed the Red Cloud lease whose initial term expires in August 2026. The lease requires annual advance minimum royalty payments of \$10,000 through the term of the lease due on the annual anniversary of the agreement. The lease is also subject to a 2% net production royalty to be paid to the lessor from the sale of precious metals extracted from the leased property.

In order to maintain the BLM lode and mill site claims, annual payments are required before the end of August of each year. Payments are also due annually on two patented claims we leased in July 2015 and on our Arizona State Minerals Exploration Permit. As of December 31, 2016, all of these claims and leases are in good standing.

The Mining Option Agreement with Rio Silver as discussed above in Note 4 – Mining Option Agreement, requires the Company to spend \$2,000,000 in exploration costs over the three-year period commencing with the execution of the Agreement on October 24, 2016. As of December 31, 2016 the Company has spent a total of \$32,335 applicable to the Option buy-in requirement.

## **Note 11 – Executive Employment Agreement:**

On June 1, 2016 we executed an employment agreement with Dr. Carson in which he assumed the positions of President and Chief Executive Officer of Magellan Gold Corporation. The agreement also provided that Dr. Carson be appointed a Director of Magellan Gold Corporation, and effective June 30, 2016, Dr. Carson was appointed a Director of Magellan. The term of the agreement covers the period from June 1, 2016 to May 31, 2017. Prior to expiration of the initial term, Magellan and Dr. Carson may agree to extend the Term under new terms of compensation and conditions of employment, it being agreed that any such extension must be in writing signed by both parties.

During the term of the agreement, Magellan shall pay Dr. Carson a base salary in equal semi-monthly installments less required withholding and other applicable taxes. Dr. Carson's salary shall be set at \$6,667 per month during the three-month period from June 1, 2016 through August 31, 2016, and thereafter at \$10,000 per month during the nine-month period from September 1, 2016 through May 31, 2017. Until such time as Magellan is properly funded, Magellan may defer and accrue salary owed. If not properly funded before the end of the Term, Magellan may at its option issue Magellan shares as settlement of the accrued salary liability. A total of \$60,001 and \$5,951 of salary and associated payroll tax obligations pursuant to the agreement, respectively, had been accrued on this obligation and is included in accrued liabilities on the accompanying consolidated balance sheet at December 31, 2016.

Dr. Carson shall have the right to voluntarily terminate his employment with Magellan during the term. To effect such voluntary termination, Dr. Carson shall provide Magellan at least 60 days advanced written notice of such termination. Upon termination, Dr. Carson shall be paid his base salary through the date of termination, including any amount that may have been deferred and accrued.

The agreement supersedes the previous agreement of June 1, 2015, in which the Company appointed Dr. Carson to the positions of President, Chief Executive Officer and a Director of G+W. In connection with his appointment, the Company assigned to Dr. Carson restricted shares of G+W common stock representing 15% of the total issued and outstanding shares of G+W in return for one year of his services. The Company determined the value of the transaction at \$50,000, which was recorded as deferred compensation to be amortized monthly over the initial one-year term of the employment agreement. As of December 31, 2016 the entire deferred compensation had been fully amortized. For the years ended December 31, 2016 and 2015 compensation expense resulting from this transaction totaling \$20,833 and \$29,167, respectively, is included in general and administrative expenses in the accompanying consolidated statement of operations.

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## **Note 12 – Finder’s Agreement**

On November 1, 2016 the Company executed a Finder’s Agreement (“Agreement”), with a third party consultant to introduce the Company to potential investors beginning with its November 2016 private placement offering. The term of the Agreement is six months, or until the Company informs the consultant it has located investors to purchase the securities. The consultant is to be compensated for the services by cash payments totaling \$30,000, payable at or before the termination of the Agreement. As of December 31, 2016 the Company had paid approximately \$11,000 to the consultant pursuant to the Agreement.

## **Note 13 – Related Party Transactions**

### *Conflicts of Interests*

Athena Silver Corporation (“Athena”) is a company under common control. Mr. Power is also a director and CEO of Athena. Mr. Gibbs is a significant investor in both Magellan and Athena. Magellan and Athena are both exploration stage companies involved in the business of acquisition and exploration of mineral resources.

Silver Saddle Resources, LLC is also a company under common control. Mr. Power and Mr. Gibbs are significant investors and managing members of Silver Saddle. Magellan and Silver Saddle are both exploration stage companies involved in the business of acquisition and exploration of mineral resources.

The existence of common ownership and common management could result in significantly different operating results or financial position from those that could have resulted had Magellan, Athena and Silver Saddle been autonomous.

### *Management Fees*

The Company maintains a month-to-month management agreement with Mr. Power our CFO requiring a monthly payment, in advance, of \$2,500 as consideration for his services to Magellan.

Management fees to Mr. Power totaling \$30,000 for both the years ended December 31, 2016 and 2015 are included in general and administrative expenses in our statement of operations. At December 31, 2016 and 2015, \$10,000 and \$2,500, respectively, of the fees had not been paid and are included in Accrued liabilities on the accompanying balance sheets.

