MAGELLAN GOLD Corp
Form 10-K
April 12, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2018

o 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	27-3566922
(State or other jurisdiction of incorporation or organization)	I.R.S. Employer Identification Number

500 Marquette Avenue NW, Albuquerque, NM 87102
(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 o 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 o No x

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 o

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted 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 such files). Yes x No o

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. 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 o	Accelerated filer o
Non-accelerated filer o	Smaller Reporting Company x
	Emerging growth company x

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

The aggregate market value of the 1,158,543 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 $1.525 on June 29, 2018 was $1,766,778.08[1].

The number of shares outstanding of the registrant’s common stock, as of April 11, 2019 is 3,529,003.

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.

_____

[1] The closing price of $1.525 on June 29, 2018 gives retroactive effect to the one-for-fifty (1-for-50) reverse stock split which was effective on January 7, 2019 (the “Reverse Split”).

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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, Nevada and Mexico. 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 660,000 shares of common stock to our founders in consideration of $0.125 per share: 600,000 shares were issued to Messrs. Power and Gibbs and 60,000 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 focus is on projects in Arizona and Mexico.

Silver District, La Paz County, Arizona

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.

The Company continues to pursue the Silver District property but fully impaired the capitalized value of $323,200 during the year ended December 31, 2018.

SDA Mill Acquisition

On November 30, 2017, the Company purchased from Rose Petroleum plc (“Rose”) a mineral processing mill operation located in the state of Navarit, Mexico (the “SDA Mill”) as well as its associated assets, licenses and agreements. Magellan previously had paid a $50,000 option payment, and an additional $100,000 option-to-purchase extension. The $100,000 option extension payment was applied against the cash portion of the purchase price.

The purchase price for the SDA Mill consisted of $850,000 cash, a $50,000 promissory note, the $50,000 non-refundable option payment, the $100,000 option-to-purchase payment, and 284,017 shares of common stock (the “Shares”) with a fair value of $426,025 on the date of acquisition. The note was non-interest bearing and has been paid in full. The Shares will be held in escrow for a period of 12 months and the Company has the option to repurchase the Shares from Rose for the sum of $500,000 in the first six months and $550,000 in months seven to twelve.

Rose owned one share of Series A capital stock of Minerales Vane S.A. de C.V. (“Minerales Vane 1”) and Vane Minerals (UK) Limited (“Vane UK”) owned 49,999 shares of Series A capital stock and 26,524,000 shares of Series B capital stock of Minerales Vane 1.

Prior to closing, all of the assets and operations related to the SDA Mill were transferred to a newly incorporated entity, Minerales Vane 2 S.A. de C.V. (“Minerales Vane 2”). Effective November 30, 2017, the Company’s newly incorporated wholly-owned subsidiary, Magellan Acquisition Corporation (“MAC”), acquired 100% of the issued and outstanding shares of Minerales Vane 2.

On October 17, 2017, the Company amended the agreement to include the acquisition of Minerales VANE Operaciones (“MVO”) (the entity that provides labor to the SDA Mill) for $2,500 as soon as practicable following the Closing Date, rather than prior to the Closing Date. At December 31, 2017, the Company had not obtained control of MVO. Magellan subsequently acquired control of MVO in January 2018 and paid for it in April 2018.

Our primary focus with the acquisition of the SDA Mill in Mexico is to transform Magellan into a production company, to continue to advance our Arizona silver project towards resource definition and eventual development, 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.

Subsequent to the closing, Rose and Magellan entered into an IVA Agreement pursuant to the provisions of the definitive Purchase Agreement. Under the terms of the IVA Agreement, Rose advanced the sum of MXN 4,251,840 which was used to pay the IVA tax assessed by the Mexican taxing authorities on the acquisition transaction. Magellan has agreed that Rose is entitled to any future credits or rebates of IVA tax that Magellan may be entitled to until the advance is fully recouped.

El Dorado Acquisition

In August, 2018, the Company entered into an agreement giving it the right to acquire the El Dorado Gold-Silver Property, a 50 hectare mining concession located near the village of Las Minitas, which lies 50 kilometers south of Magellan’s SDA Flotation Plant at Acaponeta, Nayarit State. Magellan intends to advance El Dorado towards production as a matter of priority. The Company has initiated permitting and is in the process of selecting an underground mining contractor. The project has excellent road and rail infrastructure, and the Company plans to truck the mineralized material from El Dorado to the SDA Plant for processing. El Dorado is situated within a district of epithermal vein systems from which historic mining produced high grades.

