

Computer Software Innovations, Inc.
Form SC 14D9/A
November 07, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-9

Solicitation/Recommendation Statement under Section 14(d)(4) of the Securities Exchange

Act of 1934

(Amendment No. 3)

COMPUTER SOFTWARE INNOVATIONS, INC.

(Name of Subject Company)

COMPUTER SOFTWARE INNOVATIONS, INC.

(Names of Persons Filing Statement)

Common Stock, Par Value \$0.001 per share

(Title of Class of Securities)

205395106

(CUSIP Number of Class of Securities)

David B. Dechant

Chief Financial Officer

900 East Main Street, Suite T, Easley, South Carolina 29640

(864) 855-3900

**(Name, address and telephone number of person authorized to receive
notices and communications on behalf of the persons filing statement)**

With copies to:

William L. Pitman, Esq.

Smith Moore Leatherwood LLP

300 E. McBee Avenue, Suite 500

Greenville, South Carolina 29601

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Introduction

This Amendment No. 3 (this Amendment) amends and supplements the Solicitation/Recommendation Statement on Schedule 14D-9 (as amended or supplemented from time to time, the Schedule 14D-9) originally filed with the U.S. Securities and Exchange Commission (the SEC) by Computer Software Innovations, Inc., a Delaware corporation (the Company), on October 10, 2012 and amended on October 15, 2012 and October 24, 2012. The Schedule 14D-9 relates to the tender offer by NHCC Merger Corp., a Delaware corporation (Merger Sub), which is a wholly-owned subsidiary of N. Harris Computer Corporation, a company organized under the Business Corporations Act (Ontario) (Parent or Harris), to purchase all outstanding shares of the Company Capital Stock, at a price per share of \$1.10 cash, without interest (the Offer Price) and less any applicable withholding taxes, upon the terms and subject to the conditions set forth in the offer to purchase, dated October 10, 2012 (as it may be amended or supplemented from time to time, the Offer to Purchase), and the related letter of transmittal (as it may be amended or supplemented from time to time, the Letter of Transmittal and, together with the Offer to Purchase, the Offer). The Offer is described in a Tender Offer Statement on Schedule TO (as amended or supplemented from time to time, the Schedule TO), filed by Parent and Merger Sub with the SEC on October 10, 2012. The Offer to Purchase and the Letter of Transmittal are filed as Exhibits (a)(1)(A) and (a)(1)(B) to the Schedule 14D-9, respectively, and are incorporated by reference herein. The Offer is being made pursuant to the Agreement and Plan of Merger, dated as of October 2, 2012, by and among Parent, Merger Sub, the Company, and, solely for the purposes of Section 9.14 thereof, Constellation Software Inc., a company organized under the Business Corporations Act (Ontario) (Guarantor or Constellation) (as such agreement may be amended or supplemented from time to time in accordance with its terms, the Merger Agreement).

Except as otherwise set forth below, the information set forth in the Schedule 14D-9 remains unchanged and is incorporated herein by reference to the extent relevant to the items in this Amendment. Capitalized terms used but not defined herein have the meanings ascribed to them in the Schedule 14D-9.

Item 8. Additional Information.

Item 8 of the Schedule 14D-9 is hereby amended by adding the following text thereto:

The Offer and withdrawal rights expired at 12:00 midnight, New York City time, at the end of Tuesday, November 6, 2012 (the Expiration Time). The depositary for the Offer has indicated that, as of the Expiration Time, 5,792,191 shares of Common Stock and 6,590,736 shares of Preferred Stock (excluding, in each case, shares subject to guarantees of delivery) had been validly tendered and not validly withdrawn in the Offer, representing approximately 85.6% and 100% of the outstanding shares of Common Stock and Preferred Stock, respectively.

The number of shares of Common Stock tendered pursuant to the Offer satisfies the Minimum Condition, as such term is defined in the Offer to Purchase. Merger Sub has accepted for payment all shares of Company Capital Stock that were validly tendered and not validly withdrawn pursuant to the Offer and will promptly make payment to the Depositary for such Company Capital Stock.

Merger Sub currently intends to exercise its Top-Up Option, pursuant to which the Company will issue shares of Common Stock to Merger Sub, at a price per Share equal to the Offer Price, in an amount sufficient to ensure that Merger Sub and Harris can effect a short-form merger under applicable Delaware law.

As a result of the purchase of Company Capital Stock in the Offer and the issuance of shares of Common Stock pursuant to the Top-Up Option, Merger Sub will have sufficient voting power to approve the Merger without the affirmative vote of any other stockholder of the Company. Accordingly, Merger Sub intends to effect a short-form merger in which Merger Sub will be merged with and into the Company, with the Company surviving the Merger and continuing as a wholly-owned subsidiary of Harris. In the Merger, each Share issued and outstanding immediately prior to the effective time of the Merger (other than Company Capital Stock owned by Harris, Merger Sub or the Company, as treasury stock or otherwise, or any of their respective direct or indirect wholly-owned subsidiaries, all of which will be cancelled and retired and will cease to exist, and any Company Capital Stock held by stockholders who validly exercise appraisal rights under Delaware law), together with the associated common share purchase rights if any are outstanding, will be canceled and converted into the right to receive an amount in cash equal to the Offer Price, without interest thereon and less any applicable withholding or stock transfer taxes.

On November 7, 2012, Constellation and the Company issued a joint press release announcing the expiration and results of the Offer. The full text of the press release is attached as Exhibit (a)(1)(K) to the Schedule 14D-9 and is incorporated herein by reference.

Item 9. Exhibits.

Item 9 of the Schedule 14D-9 is hereby amended and supplemented by adding the following exhibit:

Exhibit No.	Description
(a)(1)(K)*	Joint Press Release issued by Constellation and the Company, dated November 7, 2012.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

/s/ David B. Dechant
(Signature)

David B. Dechant, Chief Financial Officer
(Name and title)

November 7, 2012
(Date)

Instruction to Signature: The statement must be signed by the filing person or that person's authorized representative. If the statement is signed on behalf of a person by an authorized representative (other than an executive officer of a corporation or general partner of a partnership), evidence of the representative's authority to sign on behalf of the person must be filed with the statement. The name and any title of each person who signs the statement must be typed or printed beneath the signature. See § 240.14d-1(f) with respect to signature requirements.

Exhibit Index

Exhibit No.	Description
(a)(1)(K)*	Joint Press Release issued by Constellation and the Company, dated November 7, 2012.

* Filed herewith

Loss on extinguishment of debt	(73,250)	–	(73,250)	–	Gain (loss) on change in derivative liability	286,919	(713,306)	286,919	(655,876)	Net loss	(548,693)	(894,410)	(891,701)	(1,016,245)	Other comprehensive income (loss):	Foreign			
currency translation	(118,944)	(390)	(38,595)	(520)	Unrealized loss on available-for-sale securities	(23,041)	–	(25,876)	–	Net comprehensive loss	\$(690,678)	\$(894,800)	\$(956,172)	\$(1,016,765)	Basic and diluted net loss per common share	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.01)
Basic and diluted weighted-average common shares outstanding	110,224,239	70,111,317	104,114,531	67,889,112															

See accompanying notes to the unaudited consolidated financial statements

MAGELLAN GOLD CORPORATION**CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	Six months ended June 30,	
	2018	2017
Operating activities:		
Net loss	\$(891,701)	\$(1,016,245)
Adjustments to reconcile net loss to net cash used in operating activities:		
Accretion of discounts on notes payable	366,795	–
Amortization of service contracts	81,250	32,804
Depreciation expense	61,025	–
Loss on extinguishment of debt	73,250	–
(Gain) loss on change in derivative liability	(286,919)	655,876
Changes in operating assets and liabilities:		
Due from Rose Petroleum	27,147	–
Prepaid expenses and other assets	(72,005)	(20,200)
Accounts payable and accrued liabilities	236,918	132,475
Accrued interest	97,894	30,609
Net cash used in operating activities	(306,346)	(184,681)
Investing activities:		
Purchase of Rio Silver equity securities	–	(58,297)
Payment of option to acquire SDA mill	–	(150,000)
Net cash used in investing activities	–	(208,297)
Financing activities:		
Proceeds from advances from related parties	56,192	20,550
Payments on advances from related parties	–	(20,050)
Proceeds from Notes payable - related parties	–	275,000
Payments of notes payable - related parties	(50,000)	–
Proceeds from sale of common stock	250,000	125,000
Proceeds from sale of warrants	80,000	–
Net cash provided by financing activities	336,192	400,500
Effect of foreign currency exchange	(28,237)	(520)
Net increase in cash	1,609	7,002
Cash at beginning of period	421	485
Cash at end of period	\$2,030	\$7,487
Supplemental disclosure of cash flow information		
Cash paid for interest	\$12,357	\$382

