

MAGELLAN GOLD Corp  
Form 10-Q  
May 12, 2014

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

FORM 10-Q

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

For the quarterly period ended March 31, 2014

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**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or  
organization)

2010A Harbison Drive #312, Vacaville, CA

(Address of principal executive offices)

27-3566922

(IRS Employer Identification Number)

95687

(Zip Code)

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

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  No

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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 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 [ X ]

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 [ ] Smaller reporting company [ X ]  
(Do not check if a smaller reporting company)

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

On May 7, 2014 there were 48,869,091 shares of the registrant's common stock, \$.001 par value, outstanding.

**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

**MAGELLAN GOLD CORPORATION**  
**(An Exploration Stage Company)**

**BALANCE SHEETS**

	March 31, 2014 <i>(unaudited)</i>	December 31, 2013
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 79	\$ 2,128
Prepaid expenses	1,260	-
Total current assets	1,339	2,128
Mineral rights, net of impairment	223,200	143,200
Deposit with BLM	30,096	30,096
Total assets	\$ 254,635	\$ 175,424
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 73,112	\$ 65,642
Line of credit - related party	459,604	399,604
Due to related parties	28,307	20,970
Notes payable - related parties	70,000	20,000
Total current liabilities	631,023	506,216
Shareholders' deficit:		
Preferred shares, \$.001 par value, 25,000,000 shares authorized, no shares issued and outstanding	-	-
Common shares - \$.001 par value; 100,000,000 shares authorized, 48,869,091 shares issued and outstanding	48,869	48,869
Additional paid-in capital	419,831	419,831
Accumulated deficit	(845,088)	(799,492)
Total shareholders' deficit	(376,388)	(330,792)
Total liabilities and shareholders' deficit	\$ 254,635	\$ 175,424

*The accompanying notes are an integral part of these unaudited financial statements.*

**MAGELLAN GOLD CORPORATION****(An Exploration Stage Company)****STATEMENTS OF OPERATIONS****(unaudited)**

	Three Months Ended March 31,		Inception (September 28, 2010) through March 31, 2014
	2014	2013	
Operating expenses:			
Exploration costs	\$ 13,737	\$ 34,872	\$ 192,056
Other operating costs	-	-	1,504
General and administrative expenses	24,522	27,465	503,138
Abandonment of mineral rights	-	-	89,729
Impairment of mineral rights	-	-	28,128
Total operating expenses	38,259	62,337	814,555
Operating loss	(38,259)	(62,337)	(814,555)
Other income (expense):			
Interest expense	(7,337)	(2,584)	(30,533)
Net loss	\$ (45,596)	\$ (64,921)	\$ (845,088)
Basic and diluted net loss per common share	\$ (0.00)	\$ (0.00)	
Basic and diluted weighted-average common shares outstanding	48,869,091	48,869,091	

*The accompanying notes are an integral part of these unaudited financial statements.*



**MAGELLAN GOLD CORPORATION**  
**(An Exploration Stage Company)**

**STATEMENTS OF CASH FLOWS**  
**(unaudited)**

	<b>Three Months Ended March 31,</b>		<b>Inception (September</b>
	<b>2014</b>	<b>2013</b>	<b>28, 2012) through</b>
			<b>March 31, 2014</b>
Operating activities:			
Net loss	\$ (45,596)	\$ (64,921)	\$ (845,088)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash financing costs	-	-	145,000
Common stock issued for services	-	-	3,000
Abandonment of mineral rights	-	-	89,729
Impairment of mineral rights	-	-	28,128
Changes in operating assets and liabilities:			
Prepaid expenses and other assets	(1,260)	-	(31,356)
Accounts payable and accrued expenses	7,470	27,364	43,112
Due to related parties	7,337	(4,016)	28,307
Net cash used in operating activities	(32,049)	(41,573)	(539,168)
Investing activities:			
Advances to related parties	-	-	(21,000)
Repayments of advances to related parties	-	-	21,000
Acquisition of mineral rights	(80,000)	(40,350)	(311,057)
Net cash used in investing activities	(80,000)	(40,350)	(311,057)
Financing activities:			
Advances on line of credit - related party	60,000	74,604	459,604
Proceeds from advances from related parties	4,500	14,800	137,138
Payments on advances from related parties	(4,500)	(10,900)	(93,658)
Proceeds from notes payable - related parties	50,000	-	70,000
Proceeds from sale of common stock	-	-	277,220
	110,000	78,504	850,304



Net cash provided by financing  
activities

**CONTINUED ON FOLLOWING PAGE**

*The accompanying notes are an integral part of these unaudited financial statements.*

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## MAGELLAN GOLD CORPORATION

(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS  
(unaudited)

	Three Months Ended March 31,		Inception (September 28, 2012) through	
	2014	2013	March 31, 2014	
Net (decrease) increase in cash		(2,049)	(3,419)	79
Cash at beginning of period		2,128	4,409	-
Cash at end of period	\$	79	\$	990
Supplemental disclosure of cash flow information				
Cash paid for interest	\$	-	\$	-
Cash paid for income taxes	\$	-	\$	-
Supplemental disclosure of non-cash investing and financing activities:				
Increase of accounts payable applicable to acquisition of mineral rights	\$	-	\$	-
Common shares issued for advances payable-related parties	\$	-	\$	-
Reclass of note payable - related party to line of credit	\$	-	\$	-
				\$ 30,000
				\$ 43,480
				\$ 40,000

**MAGELLAN GOLD CORPORATION**

**(An Exploration Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**(unaudited)**

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

**Note 1 Organization, Basis of Presentation, and Continuance of Operations:**

We were incorporated on September 28, 2010, in Nevada. We are an exploration stage company and our principal business is the acquisition and exploration of mineral resources. We have not presently determined whether our mineral properties contain mineral reserves that are economically recoverable.