Commencement of mining will depend on a number of preconditions, the most important of which include obtaining environmental and blasting permits, selecting and mobilizing a mining contractor and procuring financing. An access and land use agreement with the local ejido already is in place. Once development begins, mineralized material will be accessible with a minimal amount of underground development. Mineralized material will be sourced initially from the shallow, upper portions of the mineralized veins.

Drilling on the El Dorado vein system was conducted by a TSX.V-listed company in 2010-2011 and comprised 28 diamond core holes totaling 4,950 meters. Two veins appear to offer particular promise for mining, namely the Hundido and Intermedia veins. These veins lie adjacent to and along strike from the old Hundido Mine, which from 1900-1927 produced an estimated 50,000 tonnes of high-grade gold-silver ore. The veins are steeply-dipping, highly silicified structures cutting volcanic rocks. Polygonal resource calculations for the two veins, based on intersections in 10 core holes and after applying a 25% tonnage deduction for dilution and recovery factors, yielded respectively 89,000 tonnes grading 7.01 g/t gold equivalent (Au+Ag) over a true width of 2.3 meters (Hundido Vein); and 91,000 tonnes grading 15.17 g/t gold equivalent (Au+Ag) over a true width of 8.3 meters (Intermedia Vein). These mineralized materials do not constitute ore reserves under SEC Industry Guide 7, The mineralization extends from near surface to a drilled depth of 150 meters and is open at greater depth.

The El Dorado vein system can be traced on the surface for a distance greater than three kilometers and exhibits structural complexity with numerous conjugate vein splits both in the hangingwall and footwall. This complex structure hosts multiple mineralized zones including high-grade veins potentially minable underground, and lower-grade open-pittable stockwork zones that are observed to extend over tens of meters in width in both the hangingwall and footwall of the El Dorado vein system.

Magellan concluded the agreement with Ingenieros Mineros, S.A. de C.V., the owner of the El Dorado mining concession giving the Company the right to acquire the concession by making staged six-monthly option payments over two years towards an end purchase price of $800,000 (plus 16% IVA). No royalties are payable. Magellan has the right to begin production during the term of the agreement. The Company has made the initial option payment of $50,000 (plus 16% IVA). In addition, Magellan has agreed with a TSX.V-listed company to purchase a comprehensive El Dorado data package including diamond drill core and technical information for a price of $120,000, payable in cash and Magellan common stock.

Conflicts of Interests

Athena Silver Corporation is a company under common control. Mr. Power is a 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, 2018, 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.

On October 31, 2018, the SEC adopted final rules modernizing disclosure requirements for companies with material mining operations (excluding oil and gas). The rules will implement extensive changes to the existing disclosure regime and are intended to align US disclosure requirements more closely with current industry and global regulatory practices and standards, specifically the Committee for Mineral Reserves International Reporting Standards ("CRIRSCO"). The rules have a two year phase-in period. Companies are not required to begin to comply with the rules until their first fiscal year beginning on or after January 1, 2021.

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 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.

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 properties, namely the Silver District Project in southwest Arizona and the SDA Mill in Nayarit State, Mexico. We also recently acquired rights to explore the El Dorado prospect in Nayarit State, Mexico, which is in proximity to the SDA Mill. We currently intend to engage in exploration activities on the Silver District Project and, if commercially recoverable deposits are found, to conduct mineral development activities. We intend to assess and acquire mineral properties in the region of the SDA Mill with the objective of sourcing ore for processing at the mill. To date, we have only begun preliminary exploration work.

Silver District Project, La Paz Co., Arizona

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

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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 - 2017.

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 (CaF2); 6.9% Barite (BaSO4)
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.

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 Na2O2 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 - 2017 Exploration Program

During 2016 and 2017 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 and 2017 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.

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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 2016 and 2017, 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. 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 initial encouraging results obtained from the orientation survey, in 2017 we conducted an additional program of soil sampling along strike to the north and south of the Red Cloud ore body. Samples were collected on a grid with lines oriented across strike of the Red Cloud vein.

Silver District Claim Map

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

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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
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

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POP #24 (2d Am	AMC# 44013
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.