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Cash paid for income taxes	\$-	\$-
Non-cash financing and investing activities:		
Unrealized loss on available-for-sale securities	\$25,876	\$-
Conversion of line of credit to common stock	\$100,000	\$-
Conversion of notes payable and accrued interest to common stock	\$-	\$23,000
Reclassifications of derivative liability to APIC	\$8,081	\$442,076
Reclassifications of convertible note payable and accrued interest to accounts payable	\$-	\$8,850

See accompanying notes to the unaudited consolidated financial statements

MAGELLAN GOLD CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 – Organization, Basis of Presentation, and Nature of Operations

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

On 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.

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 Mill) for \$2,500. In January 2018 the Company paid the purchase price and obtained legal control of MVO. MVO is the sister entity which was organized for the purpose of employing all personnel of the SDA mill. The acquisition of MVO did not result in the acquisition of any additional assets or liabilities.

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. We rely upon the sale of our securities as well as advances and loans from executive management and significant shareholders to fund our operations as we have not generated any significant revenue.

Basis of Presentation

We prepare our financial statements in accordance with accounting principles generally accepted in the United States (“GAAP”). The accompanying unaudited interim consolidated financial statements have been prepared in accordance

with GAAP for interim financial information in accordance with Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six-months ended June 30, 2018 are not necessarily indicative of the results for the full year. While we believe that the disclosures presented herein are adequate and not misleading, these interim financial statements should be read in conjunction with the audited financial statements and the footnotes thereto contained in our annual report on Form 10-K for the year ended December 31, 2017.

Our consolidated financial statements include our accounts and the accounts of our 100% owned subsidiaries, Gulf + Western Industries, Inc., Magellan Acquisition Corporation, Minerales Vane 2, S.A. de C.V., and Minerales Vane Operaciones, S.A de C.V. All intercompany transactions and balances have been eliminated. Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific revenue recognition guidance throughout the Industry Topics of the Accounting Standards Codification. The updated guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. The Company adopted the standard effective January 1, 2018 at which point it had no impact on the Company.

The Company recognizes revenue for all of its products upon transfer of control in an amount that reflects the consideration it expects to receive in exchange for those products. Transfer of control is in accordance with the terms of contracts, which is generally upon delivery of the product. While payment terms vary by contract, terms generally include payment to be made within 30 days. Revenue during the six months ended June 30, 2018, were related to the sale of concentrate to a local smelter following the processing of tailings at the SDA Mill.

Reclassification

Certain reclassifications have been made to the prior periods to conform to the current period presentation.

Recent Accounting Pronouncements

Accounting Standards Update No. 2014-09—Revenue from Contracts with Customers (Topic 606). On May 28, 2014, the FASB issued guidance that requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This ASU was further amended by ASU No. 2015-14, No. 2016-08, No. 2016-10, No. 2016-12 and No. 2016-20. The guidance provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition. The Company has performed an assessment of the revised guidance and the impacts on the Company's Consolidated Financial Statements and disclosures and has determined that the adoption of this guidance did not have an impact. The Company adopted the new guidance effective January 1, 2018 using the modified retrospective approach.

Liquidity and Going Concern

Our unaudited consolidated financial statements have been prepared on a going concern basis, which assumes that we will be able to meet our obligations and continue our operations during the next fiscal year. Asset realization values may be significantly different from carrying values as shown in our consolidated financial statements and do not give effect to adjustments that would be necessary to the carrying values of assets and liabilities should we be unable to continue as a going concern. At June 30, 2018, we had not yet generated any revenues or achieved profitable operations and we have accumulated losses of \$4,951,589. We expect to incur further losses in the development of our business, all of which raise substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern depends on our ability to generate future profits and/or to obtain the necessary financing to meet our obligations arising from normal business operations when they come due.

During the six months ended June 30, 2018, we sold 12,500,000 units consisting of common stock and warrants and realized net proceeds of \$250,000. Additionally, 4,000,000 warrants were exercised during the same period and net proceeds of \$80,000 were realized. Proceeds from these transactions were generally used to fund working capital.

Additionally through various transactions with related parties during the year ended December 31, 2017, the Company realized approximately \$1,075,000 which is primarily reflected in a series of promissory notes ("Series 2017 Notes"). The proceeds were generally used to fund the purchase of the SDA Mill in Mexico. The Series 2017 Notes are secured

by a pledge of all the outstanding shares of Magellan Acquisition Corporation, a wholly-owned subsidiary that owns the SDA Mill through Minerales Vane 2.

We anticipate that additional funding will be in the form of additional loans from officers, directors or significant shareholders, or equity financing from the sale of our common stock but cannot assure that any future financings will occur.

Note 2 – Mineral Rights and Properties

Silver District

In August 2012, we entered into an option agreement with Columbus Exploration f/k/a Columbus Silver Corporation, which granted us the right to acquire all of Columbus' interest in its Silver District properties located in La Paz County, Arizona. The properties acquired from Columbus were assigned into our subsidiary Gulf+Western Industries, Inc. and our total acquisition cost capitalized was \$323,200.

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

In August 2017, we renewed the BLM lode and mill site claims in La Paz County, Arizona with the Bureau of Land Management and these claims will remain in good standing through August 31, 2018. Additionally, in both August 2017 and 2016, we made advance minimum royalty payments of \$10,000 to a third party landowner on the Red Cloud lease, which includes the Red Cloud Patented claim and two BLM lode claims. We also expanded the Arizona State Exploration Permit to approximately 334.85 acres on the Arizona State section that comprises part of our Silver District land package and are current on our obligations under this permit.

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

Note 3 – Mining Option Agreement

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

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

In addition to the deposit, the Company was obliged to subscribe to two private placement unit financings in Rio Silver, each for aggregate proceeds of Cdn\$75,000. The Company completed the first unit private placement on August 23, 2016. The first placement included 1,500,000 units priced at Cdn\$0.05, which included one share of Rio Silver common stock and one warrant to purchase one share of Rio Silver common stock for Cdn\$0.05 preliminarily set to expire on February 23, 2018. The cost of the units in the first private placement totaled USD \$59,753. The second placement included 1,250,000 units priced at Cdn\$0.06, which was completed on January 19, 2017, and included one share of Rio Silver common stock and one warrant to purchase one share of Rio Silver common stock for Cdn\$0.06 preliminarily set to expire on July 19, 2018. The cost of the units in the second private placement totaled USD \$58,297. Each of these transactions were recorded as an investment in Rio Silver equity securities and included on the accompanying consolidated balance sheets at June 30, 2018 and December 31, 2017. During the six months ended June 30, 2018, we have recorded an unrealized loss of \$25,876 to write-down the investment. The shares of

common stock and warrants of Rio Silver have been pledged by the Company to John Power to secure repayment of a \$125,000 loan.

Under the terms of the Agreement, the Company had the right to earn an undivided 50% interest in the Niñobamba Silver/Gold Project in central Peru. To earn its 50% interest, the Company was required to spend \$2.0 million in exploration over three years. The Niñobamba project is comprised of five concessions that total 36.5 square kilometers (9,026 acres). The concessions include the original Rio Silver concession, three concessions recently acquired from a Peruvian company owned jointly by Newmont Mining Corporation and Southern Peru Copper Corporation, and one concession for which application was made, and which was granted in 2017.

On January 5, 2018, Magellan entered into a Termination Agreement, effective December 31, 2017, with Rio Silver Inc. to mutually terminate the Company's option to earn an interest in Rio Silver's Niñobamba exploration property in Peru. In connection with the termination of the agreement, Rio Silver agreed to apply to the TSX Venture Exchange for an 18-month extension of 2,750,000 warrants that Magellan holds in Rio Silver stock, which otherwise would expire in February and July 2018. The TSX Venture Exchange subsequently approved the extensions.