We have only recently begun operations and we rely upon the sale of our securities and borrowings from significant shareholders to fund our operations as we have not generated any revenue.

***Basis of Presentation***

We prepare our financial statements in accordance with accounting principles generally accepted in the United States ( GAAP ). The accompanying unaudited interim financial statements have been prepared in accordance with GAAP for interim financial information in accordance with Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2014, are not necessarily indicative of the results for the full year. While we believe that the disclosures presented herein are adequate and not misleading, these interim financial statements should be read in conjunction with the audited financial statements and the footnotes thereto contained in our annual report on Form 10-K for the year ended December 31, 2013.

***Liquidity and Going Concern***

Our 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 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 March 31, 2014, we had not yet generated any revenues or achieved profitable operations and we have accumulated losses of \$845,088 since our inception. 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, 2013 we amended our credit agreement with Mr. John Gibbs, a related party, to increase the borrowing limit under the line of credit to \$750,000, which provides the Company an additional \$290,396 available under the credit line at March 31, 2014. 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 Mineral Rights:

As of March 31, 2014 and December 31, 2013, our mineral rights consist of the following:

	March 31, 2014	December 31, 2013
Silver District Claims	\$ 223,200	\$ 143,200
Sacramento Mountains Project	-	-
Pony Express Claims	-	-
	\$ 223,200	\$ 143,200

### *Silver District Claims*

In August, 2012, we entered into an option agreement with Columbus Silver Corporation, which grants the Company 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. In addition, we made a \$50,000 payment in December 2012 to Columbus as required under the option agreement. During February 2014 and January 2013, we paid an additional \$80,000 and \$30,000, respectively, for the underlying purchase obligation entered into between Columbus and a third party. See also Note 5 regarding certain commitments for future payments for these claims.

The Silver District property consists of 117 unpatented mining claims, four patented claims held under lease agreements, and one state lease, totaling over 2,000 acres. The property is subject to third party net smelter royalties of varying percentages. We also must make payments under the option agreement to maintain the underlying claims, leases and purchases contracts.

In August 2013, we renewed these claims with the Bureau of Land Management and recorded a notice of intent to hold mining claims with La Paz County and these claims remain in good standing through August 31, 2014. In July 2013, we staked and filed with the Bureau of Land Management and recorded with La Paz County an additional 9 claims or approximately 180 acres to our Silver District land holdings. We renewed these claims with the Bureau of Land Management in August 2013 and they remain in good standing through August 31, 2014.

During August and September 2013, we made payments to a third party landowner of \$7,500 for an annual lease payment on a patented claim under the Columbus option agreement and successfully renewed our exploration permit on portions of a State section that comprises part of our Silver District land package.



In November 2013, we paid \$21,457 to the Bureau of Land Management ( BLM ) representing a deposit for potential reclamation of proposed drilling sites should the Company decide to drill exploratory holes on its Silver District project. The deposit is included in other non-current assets in the accompanying balance sheet at December 31, 2013 as a Deposit with BLM.

### ***Sacramento Mountains Project***

Magellan staked fifty (50) unpatented lode mining claims known as the Sacramento Mountains Project totaling approximately 1,000 acres, in which they have a 100% unencumbered interest, on Federal (BLM) land in October 2012 and filed the claims with the BLM in January 2013. The Project is located in the northwest corner of the Sacramento Mountains approximately 10 miles WNW of Needles, California. In August 2013, we renewed these claims with the Bureau of Land Management and recorded a notice of intent to hold mining claims with San Bernardino County in September 2013 and our claims remain in good standing through August 31, 2014.

During 2013, we paid \$8,639 to the Bureau of Land Management ( BLM ) representing a deposit for potential reclamation of proposed drilling sites should the Company decide to drill exploratory holes on its Sacramento Mountains project. The deposit is included in other non-current assets in the accompanying balance sheet at December 31, 2013 as a Deposit with BLM.

A plan of operation for a small exploration drill program was submitted and approved by the Bureau of Land Management in 2013. As of the date of this report no decision to drill within the project has been made.

Due to the decline in precious metals prices and the absence of currently available funds to further develop this early stage project, we recorded an impairment charge equal to the amount of our capitalized mineral rights at December 31, 2013 in the amount of \$10,350. We intend to leave our deposit in place for the Sacramento Mountains project with the BLM and maintain our claims so that the project is available for further exploration should capital formation conditions improve.

### ***Pony Express Claims***

In November 2010, we filed two unpatented lode mining claims giving us the right to explore, develop and conduct mining operations on these claims located in Churchill County, Nevada.

In August 2013, we renewed these claims with the Bureau of Land Management and recorder a notice of intent to hold mining claims with Churchill County in September 2013 and our claims remain in good standing through August 31, 2014.

Due to the decline in precious metals prices and the absence of currently available funds to further develop this early stage project, we have recorded an impairment charge equ