SDA Mill, Nayarit, Mexico

On March 3, 2017, Magellan acquired a 150-day option to purchase the SDA Mill from Rose Petroleum plc and its wholly-owned subsidiary Minerales Vane S,A. de C.V. (“Rose”) for consideration of $1.0 million in cash and $500,000 in restricted common stock of Magellan. The Company paid an initial $50,000 option fee on March 3, 2017, and on June 1, 2017 paid an additional $100,000 option fee that also applied to the purchase price upon closing.

On July 31, 2017, Magellan and Rose agreed to extend the option period. Under terms of the extension, Magellan had the obligation by August 15, 2017, to deliver executed irrevocable bridge loan commitments representing not less than $900,000 in cash required to fund the transaction. Magellan delivered the loan commitments as required. Magellan also agreed to reimburse Rose for certain mill employee and maintenance costs for the months of August and September 2017. Magellan reimbursed Rose approximately $50,000 for the two months, as required under terms of the extension.

On September 9, 2017, Magellan and Rose executed a definitive and binding stock purchase agreement (“SPA”) pursuant to which Magellan would acquire 100% interest in Rose's wholly-owned Mexican subsidiary that owned the SDA Mill. The SPA provided that the purchase price for the SDA Mill would be US $1.5 million, consisting of $1.0 million in cash (of which $100,000 had been paid in the form of an option extension payment on June 1, 2017) and $500,000 in shares of Magellan’s restricted common stock. The SPA provided that closing of the transaction would be subject to the satisfaction of certain conditions, including Rose completing the split-off of its Mexican subsidiary that owned the SDA Mill and Rose obtaining the approval of its shareholders.

On November 30, 2017, as disclosed above, the transaction closed for the agreed upon price of approximately US$1.5 million, consisting of $1,000,000 in cash, including the $100,000 option extension payment, and $500,000 in restricted common stock of Magellan. Based upon the volume weighted average price per share of Magellan Gold stock for the 30 calendar days preceding the closing date, 284,017 shares of stock were issued in connection with the transaction.

The total purchase price for the SDA Mill was determined to be $1,476,025 which consisted of $850,000 cash, a $50,000 promissory note, the $50,000 non-refundable option payment, the $100,000 previously paid for the option-to-purchase extension, and 284,017 shares of common stock (the “Shares”) with a fair value of $426,025. The note was non-interest bearing and has been paid in full. The Shares will be held in escrow for a period of 12 months and the Company has the option to repurchase the Shares from Rose for the sum of $500,000 in the first six months and $550,000 in months 7 to 12. This repurchase option expired unexercised.

The SDA Mill is a fully operational flotation plant that also includes a precious metals leach circuit and associated assets, licenses and agreements. The mill has the capacity to process ore at a rate of up to 200 tons per day. The mill has a ten-year operating history. Historically its operation has been based on sales of flotation concentrates to smelters, and payment for precious metals content. Until the month of November 2017 when the Company conducted limited toll milling operations, milling activity was on hold pending the completion of the purchase transaction.

Magellan acquired no ore reserves in connection with the SDA Mill purchase. Resumption of production will depend on the Company’s success in identifying and acquiring new sources of ore, for which there is no assurance.

Recent Developments with the SDA Mill

The Company has reached preliminary agreement with a private company supplier of mineralized material to toll treat the material at the Company’s SDA Mill. The supplier will source the mineralized material and deliver it to the mill. Test processing of a bulk sample of approximately 600 tons was completed in February 2019. While the results of the test were encouraging, the supplier has experienced challenges in providing mineralized ore on a consistent basis. The

Company intends to identify alternative suppliers for the mill.

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El Dorado

EL DORADO GOLD-SILVER PROJECT, NAYARIT STATE, MEXICO

In August, 2018, the Company entered into an agreement giving it the right to acquire the El Dorado Gold-Silver Property, a 50 hectare mining concession located near the village of Las Minitas, which lies 50 kilometers south of Magellan's SDA Flotation Plant at Acaponeta, Nayarit State. Magellan intends to advance El Dorado towards production as a matter of priority. The Company has initiated permitting and is in the process of selecting an underground mining contractor. The project has excellent road and rail infrastructure, and the Company plans to truck the mineralized material from El Dorado to the SDA Plant for processing. El Dorado is situated within a district of epithermal vein systems from which historic mining produced high grades.

Commencement of mining will depend on a number of preconditions, the most important of which include obtaining environmental and blasting permits, selecting and mobilizing a mining contractor and procuring financing. An access and land use agreement with the local ejido already is in place. Once development begins, mineralized material will be accessible with a minimal amount of underground development. Mineralized material will be sourced initially from the shallow, upper portions of the mineralized veins.