In connection with the termination of the agreement, Magellan agreed to grant Rio Silver a right of first refusal on any sale of the 2,750,000 shares of Rio Silver stock that Magellan currently holds.

Additionally effective in 2018, the Company sold its interest in Magellan Gold Peru S.A.C. for consideration of \$1.00. The Company realized a loss on disposition of \$567.

Note 4 – Acquisition of SDA Mill

On March 3, 2017 the Company entered into a Memorandum of Understanding (“MOU”) with Rose Petroleum plc (“Rose”), a multi-asset natural resource business, to purchase an operating floatation plant that also includes a precious metals leach circuit and associated assets, licenses and agreements (together, the “SDA Mill”) located in the State of Nayarit, Mexico.

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.

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 paid for the option-to-purchase extension, and 14,200,834 shares of common stock (the “Shares”) with a fair value of \$426,025. The note was non-interest bearing and was paid in full April 12, 2018. This note was grouped with Notes Payable Related Party due to Rose’s share ownership in the Company. 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.

On April 12, 2018, the Company satisfied its note payable in the amount of \$50,000 in favor of Rose Petroleum, plc in respective of the purchase of the SDA Mill, as required under terms of the Stock Purchase Agreement.

Subsequent to the purchase of the SDA Mill, the Company and Rose Petroleum executed an IVA Agreement which implemented the provisions of the Stock Purchase Agreement with respect to the payment of the IVA Tax assessed by the Mexican taxing authorities on the sale and purchase of the IVA Mill. Under the terms of the IVA Agreement, Rose Petroleum advanced the IVA tax, in Mexican Pesos, for the payment of the IVA tax, approximately \$260,000. The Company has agreed that all future tax credits or refunds that it receives from the Mexican taxing authority will be paid over to Rose until such time as Rose has recouped the advance, in full. Mr. Carson executed a Guaranty of the Company's obligations under the IVA Agreement effective March 8, 2018.

In March 2018, the Company and Rose Petroleum, plc satisfied their respective obligations for payment of Mexican VAT on purchase of the SDA Mill, as required under terms of the Stock Purchase Agreement.

Pro forma results of operations for the six months ended 2017 as though the Company had acquired the SDA Mill on the first day of the fiscal year of 2017 are set forth below:

	June 30, 2017 Pro Forma
Net Sales	\$227,793
Operating Expenses	1,823,202
Net Loss	\$(1,595,409)

Note 5 – Interim Toll Milling Agreement

On November 7, 2017 the Company and Rose executed an Interim Milling Agreement (the “Agreement”), with an effective date of November 1, 2017, whereby, pending closing of the SDA Mill acquisition, Rose shall cause its subsidiary, Minerales Vane S.A. de C.V., a Mexico corporation (“Vane”), to reopen the SDA Mill and recommence operations on a toll milling basis for a third-party. Under the Agreement, the Company is required to provide the working capital to fund the operations and is entitled to all the positive cash flow after covering the related expenses.

The Agreement was completed and terminated during November 2017. The Company has an outstanding receivable from Rose of \$-0- as of June 30, 2018 and \$27,147 as of December 31, 2017, respectively.

Note 6 – Fair Value of Financial Instruments

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

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

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

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

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

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

	Fair Value at	Fair Value Measurement at June 30, 2018		
		Level 1	Level 2	Level 3
Investment in Rio Silver equities	\$83,656	\$83,656	\$ –	\$ –

Fair Value at	Fair Value Measurement at December 31, 2017		
	Level 1	Level 2	Level 3
December 31, 2017			

Investment in Rio Silver equities \$ 109,532 \$ 109,532 \$ - \$ -

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

Note 7 – Line of Credit – Related Party

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

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

On December 31, 2014, we again amended the credit agreement to increase the borrowing limit to \$900,000 and extend the maturity date to December 31, 2015. As part of the 2014 amendment and the subsequent appointment of Dr. Pierce Carson as the President, CEO and Director of G+W effective June 1, 2015, we had pledged all of our 85% equity interest in G+W, which owns the Silver District properties, as security for all amounts outstanding under the credit agreement. In July 2016, we completed a share exchange with Dr. Carson to re-acquire the 15% interest in G+W, and therefore at September 30, 2017 our entire 100% interest in G+W remains pledged as security for outstanding amounts under this credit agreement.

On December 31, 2015 we again amended the credit agreement to increase the borrowing limit to \$1,000,000 and extended the maturity date to December 31, 2016. Finally, on March 31, 2017 with an effective date of December 31, 2016 we again amended the credit agreement to extend the maturity date to December 31, 2018. All other terms of the agreement were unchanged. At June 30, 2018 the Company has \$167,500 available under the credit line.

No draws were made during the six months ended June 30, 2018. During the same period Mr. Gibbs converted \$100,000 of the outstanding balance on the line of credit into 5,000,000 shares of common stock at \$0.02 per share. The outstanding balance under the line of credit was \$832,500 and \$932,500 at June 30, 2018 and December 31, 2017, respectively. In addition, a total of \$240,695 and \$213,657 of interest has been accrued on this obligation and is included in Accrued interest - related parties on the accompanying consolidated balance sheets at June 30, 2018 and December 31, 2017, respectively.

Note 8 – Notes Payable – Related Parties

In August 2011, we entered into an unsecured loan from John Power, the Company's Director, evidenced by a \$20,000 promissory note. The promissory note bears interest at 6% per annum and is payable on demand with thirty days' notice from the lender. During 2014, the Company made payments totaling \$5,000 to pay down the principal balance of the note. Effective December 31, 2017, the interest rate on the note increased to 12% per annum. At both June 30, 2018 and December 31, 2017, the note balance was \$15,000. At June 30, 2018 and December 31, 2017, interest totaling \$893 and \$1,576, respectively, was accrued on this note payable and is included in Accrued interest – related parties on the accompanying consolidated balance sheets.

In January 2014, we entered into an additional unsecured loan from Mr. Power, evidenced by a \$50,000 promissory note. The promissory note bears interest at 6.75% per annum and is payable on demand with thirty days' notice from the lender. Effective December 31, 2017, the interest rate on the note increased to 12% per annum. At June 30, 2018 and December 31, 2017, interest totaling \$2,975 and \$6,249, respectively, was accrued on this note payable and is included in Accrued interest – related parties on the accompanying consolidated balance sheets. At both June 30, 2018 and December 31, 2017, the note balance was \$50,000.

On May 31, 2017 we entered into three short-term notes with Mr. Gibbs, Dr. Carson and Mr. Power in the principal amounts of \$100,000, \$25,000 and \$25,000, respectively. The notes bear interest at 6% and matured on November 15, 2017. A total of \$3,760 and \$4,512 of interest is accrued on these notes as of June 30, 2018 and December 31, 2017, respectively. The note balances were subsequently rolled into the Series 2017 Notes.

On June 30, 2017 we entered into an additional secured loan for advances from Mr. Power and evidenced by a \$125,000 promissory note. The promissory note bears interest at 6% per annum and matured on December 31, 2017

and is currently in default. Effective December 31, 2017, the interest rate on the note increased to 12% per annum. The note is collateralized by our investment in Rio Silver shares and warrants. At both June 30, 2018 and December 31, 2017, the note balance was \$125,000. A total of \$7,438 and \$3,781 of interest is accrued on these notes as of June 30, 2018 and December 31, 2017, respectively and is included in Accrued interest – related parties on the accompanying consolidated balance sheets.

On November 30, 2017 we entered into a series of secured promissory notes (“Series 2017 Notes”) with both related and unrelated parties in the aggregate amount of \$1,155,000, including financing fees of \$105,000 recorded as a discount to the notes.

Net proceeds on the issuance after reducing for the transfers previously listed total \$900,000. The notes are secured by a stock pledge agreement covering 100% of the outstanding common stock of Magellan Acquisition Corporation, bear interest at 10% and mature on December 31, 2018.