***Accrued Interest - Related Parties***

Accrued interest due to related parties is included in our consolidated balance sheets as follows:

	December 31, 2016	December 31, 2015
Accrued interest payable - Mr. Power	<b>\$3, 932</b>	<b>\$1, 775</b>
Accrued interest payable - Mr. Gibbs	<b>157, 707</b>	<b>102, 211</b>
	<b>\$161, 639</b>	<b>\$103, 986</b>

During the year ended December 31, 2016, we paid a total of \$2,500 to Mr. Power representing unpaid accrued interest on notes payable. During the year ended December 31, 2015, we paid a total of \$7,250 to Mr. Power representing unpaid accrued interest on notes payable. No amounts have been paid to Mr. Gibbs in either 2016 or 2015 for outstanding accrued interest on the line of credit.

***Advances Payable – Related Party***

We borrowed and repaid non-interest bearing advances from/to related parties as follows:

	Year Ended December 31, 2016	
	Advances	Repayments
Mr. Power	<b>\$16,200</b>	<b>\$16,200</b>

	Year Ended December 31, 2015	
	Advances	Repayments
Mr. Power	<b>\$6,545</b>	<b>\$9,395</b>

At both December 31, 2016 and 2015, no short-term advances from related parties were outstanding.

The Company also utilizes a credit card owned by Mr. Power to pay travel and other obligations when the availability of cash is limited or the timing of the payments is considered critical. No amounts were outstanding on this credit card at either December 31, 2016 or 2015.

**Note 14 – Income Taxes**

Our net operating loss carry forward as of December 31, 2016 is \$1,817,003, which may be used to offset future income taxes through 2037. Our net operating loss carry forward as of December 31, 2015 was \$1,379,895. Our reconciliation between the expected federal income tax benefit computed by applying the federal statutory rate to our net loss and the actual benefit for taxes on net loss for 2016 and 2015 is as follows:

	<b>Years Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Expected federal income tax benefit at statutory rate	148,616	96,824
State taxes	15,299	9,967
Change in valuation allowance	(163,915)	(106,791)
Income tax benefit	-	-

Our deferred tax assets as of December 31, 2016 and 2015 were as follows:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Net operating loss	681,376	517,461
Valuation allowance	(681,376)	(517,461)
Deferred tax assets, net of allowance	-	-

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We have provided a valuation allowance of 100% of our net deferred tax asset due to the uncertainty of generating future profits that would allow us to realize our deferred tax assets.

#### **Note 15 – Subsequent Events**

**Completion of Second Unit Financing in Rio Silver:** In January 2017, the Company completed its second financing with Rio Silver, Inc. as required under the Mining Option Agreement. The financing included the purchase of 1,250,000 units priced at Cdn\$0.06, which included one share of Rio Silver common stock and one warrant to purchase one share of Rio Silver common stock for Cdn\$0.06 which expire July 19, 2018. The cost of the units totaled USD \$58,294 and has been recorded as an investment in Rio Silver equity securities.

**Extension of Expiration Dates of Class A and Class B Warrants:** Subsequent to December 31, 2016, the Company extended the Class A and Class B warrants sold in the April 2016 private placement offering which closed in June 2016. The original expiration date of December 30, 2016 was extended to February 28, 2017. The Company further extended the expiration date of the Class B warrants to June 30, 2017 for any warrant holders who exercised their Class A warrants in entirety prior to the February 28, 2017 expiration date. On February 28, 2017, all of our outstanding Class A and Class B Warrants expired without being exercised.



***Sale of Common Stock and Warrants:*** In January and February 2017, the Company completed the sale of an additional 1,200,000 units of one share and one warrant at \$0.10 under its ongoing private placement for net proceeds of \$120,000.

***Rose Petroleum plc Option:***

On March 3, 2017, we signed a Memorandum of Understanding by and among the Company and ROSE PETROLEUM, plc and its wholly-owned subsidiary MINERALES VANE S.A. de C.V. (“***VANE***”) (collectively “***Rose***”) (the “MOU”).

Under the terms of the MOU, in consideration of a non-refundable \$50,000 option payment, the Company has been granted a 90-day option to purchase the SDA Mill, located in Nayarit, Mexico. The option period

can be extended for an additional 60 days with another \$100,000 payment. The extension payment will be credited against the purchase price if the transaction closes. The purchase price for the SDA Mill is \$1.5 million, payable \$1.0 million in cash and \$500,000 in restricted common stock of Magellan.

Consummation of the SDA Mill acquisition is subject to numerous conditions, including the parties entering into a separate asset purchase agreement, satisfactory due diligence, the Company completing a financing, an audit of the mill's financial statements, regulatory approvals and other conditions customary to transactions of this nature. There can be no assurance that the purchase of the mill will be completed.

**Related Party Advance:** John Power, Director and Officer, has made short term advances totaling \$105,000 during the period January through March 2017.

**Amendment of Credit Agreement:** On March 31, 2017 with an effective date of December 31, 2016 we amended our credit agreement with Mr. John Gibbs, a significant shareholder, to extend the maturity date of our credit agreement to December 31, 2018. All other terms of the agreement were unchanged.

**SIGNATURES**

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

MAGELLAN GOLD CORPORATION

By: */s/ W. Pierce Carson*

Date: April 6, 2017 W. Pierce Carson, President, Principal Executive Officer, & Director

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

SIGNATURE	TITLE	DATE
<i>/s/ John C. Power</i>		
John C. Power	Principal Accounting Officer, Secretary & Director	April 6, 2017
<i>/s/ W. Pierce Carson</i>	Principal Executive Officer & Director	April 6, 2017
W. Pierce Carson		