Drilling on the El Dorado vein system was conducted by a TSX.V-listed company in 2010-2011 and comprised 28 diamond core holes totaling 4,950 meters. Two veins appear to offer particular promise for mining, namely the Hundido and Intermedia veins. These veins lie adjacent to and along strike from the old Hundido Mine, which from 1900-1927 produced an estimated 50,000 tonnes of high-grade gold-silver ore. The veins are steeply-dipping, highly silicified structures cutting volcanic rocks. Polygonal resource calculations for the two veins, based on intersections in 10 core holes and after applying a 25% tonnage deduction for dilution and recovery factors, yielded respectively 89,000 tonnes grading 7.01 g/t gold equivalent (Au+Ag) over a true width of 2.3 meters (Hundido Vein); and 91,000 tonnes grading 15.17 g/t gold equivalent (Au+Ag) over a true width of 8.3 meters (Intermedia Vein). These mineralized materials do not constitute ore reserves under SEC Industry Guide 7. The mineralization extends from near surface to a drilled depth of 150 meters and is open at greater depth.

The El Dorado vein system can be traced on the surface for a distance greater than three kilometers and exhibits structural complexity with numerous conjugate vein splits both in the hangingwall and footwall. This complex structure hosts multiple mineralized zones including high-grade veins potentially minable underground, and lower-grade open-pittable stockwork zones that are observed to extend over tens of meters in width in both the hangingwall and footwall of the El Dorado vein system.

Magellan concluded the agreement with Ingenieros Mineros, S.A. de C.V., the owner of the El Dorado mining concession giving the Company the right to acquire the concession by making staged six-monthly option payments over two years towards an end purchase price of $800,000 (plus 16% IVA). No royalties are payable. Magellan has the right to begin production during the term of the agreement. The Company has made the initial option payment of $50,000 (plus 16% IVA). The Company is currently negotiating an extension to the payment schedule. In addition, Magellan has agreed with a TSX.V-listed company to purchase a comprehensive El Dorado data package including diamond drill core and technical information for a price of $120,000, payable in cash and Magellan common stock.

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 volcaniclastic 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.

SDA Mill

Location and Access

The SDA Mill ("SDA") is located in the town of San Dieguito de Arriba, within the municipality of Acaponeta, in the State of Nayarit, Mexico. It is approximately 15 km east of Acaponeta and easily accessible by paved road. The town, with a population of approximately 300 inhabitants, lies at an elevation of 38 meters asl and is within the ejido of the same name. Acaponeta is about 150 km southeast from Mazatlan, a 1.5 hours drive via a major paved highway. Mazatlan is served by direct flights from several cities in the US and Canada.

The SDA plant and tailings area includes approximately 9 hectares (21.6 acres) of land leased from the local ejido and an individual. The largest lease of 6 hectares (14.4 acres), on which the plant is located, was renewed in 2016 and includes the supply of plant make-up water. The facility is fully permitted and the Operating License is valid until 2026.

Ore transport, operating supplies and concentrate shipments are by truck. The majority of employees live in the adjacent town of San Dieguito de Arriba and either walk or bicycle to work.

History

The SDA plant was built and began operating in 2007 by Minerales Vane S.A. de C.V. ("Vane"), and operated more or less continuously until 2017. The plant was originally designed to process ore from Vane's El Diablito mine. Vane developed and exploited this mine as well as other mines through joint ventures until mining ceased in October 2015 due to lack of ore.

The mill continued to operate until April 2017, processing ore from various operators in the region on a toll basis. The toll ores were tested prior to processing to estimate recoveries and concentrate grades. Typical reported recoveries were in the range 85-92% for gold and 72-77% for silver. The stated objective of SDA was to produce a bulk

gold-silver concentrate of the highest grade possible without detrimental impurities.

The SDA plant generally has been operated at the rate of 100 mtpd over the past ten years.

An agitated leach system and precious metals recovery plant (Merrill – Crowe) was installed and operated briefly processing concentrates. The leach system is not currently being operated.

Water and Power

Water is pumped from the Rio Acaponeta, 2.4 km distant to the west using a company owned portable pump and 4-inch piping. The fresh water make-up requirement is estimated at 4-5 m^3 per hour. This is equivalent to approximately 1 tonne of fresh water per tonne of ore processed. The plant has two storage tanks totaling approximately 150 m^3 of storage.