The total of portion of the Series 2017 Notes from related parties totaled \$1,045,000, including financing fees of \$95,000 recorded as discount to the notes. Mr. Gibbs, Dr. Carson, and Mr. Power transferred \$100,000, \$25,000, and \$25,000, respectively, from the May 31, 2017 short term related party notes into the Series 2017 Notes. As of June 30, 2018 the balance on the Series 2017 Notes from related parties, net of unamortized discount of \$44,141, is \$1,000,859 with accrued interest of \$60,696. As of December 31, 2017, the balance on the Series 2017 Notes from related parties, net of unamortized discount of \$87,563, is \$957,437 with accrued interest of \$8,875.

During the six months ended June 30, 2018 \$43,422 of debt discount related to the above notes was amortized to interest expense.

Note 9 – Notes payable

As discussed in Note 8 – Notes Payable – Related Parties, on November 30, 2017 we entered into a series of secured promissory notes (“Series 2017 Notes”) with both related and unrelated parties in the aggregate amount of \$1,155,000, including financing fees of \$105,000 recorded as a discount to the notes.

The total of portion of the Series 2017 Notes from non-related parties totaled \$110,000, including financing fees of \$10,000 recorded as discount to the notes. As of June 30, 2018 the balance on the notes from non-related parties, net of unamortized discount of \$4,646, is \$105,354 with accrued interest of \$6,389. As of December 31, 2017, the balance on the notes from non-related parties, net of unamortized discount of \$9,217 is \$100,783 with accrued interest of \$934.

During the six months ended June 30, 2018 \$4,571 of debt discount related to the above notes was amortized to interest expense.

Note 10 – Convertible Note Payable

On November 1, 2017, the Company sold a 10% Convertible Promissory Note (“Auctus Note”) in a principal amount of \$170,000. After deducting the investor’s discount and legal fees, net proceeds to the Company were \$153,650. The Note matures on November 1, 2018 and can be converted into the Company’s common stock after 180 days from the date the Note is issued. In early May 2018 when the note became convertible at a variable price the conversion feature was valued and recorded as a derivative liability. The conversion option continued to qualify for derivative treatment until the note was amended on June 8, 2018 (see below) and a minimum conversion price was added to the instrument. The derivative was initially valued at \$176,860 which was allocated \$170,000 as a debt discount and \$6,860 as a loss on derivative liability. The debt discount was fully amortized and the derivative liability was adjusted to \$0 as June 8, 2018 when the debt was amended. The result was \$170,000 of amortization of debt discount included in interest expense and \$176,860 of gain on change in derivative liability.

On November 2, 2017, the Company sold a 10% Convertible Promissory Note (“EMA Note”) in principal amount of \$125,000. After deducting the investor’s discount and legal fees, net proceeds to the Company were \$113,500. The Note matures on November 2, 2018 and can be converted into the Company’s common stock after 180 days from the date the Note is issued. In early May 2018 when the note became convertible at a variable price the conversion feature was valued and recorded as a derivative liability. The conversion option continued to qualify for derivative treatment until the note was amended on June 8, 2018 (see below) and a minimum conversion price was added to the instrument. The derivative was initially valued at \$225,711 which was allocated \$125,000 as a debt discount and \$100,711 as a loss on derivative liability. The debt discount was fully amortized and the derivative liability was

adjusted to \$0 as June 8, 2018 when the debt was amended. The result was \$125,000 of amortization of debt discount included in interest expense and \$225,711 of gain on change in derivative liability.

The Company evaluated other convertible instruments and determined that the outstanding common stock warrants were required to be treated as a derivative during the period from May 1, 2018 through June 8, 2018 as a result of the variable conversion feature on the above notes. As a result an initial derivative liability of \$62,569 was recorded and reclassified out of equity and a final derivative liability of \$70,650 was reclassified back into equity at the point the common stock warrants no longer qualified as a derivative. The impact was the recording of a loss on derivative liability of \$8,081.

Effective June 8, 2018 the Company and Auctus Fund, LLC (“Auctus”) signed an Amendment No. 1 to the Convertible Promissory Note (the “Auctus Note”) dated November 1, 2017 (the “Auctus Amendment”). Under the terms of the Auctus Amendment, the principal outstanding balance of the Auctus Note has been increased from \$170,000, to \$212,500. Also, Auctus agreed to forbear from exercising rights arising from certain Events of Default (as defined in the Note) unless a new Event of Default occurs or the Company fails to become current in its required SEC filings by June 30, 2018. Auctus also agreed not to exercise its conversion privileges under the Auctus Note at prices below \$0.02 per share until September 30, 2018. The Company evaluated this conversion feature and determined that it did not qualify for derivative accounting. It was then determined that no beneficial conversion feature existed at the time of debt issuance. The Company recorded the change in the debt instrument as an extinguishment and recorded the increase in principal balance of \$42,500 as a loss on extinguishment of debt.

Effective June 8, 2018 the Company and EMA Financial, LLC (“EMA”) signed an Amendment No. 1 to the Convertible Promissory Note (the “EMA Note”) dated November 2, 2017 (the “EMA Amendment”). Under the terms of the EMA Amendment, the principal outstanding balance of the EMA Note has been increased from \$125,000, to \$156,250. Also, EMA agreed to forbear from exercising rights arising from certain Events of Default (as defined in the Note) unless a new Event of Default occurs or the Company fails to become current in its required SEC filings by June 30, 2018. EMA also agreed not to exercise its conversion privileges under the EMA Note at prices below \$0.02 per share until September 30, 2018. The Company evaluated this conversion feature and determined that it did not qualify for derivative accounting. It was then determined that no beneficial conversion feature existed at the time of debt issuance. The Company recorded the change in the debt instrument as an extinguishment and recorded the increase in principal balance of \$31,250 as a loss on extinguishment of debt.

As of June 30, 2018 the balance on the notes, net of unamortized discount of \$0, is \$368,750 with accrued interest of \$19,444. As of December 31, 2017, the balance on the notes, net of unamortized discount of \$23,303 is \$271,697 with accrued interest of \$4,815. During the three and six months ended June 30, 2018, \$6,867 and \$18,024 of debt discount related to the above notes, respectively, was amortized to interest expense. The Company evaluated this conversion feature and determined that it did not qualify for derivative accounting. It was then determined that no beneficial conversion feature existed at the time of debt issuance.

Note 11 – Stockholders’ Deficit

Sales of common stock and warrants:

During the six months ended June 30, 2018, the Company raised \$250,000 through the sale of 12,500,000 common stock and warrants (“Units”) at a price of \$0.02 per Unit, each Unit consisting of one share of common stock and one warrant exercisable until June 30, 2018 to purchase one additional share of common stock at an exercise price of \$0.02 per share. The expiration date of the warrants was subsequently extended to August 31, 2018. Of this raise \$240,000 was purchased by directors or significant shareholders. A price protection feature of the offering provides that if at December 31, 2018, the Company has issued common stock at a price less than \$0.02 per share, then the number of Units issuable to each investor shall be increased so as to reduce the Unit price to the lower price. The allocation of relative fair values of the equity instruments at the dates of the sale transactions was as follows: common stock at 61% and the warrants at 39%.

During the six months ended June 30, 2018, the Company received net proceeds of \$80,000 from the exercise of 4,000,000 warrants at \$0.02 per share.

Stock Options and the 2017 Equity Incentive Plan:

Under the 2017 Equity Incentive Plan, the Company is authorized to grant rights to acquire up to a maximum of 10,000,000 shares of common stock. The 2017 Plan provides for the grant of (1) both incentive and nonstatutory stock options, (2) stock bonuses, (3) rights to purchase restricted stock and (4) stock appreciation rights.

During the year ended December 31, 2017, the Company granted ten-year options to purchase 3,600,000 shares of common stock at an option exercise price of \$0.04 per share, the closing price on the date of grant. As of June 30, 2018 the Company had 6,400,000 shares available for future grant.

Stock option activity within the 2017 Equity Incentive Plan and warrant activity outside the plan, for the six months ended June 30, 2018 is as follows:

	Stock Options		Stock Warrants	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2017	3,600,000	\$ 0.04	1,850,000	\$ 0.10
Granted	–	–	12,500,000	\$ 0.02
Cancelled	–	–	–	–
Expired	–	–	–	–
Exercised	–	–	(4,000,000)	(0.02)
Outstanding at June 30, 2018	3,600,000	\$ 0.04	10,350,000	\$ 0.03
Exercisable at June 30, 2018	3,600,000	\$ 0.04	10,350,000	\$ 0.03

As of June 30, 2018 the outstanding stock options have a weighted average remaining term of 9.33 years and no intrinsic value, and the outstanding stock warrants have a weighted average remaining term of 0.34 years and an intrinsic value of \$85,000.

Note 12 – Commitments and Contingencies

Mining Claims

As part of our acquisition of the Silver District properties from Columbus Exploration, we assumed the Red Cloud lease whose initial term expires in August 2026. The lease requires annual advance minimum royalty payments of \$10,000 through the term of the lease due on the annual anniversary of the agreement. The lease is also subject to a 2% net production royalty to be paid to the lessor from the sale of precious metals extracted from the leased property. In order to maintain the BLM lode and mill site claims, annual payments are required before the end of August of each year. Payments are also due annually on two patented claims we leased in July 2015 and on our Arizona State Minerals Exploration Permit. As of June 30, 2018, all of these claims and leases are in good standing except for the two patented claims leased in 2015.

Leases

As part of our acquisition of MV2 in Mexico, we assumed the following leases payable in local currency as follows:

- a) Ejido S.D.A, 10 year lease, 6 hectares, executed January 2016, expires December 2025. Annual payments 25,000 MX pesos. Renewable for 10 years.

- b) Silverio Medina Ozuna, 3 year lease, 1 hectare, executed May 2017, expires April 2020. Annual payments 15,000 MX pesos. Renewable for 3 year periods.

- c) Silverio Medina Ozuna, 10 year lease, 2 hectares, executed May 2010, expires April 2020. Payment 100,000 MX pesos paid in advance at lease execution. Renewable for 10 years.

The minimum future payments due on these leases are as follows for the next five years and thereafter and have been translated to US dollars using an exchange rate at June 30, 2018 of 19.92 MX pesos to US dollars:

Payment Due Date	Minimum Due (\$)
2018	1,255
2019	2,008
2020	1,255
2021	1,255
2022 and thereafter	5,020

Other contractual arrangements

On November 1, 2016 the Company executed a Finder’s Agreement (“Agreement”), with a third party consultant to introduce the Company to potential investors beginning with its November 2016 private placement offering. The term of the Agreement is six months, or until the Company informs the consultant it has located investors to purchase the securities. The consultant is to be compensated for the services by cash payments totaling \$30,000, payable at or before the termination of the Agreement. As of June 30, 2018, the Company paid approximately \$23,500 in total to the consultant pursuant to the Agreement, including \$12,500 paid during year ended December 31, 2017 and \$11,000 during the year ended December 31, 2016.

On October 24, 2016, the Company entered into an agreement with Rio Silver, discussed in Note 3 – Mining Option Agreement, requiring the Company to spend \$2,000,000 in exploration costs over the three-year period commencing with the execution of the Agreement. Effective December 31, 2017, the Company agreed with Rio Silver to terminate the option agreement, thereby terminating the requirement for exploration cost expenditures and the Company’s option to earn an interest in the Niñobamba Silver/Gold Project.

Note 13 – Executive Employment Agreement

On June 1, 2016 we executed an employment agreement with Dr. Carson in which he assumed the positions of President and Chief Executive Officer of Magellan Gold Corporation. The agreement also provided that Dr. Carson be appointed a Director of Magellan Gold Corporation, and effective June 30, 2016, Dr. Carson was appointed a Director of Magellan. The term of the agreement covered the period from June 1, 2016 to May 31, 2017 and is subject to annual renewal. The agreement has subsequently been renewed each year and is currently effective from June 1, 2018 to May 31, 2019, with all terms of the original agreement remaining unchanged.

During the term of the agreement, Magellan agreed to pay Dr. Carson a base salary in equal semi-monthly installments less required withholding and other applicable taxes. Dr. Carson's salary was set at \$6,667 per month during the three-month period from June 1, 2016 through August 31, 2016, and thereafter at \$10,000 per month. Until such time as Magellan is properly funded, Magellan may defer and accrue salary owed. If not properly funded before the end of the term, Magellan may at its option issue shares of Magellan common stock as settlement of the accrued salary liability.

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

At June 30, 2018 a total of \$90,000 and \$8,351 of salary and associated payroll tax obligations, respectively, is accrued in connection with the agreement and included in accrued liabilities on the accompanying consolidated balance sheets.

At December 31, 2017 a total of \$30,000 and \$2,796 of salary and associated payroll tax obligations, respectively, is accrued in connection with the agreement and included in accrued liabilities on the accompanying consolidated balance sheets.

Note 14 – Related Party Transactions

Conflicts of Interests

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

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

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

Management Fees

The Company previously maintained a month-to-month management agreement with Mr. Power requiring a monthly payment, in advance, of \$2,500 as consideration for his services as CFO to Magellan. Effective August 31, 2017, Mr. Power resigned as CFO and Secretary of the Company and was replaced by Michael P. Martinez on September 18, 2017 to serve as CFO, Secretary and Treasurer. Mr. Power continues to serve as a member of the Board of Directors.

Management fees to Mr. Power for the three months ended June 30, 2018 and 2017, are \$-0- and \$7,500, respectively. Management fees to Mr. Power for the six months ended June 30, 2018 and 2017, are \$-0- and \$15,000, respectively. These fees are included in general and administrative expenses in our statement of operations. At June 30, 2018 and December 31, 2017, \$27,500 of the fees had not been paid and are included in accrued liabilities on the accompanying consolidated balance sheets.

Accrued Interest - Related Parties

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

	June 30, 2018	December 31, 2017
Accrued interest payable - Mr. Gibbs	\$274,055	\$221,103
Accrued interest payable - Mr. Power	40,057	16,562
Accrued interest payable - Dr. Carson	2,349	986
	\$316,461	\$238,651

During the six months ended June 30, 2018, we paid a total of \$12,357 to Mr. Power representing unpaid accrued interest on notes payable. During the year ended December 31, 2017, we paid a total of \$382 to Mr. Power representing unpaid accrued interest on notes payable.

Advances Payable – Related Parties

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

	Six Months Ended June 30, 2018	
	Advances Repayments	
Mr. Power	\$56,192	\$ –
Mr. Carson	8,100	–
Totals	\$64,292	\$ –

	Year Ended December 31, 2017	
	Advances Repayments	
Mr. Power	\$26,050	\$ 26,050
Mr. Carson	8,100	–
Totals	\$34,150	\$ 26,050

At June 30, 2018 and December 31, 2017 a total of \$64,292 of short-term advances from related parties were outstanding and are included in advances payable, related party on the accompanying consolidated balance sheets.

In addition to the above, during the year ended December 31, 2017, Mr. Power loaned the Company \$25,000 in a short term note that was subsequently transferred into the Series 2017 Notes.

Note 15 – Subsequent Events

On July 2, 2018, Auctus converted \$3,500 of accrued interest and a \$500 conversion fee totaling \$4,000 into 200,000 shares of common stock at \$0.02 per share.

On July 16, 2018, Auctus converted \$7,500 of accrued interest and a \$500 conversion fee totaling \$8,000 into 400,000 shares of common stock at \$0.02 per share.

On July 27, 2018, Auctus converted \$9,482.19 of principal and \$2,017.81 of accrued interest and a \$500 conversion fee totaling \$12,000 into 600,000 shares of common stock at \$0.02 per share.

Effective July 24, 2018, the Company and W. Pierce Carson, President, executed an Agreement to Convert Debt, pursuant to which Carson agreed to convert \$90,000 in accrued but unpaid executive compensation for the fiscal quarters ended December 31, 2017, March 31, 2018 and June 30, 2018 and a cash advance of \$8,100 made to the Company into an aggregate of 4,905,000 shares of Common Stock, valued at \$0.02 per share. On July 30, 2018, the Company filed a Current Report on Form 8-K in connection with the Agreement.