Power is supplied by an overland power line from the grid by Comision Federal de Electricidad (“CFE”). Rates are set by the CFE. Plant power is 440V with two transformers, one for the plant and a smaller unit for the laboratory.

Workforce

When fully operational the SDA Mill is operated with a total of 36 employees, which includes 3 in administration (I GM and 2 Engineers), 4 in the laboratory and 29 operators. The technical support for metallurgy is provided through an external consultant. Overall the workforce is well trained to maintain current operating status, and open to process improvement given external support. Turnover is nil with the advantage of the local workforce, and community relations are in good standing.

Process Plant

The main sections of the SDA process plant include:

- Crushing – two stage crushing in closed circuit – capacity 25 mtph
- Grinding – ball mill in closed circuit with cyclone classifier – capacity 150 mtpd
- Flotation – including conditioner tank, roughers and cleaners – capacity + 150 mtpd
- Concentrate vats, drying and load out area
- Tailings facility – contains 250,000 mt – additional capacity 150,000 mt
- Analytical laboratory
- Office, warehouse and small maintenance shop
- Leaching – Merrill Crowe installation – not operating – capacity 300 mtpd concentrate leaching

The plant historically has operated at 100 mtpd but has the capacity to operate at 150 mtpd or greater without additional capital expenditure.

Exploration Plans

Magellan acquired no ore reserves in connection with the SDA Mill purchase. Resumption of production will depend on the Company's success in obtaining new sources of ore, for which there is no assurance.

The Company's strategy is to acquire new sources of ore, to resume mining and processing operations, and to build production and increase cash flow. A key objective will be to secure high-grade feed sources. The mill lies within the rich Sierra Madre Occidental mineralized belt, which historically has yielded millions of ounces of precious metals and offers multiple high-grade gold and silver epithermal vein opportunities.

Subject to securing the necessary funding, we have budgeted $350,000 for exploration work over the next 12 months, comprising $100,000 for geologic mapping and geochemical sampling, and $250,000 for diamond drilling and

assaying of approximately 2,000 meters of core.

If exploration and/or acquisition is successful in generating projects with potential for production, then additional funding would be required for mine development. The Company's objective would be to achieve production as a matter of priority.

The exploration program will be supervised by Pierce Carson, the Company's president, and by well qualified geologists based in Mexico.

EL DORADO

Location and Access

The El Dorado Gold-Silver Project is located in the Pacific Coastal Plain, near the village of Las Minitas, Municipality of Rosamorada, State of Nayarit, within the Mining Agency of Tepic. It lies 50 kilometers south of the Company's SDA Mill, 70 kilometers north-northwest of Tepic, the state capital, and 180 kilometers southeast of Mazatlan, Sinaloa. The project has excellent road and rail infrastructure.

The El Dorado Mining Concession consists of a 50-hectare concession held under option by the Company's wholly-owned subsidiary Minerales Vane 2 S.A. de C.V. from a Mexican private company, Ingenieros Mineros S.A. de C.V.

NAME OF THE MINING CONCESSION	TITLE N°	HA	VALID UNTIL
EL DORADO	166132	50	March 26, 2030

The principal vein system is the El Dorado epithermal vein trend that strikes N50°E and dips steeply to the NW. It forms a continuous reef outcrop 1.5 kilometers in length. Additional discontinuous outcrops both to the NE and SW indicate a strike length of 3.5 kilometers.

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History

The El Dorado vein system has a history of small-scale mining. In the period 1900-1927 a mineralized zone was mined in the Hundido Mine. A historic longitudinal section of this portion of El Dorado vein indicates that it was mined for gold and silver to a maximum depth of 150 meters from the surface. The workings are largely inaccessible and there are no production records available. Based on the extent of old workings and the size of the stopes shown on the historic longitudinal section approximately 50,000 tons of gold-silver mineralization are estimated to have been extracted from the Hundido Mine.

From 1965 to 1975 Rafael Velasco extracted mineralized material from the El Dorado mine, located 250 meters further NE of the El Hundido mine, and from 1975 to 1983 American interests mined direct-to-smelter grade material from the El Dorado mine.

From 1985 to 1990 the company Ingenieros Mineros SA de CV continued operations in the El Dorado Mine in three levels to a depth of 30 meters below the surface and shipped the ore to the "El Venado" processing plant located near Ruiz, Nayarit, for toll treatment to produce a flotation concentrate. Historic metallurgical balance sheets from this plant indicate the grade of the material was on the order of 5 g/t Au and 70 g/t Ag.