Effective July 24, 2018, the Company and W. Pierce Carson executed a Restricted Stock Award Agreement pursuant to which the Company granted to Carson a restricted stock award consisting of 4,000,000 shares of Common Stock, valued at \$0.02 per share. 1,000,000 of the shares will vest upon the Company completing a milestone (this milestone was reached with the closing of the El Dorado agreement noted below and these shares were issued) , and the remaining 3,000,000 shares are subject to ratable vesting over an 18-month period.

Effective July 26, 2018 the Company sold a Convertible Note in the principal amount of \$63,000 to an institutional investor. The Company has agreed to reserve an initial 24,852,071 shares from its authorized and unissued common stock in the event of full conversion of the note.

On August 13, 2018, Magellan announced it had concluded an agreement with Ingenieros Mineros, S.A. de C.V., giving the Company the right to acquire the El Dorado mining concession by making staged six-monthly option payments over two years towards an end purchase price of \$800,000. The Company has made the initial option payment of \$50,000. In addition, Magellan had 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 upon finalization of the agreement. The El Dorado concession is located 50 kilometers south of the Company's SDA processing plant at Acaponeta, Nayarit State. Magellan intends to advance El Dorado towards production and to process the ore through the SDA plant.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

The following discussion and analysis provides information that management believes is relevant for an assessment and understanding of our results of operations and financial condition. This information should be read in conjunction with our audited financial statements, which are included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and our interim unaudited financial statements and notes thereto included with this report in Part I, Item 1.

Forward-Looking Statements

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

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

Overview

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

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

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

On September 30, 2014, we formed and organized a new wholly-owned subsidiary, Gulf + Western Industries, Inc., a Nevada corporation (“Gulf+Western” or “G+W”), to own our Silver District mining interests. On October 1, 2014 we completed the transfer of those assets from Magellan to G+W. At the time of the transfer, Magellan owned all the outstanding common stock of G+W. Effective December 31, 2014, Magellan pledged all its ownership interest in G+W to Mr. John D. Gibbs, a significant shareholder in the Company, as security for outstanding amounts under a line of credit agreement between Magellan and Mr. Gibbs. As of June 30, 2018, the total amount owed under the credit agreement was \$1,073,195, which includes \$832,500 of principal and \$240,695 of accrued interest.

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

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

On October 24, 2016, the Company entered into a Mining Option Agreement (“Agreement”) between and among Rio Silver Inc., a Canadian company (“Rio Silver”), Minera Rio Plata S.A.C., a Peruvian company and subsidiary of Rio Silver (“Minera”), and Magellan Gold Peru S.A.C., a Peruvian company and wholly owned subsidiary of the Company (“Magellan Peru”) pursuant to which Rio Silver through Minera, granted to the Company the sole and exclusive option to acquire an undivided 50% interest in and to property located in central Peru. . Effective December 31, 2017, the Company agreed with Rio Silver to terminate the option agreement, thereby terminating the Company’s option to earn an interest in the Niñobamba Silver/Gold Project. The Company retained its ownership of Rio Silver stock and warrants, which have been pledged to secure a \$125,000 loan from John Power.

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 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 for the option-to-purchase payment, and 14,200,834 shares of common stock (the “Shares”) with a fair value of \$426,025 at the closing date. The note is non-interest bearing and was due on March 10, 2018 and paid in April 2018. 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.

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 Mill) for \$2,500. In January 2018 the Company paid the purchase price and obtained legal control of MVO. MVO is the sister entity which was organized for the purpose of employing all personnel of the SDA mill. The acquisition of MVO did not result in the acquisition of any additional assets or liabilities.

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. We rely upon the sale of our securities as well as advances and loans from executive management

and significant shareholders to fund our operations as we have not generated any significant revenue.

Results of Operations for the three months Ended June 30, 2018 and 2017

	Three months ended	
	June 30,	
	2018	2017
Revenues, net	\$122,829	\$-
Operating costs and expenses:		
Cost of Sales	315,227	-
Exploration costs	3,255	33,905
General and administrative expenses	172,851	131,399
Total operating costs and expenses	491,333	165,304
Operating loss	(368,504)	(165,304)
Other income (expense):		
Interest expense	(394,201)	(15,800)
Foreign currency exchange gain	343	-
Loss on extinguishment of debt	(73,250)	-
Gain (loss) on change in derivative liability	286,919	(713,306)
Net loss	(548,693)	(894,410)

Revenues

During the three months ended June 30, 2018 our total revenues were \$122,829 as compared to \$-0- during the same period in 2017. Revenues were generated from the sale of tailings left from operations prior to our acquisition of the SDA Mill.

Operating expenses

During the three months ended June 30, 2018, our total operating cost and expenses were \$491,333 as compared to \$ 165,304 during the three months ended June 30, 2017.

During the three months ended June 30, 2018 our total cost of sales were \$315,227 as compared to \$-0- during the same period in 2017. Cost of sales were comprised primarily of labor and benefits, equipment depreciation, utilities and supplies.

During the three months ended June 30, 2018 we incurred \$3,255 of exploration costs as compared to \$33,905 during the same period in 2017. Exploration costs for the three months ended June 30, 2018 comprised of \$3,255 for professional geologic fees associated with our Silver District claims. Exploration costs for the three months ended June 30, 2017 comprised of \$5,882 for our consulting geologist, geochemical and maintenance expenses associated with our Silver District claims and \$28,023 in various mining related expenses associated with our mining efforts in Peru.

General and administrative expenses for the three months ended June 30, 2018 totaling \$172,851 as compared to \$131,399 for the three months ended June 30, 2017. The \$41,452 increase is primarily associated with increases in accounting and audit fees, officer compensation, investor relations, and travel expenses and which were offset by decreases in legal fees, management fees, administrative services and other costs. For the three months ended June 30, 2018, administrative expenses were comprised of investor relations fees of \$58,495, officer compensation of \$43,759, accounting and auditing fees of \$43,728, legal fees of \$17,221, and other administrative costs including travel, office, facility rents, and other expenses associated with our operations of the SDA Mill totaling \$9,647.

On June 1, 2016 we executed an employment agreement with Dr. Carson in which he assumed the positions of President and Chief Executive Officer of Magellan Gold Corporation. The term of the agreement covered the period from June 1, 2016 to May 31, 2017, subject to annual renewal. The agreement has subsequently been renewed each

year and is currently effective from June 1, 2018 to May 31, 2019, with all terms of the original agreement remaining unchanged. A total of \$32,796 representing Dr. Carson's base salary and applicable payroll taxes was expensed and is included in general and administrative expenses for both three month periods ended June 30, 2018 and 2017, respectively.

For the three months ended June 30, 2017, general and administrative expenses were comprised of investor relations fees of \$29,298, officer compensation of \$32,795, accounting and auditing fees of \$11,820, legal fees of \$21,901, management fees to Mr. Power of \$7,500, administrative service fees of \$6,181, other administrative costs including travel, office and facility rents, and other expenses associated with our acquisition efforts of the SDA Mill totaling \$21,891, and a \$13 loss on foreign currency translations associated with our operations in Peru.

Interest expense for the three months ended June 30, 2018 and 2017 totaled \$394,201 and \$15,800, respectively. Interest expense for the current period is attributable primarily to our amortization of debt discounts, related party line of credit, related party notes payable, notes payable, and convertible notes.

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

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

The Note contained certain anti-dilution provisions that would reduce the conversion price should the Company issue common stock equivalents at a price less than the Note conversion price. Accordingly, the conversion features of the Note were considered a discount to the Note. The Note was re-evaluated quarterly, and upon any quarterly valuations in which the value of the discount changes we recognized a gain or loss due to a decrease or increase, respectively, in the fair value of the derivative liability. As a result of this evaluation, for the three months ended June 30, 2017 we recorded a loss on the change in the derivative liability of \$713,306. During the quarter ending June 30, 2018 the Company convertible instruments temporarily qualified for derivative treatment resulting in a gain on derivative liability of \$286,919.

On November 1, 2016 the Company executed a Finder's Agreement ("Agreement"), with a third party consultant to introduce the Company to potential investors beginning with its November 2016 private placement offering. The term of the Agreement is nine months, or until the Company informs the consultant it has located investors to purchase the securities. The consultant is to be compensated for the services by cash payments totaling \$30,000, payable at or before the termination of the Agreement. As of June 30, 2018 the Company had paid approximately \$23,000 to the consultant pursuant to the Agreement, including \$0- and \$12,000 paid during the three months ended June 30, 2018 and 2017, respectively.

Results of Operations for the six months Ended June 30, 2018 and 2017

	Six months ended June 30,	
	2018	2017
Revenues, net	\$122,829	\$-
Operating costs and expenses:		
Cost of Sales	315,227	-
Exploration costs	10,035	42,861
General and administrative expenses	425,330	286,515
Total operating costs and expenses	750,592	329,376
Operating loss	(627,763)	(329,376)
Other income (expense):		
Interest expense	(477,950)	(30,993)
Foreign currency exchange gain	343	-
Loss on extinguishment of debt	(73,250)	-
Gain (loss) on change in derivative liability	286,919	(655,876)
Net loss	\$(891,701)	\$(1,016,245)

Revenues

During the six months ended June 30, 2018 our total revenues were \$122,829 as compared to \$-0- during the same period in 2017. Revenues were generated from the sale of tailings left from operations prior to our acquisition of the SDA Mill.

Operating expenses

During the six months ended June 30, 2018, our total operating costs and expenses were \$750,592 as compared to \$329,376 during the six months ended June 30, 2017.

During the six months ended June 30, 2018 our total cost of sales were \$315,227 as compared to \$-0- during the same period in 2017. Cost of sales were comprised primarily of labor and benefits, equipment depreciation, utilities and supplies.

During the six months ended June 30, 2018 we incurred \$10,035 of exploration costs as compared to \$42,861 in 2017. Exploration costs for the six months ended June 30, 2018 are comprised of \$10,035 for professional geologic fees associated with our Silver District claims.

Exploration costs for the six months ended June 30, 2017 are comprised of \$13,316 for our consulting geologist, geochemical and maintenance expenses associated with our Silver District claims and \$29,945 in various mining related expenses associated with our mining efforts in Peru.

General and administrative expenses for the six months ended June 30, 2018 totaling \$425,330 as compared to \$286,515 for the six months ended June 30, 2017. The \$138,815 increase is primarily associated with increases in accounting and audit fees, officer compensation, investor relations, and travel expenses and which were offset by decreases in legal fees, management fees, administrative services and other costs. For the six months ended June 30, 2018, administrative expenses were comprised of investor relations fees of \$106,581, officer compensation of \$87,555, accounting and auditing fees of \$100,884, legal fees of \$33,644, and other administrative costs including travel, office, facility rents, and other expenses associated with our operations of the SDA Mill totaling \$96,666.

For the six months ended June 30, 2017, general and administrative expenses comprised of investor relations fees of \$71,337, officer compensation of \$65,591, accounting and auditing fees of \$39,470, legal fees of \$43,891, management fees to Mr. Power of \$15,000, administrative service fees of \$9,419, other administrative costs including travel, office and facility rents, and other expenses associated without acquisition efforts of the SDA Mill totaling \$41,564, and a \$243 loss on foreign currency translations associated with our operations in Peru.

On November 1, 2016 the Company executed a Finder's Agreement ("Agreement"), with a third party consultant to introduce the Company to potential investors beginning with its November 2016 private placement offering. The term of the Agreement is six months, or until the Company informs the consultant it has located investors to purchase the securities. The consultant is to be compensated for the services by cash payments totaling \$30,000, payable at or before the termination of the Agreement. As of June 30, 2018 the Company had paid approximately \$23,000 to the consultant pursuant to the Agreement, including \$0- and \$12,800 paid during the six months ended June 30, 2018 and 2017, respectively, and which is included in investor relations expenses.

On June 1, 2016 we executed an employment agreement with Dr. Carson in which he assumed the positions of President and Chief Executive Officer of Magellan Gold Corporation. The term of the agreement covered the period from June 1, 2016 to May 31, 2017, subject to annual renewal. The agreement has subsequently been renewed each year and is currently effective from June 1, 2018 to May 31, 2019, with all terms of the original agreement remaining unchanged. A total of \$65,591 representing Dr. Carson's base salary and applicable payroll taxes was expensed and is included in general and administrative expenses for both six-month periods ended June 30, 2018 and 2017, respectively.

Interest expense for the six months ended June 30, 2018 and 2017 totaled \$477,950 and \$30,993, respectively. Interest expense for the current period is attributable primarily to our amortization of debt discount, related party line of credit, related party notes payable, notes payable and convertible notes. In addition the Company recorded on loss on debt extinguishment of \$73,250 and a gain on derivative liability of \$286,919 during the six months ended June 30, 2018 with is discussed in detail in the footnotes.

Liquidity and Capital Resources:

Our unaudited consolidated financial statements have been prepared on a going concern basis, which assumes that we will be able to meet our obligations and continue our operations during the next fiscal year. Asset realization values may be significantly different from carrying values as shown in our consolidated financial statements and do not give effect to adjustments that would be necessary to the carrying values of assets and liabilities should we be unable to continue as a going concern. At June 30, 2018, we had not yet generated any revenues or achieved profitable operations and we have accumulated losses of \$4,951,589. We expect to incur further losses in the development of our business, all of which raises substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern depends on our ability to generate future profits and/or to obtain the necessary financing to meet our obligations arising from normal business operations when they come due.

We have amended our credit agreement with Mr. Gibbs, a related party, on multiple occasions with the most recent amendment extending the maturity date for the line of credit to December 31, 2018. The current borrowing limit on the credit line is \$1,000,000 with a borrowing availability of \$167,500 remaining.

During the six months ended June 30, 2018, we sold 12,500,000 units consisting of common stock and warrants and realized net proceeds of \$250,000. Additionally, 4,000,000 warrants were exercised during the same period and net proceeds of \$80,000 were realized. Proceeds from these transactions were generally used to fund working capital.

Additionally through various transactions with related parties during the year ended December 31, 2017, the Company realized approximately \$1,075,000 which is primarily reflected in a series of promissory notes ("Series 2017 Notes"). The proceeds were generally used to fund the purchase of the SDA Mill in Mexico. The Series 2017 Notes are secured by a pledge of all the outstanding shares of Magellan Acquisition Corporation, a wholly-owned subsidiary that owns the SDA Mill through Minerale Vane 2.

We anticipate that additional funding will be in the form of additional loans from officers, directors or significant shareholders, or equity financing from the sale of our common stock but cannot assure that any future financings will occur.

Cash Flows

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

	Six Months Ended	
	June 30,	
	2018	2017
Net cash used in operating activities	\$(306,346)	\$(184,681)
Net cash used in investing activities	–	(208,297)
Net cash provided by financing activities	336,192	400,500
Effect of foreign currency exchange	(28,237)	(520)
Net increase in cash and cash equivalents	1,609	7,002
Cash and cash equivalents beginning of period	421	485
Cash and cash equivalents end of period	\$2,030	\$7,487

At June 30, 2018, we had \$2,030 in cash and a \$3,313,326 working capital deficit. This compares to cash of \$421 and a working capital deficit of \$2,827,255 at December 31, 2017.

Net cash used in operating activities during the six months ended June 30, 2018 was \$306,346 and was mainly comprised of our \$891,701 net loss during the period, adjusted by a non-cash charges of \$366,795 for accretion of

discounts on notes payable, \$286,919 for gain on change in derivative liability, \$81,250 for amortization of certain service contracts, and depreciation expense of \$61,025. In addition, it reflects a decrease in Due from Rose Petroleum of \$27,147, an increase in prepaid expenses and other assets totaling \$72,005, as well as increases in accounts payable and accrued expenses totaling \$236,918, and increases in accrued interest totaling \$97,894 representing accrued interest on our related party line of credit, related party notes payable, convertible notes payable and other notes payable.

Net cash used in operating activities during the six months ended June 30, 2017 was \$184,681 and was mainly comprised of our \$1,016,245 net loss during the period, adjusted by a non-cash charge of \$32,804 representing the amortization of certain service contracts, and the loss on a increase in our derivative liability of \$655,876. In addition, it reflects an increase in prepaid expenses and other assets totaling \$20,200, as well as increases in accounts payable and accrued expenses totaling \$132,475, and increases in accrued interest totaling \$30,609 representing accrued interest on our related party line of credit and related party and other notes payable.