In a report dated May 1986 by Compañia Fresnillo, S.A. de C.V., a list of 46 underground samples reported an average grade of 7.88 g/t Au and 55 g/t Ag for the three levels of the El Dorado Mine with vein widths ranging from 1.2 meters to 4.0 meters.

Magellan has not verified available historic data because the underground workings are presently flooded and inaccessible. In due course the Company intends to dewater the underground workings and carry out the work necessary to verify data and define the size and grade of the mineralization.

Drilling Program 2010-2011

Drilling on the El Dorado vein system was conducted by a TSX.V-listed company in 2010-2011 and comprised 28 diamond core holes totaling 4,950 meters. The drilling intersected multiple steeply-dipping silicified mineralized zones extending from near-surface to a drilled depth of 150 meters.

The following longitudinal section shows the drilling pattern along the El Dorado vein in the area of the Hundido and El Dorado mines, and summary drill hole intersection grades and widths.

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The mineralization extends from near surface to a drilled depth of 150 meters and is open at greater depth.

Two veins appear to offer particular promise for mining, namely the Hundido and Intermedia veins. These veins lie adjacent to and along strike from the old Hundido Mine. Polygonal resource calculations for the two veins, based on intersections in 10 core holes are summarized as follows:

MINERALIZATION INDICATED BY DRILLING

Vein	True Width	Tonnes	Au+Ag Au Equiv
	m		**g/t**
Hundido	**2.3**	**89,000**	**7.01**
Intermedia	**8.3**	**91,000**	**15.17**

Notes: 1. Polygonal resources based on intersections from 10 holes.
2. Tonnage reduced by 25% to allow for mining dilution and recovery loss.
3. Does not constitute ore reserves under SEC Industry Guide 7.

Geology

The stratigraphy of the district consists predominantly of a thick andesitic lithic lapilli tuff, with a dacitic crystal tuff marker horizon within the andesitic pile. The andesitic sequence is overlain by a pre-vein rhyolitic pyroclastic sequence, indicating an andesitic/rhyolitic bimodal composition. In the central part of the district a complex of domes and dikes of rhyolitic composition exhibit a NE-SW orientation similar to the vein system. The pre-vein volcanic stratigraphy shows a general tilt of 8°-15° to the east, exposing the deepest portions of the stratigraphy and hydrothermal system in the SW and central parts of the district, and the higher geologic level of the deposit towards the NE where high level silicification and argillization outcrop.

The vein pattern is interpreted to be the result of a right lateral structural regime that developed a N50°E fault system exhibiting a horizontal component of movement, and a conjugate system of N70°E to E-W faults with dilational and normal movement. The principal mineralized structure in the district is the El Dorado Vein which can be traced on the surface for a distance greater than 3 kilometers, and exhibits structural complexity with numerous conjugate vein splits both in the hangingwall and footwall.

A number of prospective exploration targets have been defined along the El Dorado Vein structure related to old mines, anaomalous geochemical sample results and zones of structural complexity.

Two main stages of vein formation appear to be present consisting of early fine to medium grained crystalline quartz with Pb-Zn-Cu and Ag sulfides (Stage I), and a later Stage II which consists of generally barren coarse-crystalline quartz that is commonly observed cementing breccia fragments of Stage I vein material. In the hangingwall and footwall of the veins it is common to observe quartz stockwork-stringer zones with Pb-Zn-Cu sulfides as well as dissemination of sulfides in permeable zones of coarse-grained tuffs and pyroclastic breccias. In the geologically deeper central part of the El Dorado vein system where the Hundido and El Dorado mineralized zones were mined, quartz with Au-Ag values and base metal sulfides of Stage I are present accompanied by strong propylitization (epidote and chlorite) of the andesitic volcanic, particularly in the footwall portion of El Dorado vein system.

The El Dorado Vein exhibits potential to contain multiple mineralized zones, including higher grade over minable widths for underground mining, or lower-grade open pitable stockwork zones which are observed over tens of meters in width in both the hangingwall and footwall of the El Dorado vein system.

Exploration and Development Plans

Subject to the availability of financing, Magellan intends to advance El Dorado towards production as a matter of priority. The Company has initiated permitting and is in the process of selecting an underground mining contractor. The project has excellent road and rail infrastructure, and the Company plans to truck the mineralized material from El Dorado to the Company’s SDA Plant for processing, a distance of approximately 50 kilometers.