During the six months ended June 30, 2018, our net cash used in investing activities was \$-0-.

During the six months ended June 30, 2017, our net cash used in investing activities was \$208,297. During the period we completed the second of two private placement unit financings in Rio Silver Inc. ("Rio Silver"), associated with our mining option agreement with Rio Silver. The private placement resulted in the Company obtaining an additional 1,250,000 units at a price of Cdn\$0.06, which included one share of Rio Silver common stock and one warrant to purchase one share of Rio Silver common stock for Cdn\$0.06 which expire on July 19, 2018. This warrant was subsequently extended for an additional period of 18 months. The cost of the units in the second private placement totaled USD \$58,297. In addition we paid \$150,000 related to our option to acquire the SDA Mill.

During the six months ended June 30, 2018, net cash provided by financing activities was \$336,192 comprised of the sale of stock and warrants, related party advances, the exercise of warrants and paydown on the note payable to Rose Petroleum. Funds were raised in conjunction with a private placement of equity securities in which we sold a total of 12,500,000 units priced at \$0.02 per unit, resulting in total proceeds of \$250,000. Each unit was comprised of one share of common stock, and one warrant entitling the holder to purchase one share of common stock at a price of \$0.02 per share in cash, and expire June 30, 2018. The warrants were subsequently extended to expire on December 31, 2018. Related party advances from John Power contributed \$56,192 in proceeds during the period while payments on the note payable to Rose Petroleum used \$50,000. Finally, the exercise of 4,000,000 warrants at \$0.02 per share during the period generated proceeds of \$80,000.

During the six months ended June 30, 2017, net cash provided by financing activities was \$400,500. During the quarter, Mr. Power, an executive and director, advanced the Company a total of \$20,550 of which \$20,050 was repaid. In addition, during the six months ended June 30, 2017 we completed a private placement of equity securities with two investors in which we sold a total of 1,250,000 units priced at \$0.10 per unit, resulting in total proceeds of \$125,000. Each unit was comprised of one share of common stock, and one warrant entitling the holder to purchase one share of common stock at a price of \$0.10 per share in cash, and expire December 30, 2017.

During the six months ended June 30, 2017 we issued a total of \$275,000 of related party promissory notes. On May 31, 2017 we executed three short-term notes with Mr. Gibbs, significant shareholder, and our two executive officers, Dr. Carson and Mr. Power in the principal amounts of \$100,000, \$25,000 and \$25,000, respectively. The notes bear interest at 6% and mature on November 15, 2017. In addition, on June 30, 2017 we entered into an additional secured loan for advances from Mr. Power and evidenced by a \$125,000 promissory note. The promissory note bears interest at 6% per annum and matures on December 31, 2017. The note is collateralized by our investment in Rio Silver shares and warrants.

Off Balance Sheet Arrangements

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

Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

Our consolidated financial statements include our accounts and the accounts of our 100% owned subsidiaries, Gulf + Western Industries, Inc., Magellan Acquisition Corporation, Minerales Vane 2, S.A. de C.V., and Minerales Vane Operaciones, S.A de C.V. All intercompany transactions and balances have been eliminated. Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of Estimates

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

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

Foreign Currency Translations

The Company maintains its accounting records in US Dollars. Our operating subsidiaries, Minerales Vane 2, S.A. de C.V., and Minerales Vane Operaciones, S.A de C.V., report in Mexican Pesos which is the functional currency for both entities. The subsidiaries’ transactions are recorded in their respective functional currencies and are reported to the Company in Mexican Pesos. For reporting, the Company translates the subsidiaries’ transactions and accounts to US Dollars at exchange rates approximating those ruling at the transaction dates. Exchange gains and losses are recorded in the statements of income and comprehensive income. Assets and liabilities of the Company and its subsidiaries are translated into the U.S. dollars at exchange rates at the balance sheet date, equity accounts are translated at historical exchange rate and revenues and expenses are translated by using the average exchange rates. Translation adjustments are reported as a separate component of other comprehensive income in the consolidated statements of operations and comprehensive loss.

Fair Value of Financial Instruments

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

Concentrations of Credit Risk

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

Cash and Cash Equivalents

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

Mineral Rights

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

If we establish proven and probable reserves for a mineral property and establish that the mineral property can be economically developed, mineral rights will be amortized over the estimated useful life of the property following the commencement of commercial production or expensed if it is determined that the mineral property has no future

economic value or if the property is sold or abandoned. For mineral rights in which proven and probable reserves have not yet been established, we assess the carrying values for impairment at the end of each reporting period and whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

The net carrying value of our mineral rights represents the fair value at the time the mineral rights were acquired less accumulated depletion and any abandonment or impairment losses. Proven and probable reserves have not been established for mineral rights as of June 30, 2018. At June 30, 2018 mineral rights totaling \$323,200 were net of \$117,857 of impairment and abandonment charges. No impairment charges were recognized for either of the six months ended June 30, 2018 or 2017.

Impairment of Long-lived Assets and Mining Rights

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

Notes Payable – Related Parties

Notes payable to related parties are classified as current liabilities as the note holders either have the ability to control the repayment dates of the notes or the notes are due within twelve months of the balance sheet date.

Exploration Costs

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

Income Taxes

We recognize deferred tax assets and liabilities for temporary differences between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements and the effect of net operating losses based upon the enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. At June 30, 2018, the Company had no uncertain tax positions.

Net Loss per Common Share

We compute basic net loss per common share by dividing our net loss attributable to common shareholders by our weighted-average number of common shares outstanding during the period. Computation of diluted net loss per common share adds the weighted-average number of potential common shares outstanding to the weighted-average common shares outstanding, as calculated for basic net loss per share, except for instances in which there is a net loss. For the three and six months ended June 30, 2018 and 2017, potential common shares associated with convertible notes payable and outstanding warrants to purchase common stock have been omitted from the net loss per common share computation as they are anti-dilutive due to the net loss for these periods.

Stock-based Compensation

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

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific revenue recognition guidance throughout the Industry Topics of the Accounting Standards Codification. The updated guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. The Company adopted the standard effective January 1, 2018 at which point it had no impact on the Company.

The Company recognizes revenue for all of its products upon transfer of control in an amount that reflects the consideration it expects to receive in exchange for those products. Transfer of control is in accordance with the terms of contracts, which is generally upon delivery of the product. While payment terms vary by contract, terms generally include payment to be made within 30 days. Revenue during the six months ended June 30, 2018, were related to the sale of concentrate to a local smelter following the processing of tailings at the SDA Mill.

New Accounting Standards

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures:

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s (“SEC”) rules and forms, and that such information is accumulated and communicated to management, including W. Pierce Carson, our President, and Michael P. Martinez, our Principal Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management’s control objectives.

Our management, with the participation of our CEO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, our CEO concluded that our disclosure controls and procedures were not effective as of such date as a result of material weaknesses in our internal control over financial reporting due to lack of segregation of duties, a limited corporate governance structure, and lack of a formal review process that includes multiple levels of review as discussed in Item 9A of our Form 10-K for the fiscal year ended December 31, 2017.

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

Changes in Internal Control Over Financial Reporting:

There were no changes in our internal control over financial reporting that occurred during the last fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Item 1A. to Part I. of our Annual Report on Form 10-K for the year ended December 31, 2017.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

All sales of unregistered securities were reported on Form 8-K during the period.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit

Exhibit Description

Number

- 31.1 * Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 * Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32 * Certification of the President, Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS * XBRL Instance Document
- 101.SCH * XBRL Taxonomy Extension Schema Document
- 101.CAL * XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF * XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB * XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE * XBRL Taxonomy Extension Presentation Linkbase Document

* Filed or furnished herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MAGELLAN GOLD CORPORATION

By: /s/ W. Pierce Carson
W. Pierce Carson
President, Chief Executive Officer
(Principal Executive Officer),

By: /s/ Michael P. Martinez
Michael P. Martinez
Chief Financial Officer
(Principal Accounting Officer)

Date: August 20, 2018