Commencement of mining will depend on a number of preconditions, the most important of which include obtaining environmental and blasting permits, selecting and mobilizing a mining contractor and procuring financing. An access and land use agreement with the local ejido already is in place. Once development begins, mineralized material will be accessible with a minimal amount of underground development. Mineralized material will be sourced initially from the shallow, upper portions of the mineralized veins.

The Company also has identified and is assessing exploration targets and other acquisition opportunities in the El Dorado district as well as in other districts within trucking distance of the SDA Mill.

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 exploration opportunities nearby our SDA mill in Nayarit, Mexico, and in particular our El Dorado Gold-Silver Project. 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 have two material properties, namely the Silver District Project in southwest Arizona and the SDA Mill in Nayarit State, Mexico. We currently intend to engage in exploration activities on the Silver District Project and, if commercially recoverable deposits are found, to conduct mineral development activities.

We intend to assess and acquire mineral properties in the region of the SDA Mill with the objective of sourcing ore for resumption of processing at the mill. To date, we have only begun preliminary exploration work.

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) during the periods indicated:

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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 contained in a concentrate.

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.

In June 2018, we received a notification from the US Department of Interior regarding a breach of a mine tailings impoundment at the Red Cloud prospect in the Silver District. According to the notice, the tailings contained hazardous substances including lead and arsenic. We were indentified as a potential responsible party. We responded to the notification and have heard nothing further. We cannot predict whether the situation represents the potential a material liability.

Mexico

In order to carry out mining activities in Mexico, the Company is required to obtain a mining concession from the General Bureau of Mining, which belongs to the Ministry of Economy of the Federal Government, or be assigned previously granted concession rights, and both must be recorded with the Public Registry of Mining. In addition, mining works may have to be authorized by other authorities when performed in certain areas, including *ejidos* (communal owners of land recognized by the federal laws in Mexico), villages, dams, channels, general communications ways, submarine shelves of islands, islets and reefs, marine beds and subsoil and federal maritime-terrestrial zones. Reports have to be filed with the General Bureau of Mining in May of each year, evidencing previous calendar year mining investment and works. Annual reports, detailing technical and statistical information and production results, must be submitted during the first 30 business days of the following year for each concession or group of concessions bearing production and all concessions over six years of age. Bi-annual mining duties are payable in January and July of each year and, based on amount of surface of each mining concession, holders of mining concessions must also pay annually and no later than the last business day of March a special

mining fee based on 7.5% of the income before interest and certain other permitted deductions derived from the transfer or sale of minerals, plus 0.5% of gross revenues from sales of gold, silver and platinum. Failure to pay any of these duties and submit the required reports could lead to cancellation of the concessions. Upon expiration or cancellation of the concession, certain obligations remain, such as filing technical reports and ground support.

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 was entitled to a salary of $6,667 per month for the first three months, and $10,000 per month for the following nine months. Effective June 1, 2017, and then again on June 1, 2018, the Employment Agreement was extended for an additional year at a salary $10,000 per month. If the Company is unable to pay the salary, the Company has the right to satisfy its obligation with shares of common stock.

Effective September 18, 2017, Michael P. Martinez was engaged on a consulting basis to serve as the Company’s Chief Financial Officer and Secretary. John C. Power stepped down from these positions, but continued in his role as a director of the Company.

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

ITEM 1A – RISK FACTORS.

Our business faces many risks. Any of the risks discussed below, or elsewhere in this report or in our other filings with the SEC, could have a material impact on our business, financial condition, or results of operations.

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 consolidated financial statements for the fiscal years ended December 31, 2018 and 2017, 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 and limited experience in mineral production.

We have no history of and limited experience in producing gold or other metals. In addition, our management has limited technical training and experience with exploring for, starting and/or operating a mine. 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 limited 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.

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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 our prospects are successful, of which there can be no assurance, our current estimates indicate that we may be required to raise substantial 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. and Mexican governments may determine to revise U.S. or Mexican 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.

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 impacted our corporate governance, securities disclosure and compliance practices. In response to the requirements of SOX, the SEC and major stock exchanges have promulgated rules and listing standards covering a variety of subjects. Compliance with these 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 our 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. SOX and these other laws, rules and regulations have increased legal and financial compliance costs and have made our corporate governance activities more difficult, time-consuming and costly.

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.

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.

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 c