

MAGELLAN GOLD Corp  
Form 10-Q  
May 12, 2014

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

FORM 10-Q

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

For the quarterly period ended March 31, 2014

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

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

Commission file number: 333-174287

**MAGELLAN GOLD CORPORATION**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or  
organization)

2010A Harbison Drive #312, Vacaville, CA

(Address of principal executive offices)

27-3566922

(IRS Employer Identification Number)

95687

(Zip Code)

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

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ ] No [ X ]

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

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [ X ]  
(Do not check if a smaller reporting company)

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

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

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

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

**BALANCE SHEETS**

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

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

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

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

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



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

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

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



Net cash provided by financing  
activities

**CONTINUED ON FOLLOWING PAGE**

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

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## MAGELLAN GOLD CORPORATION

(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS  
(unaudited)

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

**MAGELLAN GOLD CORPORATION**

**(An Exploration Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**(unaudited)**

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

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

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

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

***Basis of Presentation***

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

***Liquidity and Going Concern***

Our financial statements have been prepared on a going concern basis, which assumes that we will be able to meet our obligations and continue our operations during the next fiscal year. Asset realization values may be significantly different from carrying values as shown in our financial statements and do not give effect to adjustments that would be necessary to the carrying values of assets and liabilities should we be unable to continue as a going concern. At March 31, 2014, we had not yet generated any revenues or achieved profitable operations and we have accumulated losses of \$845,088 since our inception. We expect to incur further losses in the development of our business, all of which casts substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern depends on our ability to generate future profits and/or to obtain the necessary financing to meet our obligations arising from



normal business operations when they come due. On December 31, 2013 we amended our credit agreement with Mr. John Gibbs, a related party, to increase the borrowing limit under the line of credit to \$750,000, which provides the Company an additional \$290,396 available under the credit line at March 31, 2014. We anticipate that additional funding will be in the form of additional loans from officers, directors or significant shareholders, or equity financing from the sale of our common stock.

## Note 2 Mineral Rights:

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

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

### *Silver District Claims*

In August, 2012, we entered into an option agreement with Columbus Silver Corporation, which grants the Company the right to acquire all of Columbus' interest in its Silver District properties located in La Paz County, Arizona. We paid Columbus an initial \$63,200 on signing of the option. In addition, we made a \$50,000 payment in December 2012 to Columbus as required under the option agreement. During February 2014 and January 2013, we paid an additional \$80,000 and \$30,000, respectively, for the underlying purchase obligation entered into between Columbus and a third party. See also Note 5 regarding certain commitments for future payments for these claims.

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

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

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



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

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

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

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

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

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

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

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

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

Due to the decline in precious metals prices and the absence of currently available funds to further develop this early stage project, we have recorded an impairment charge equal to the amount of our capitalized mineral rights at December 31, 2013 in the amount of \$4,471. We intend to maintain our claims so that the project is available for further exploration should capital formation conditions improve.





**Note 3 Line of Credit Related Parties:**

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, and accrued interest at 6% annually. The line of credit expires and becomes due on December 31, 2014.

At the effective date of the line of credit, Mr. Gibbs was owed a total of \$65,000 from previous loans, \$40,000 of which was from the previous year and \$25,000 of which was received during 2012. These amounts were converted to the line of credit at December 31, 2012 and are included in the line of credit balance at March 31, 2014 and December 31, 2013.

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.

During the three months ended March 31, 2014 and 2013, draws totaling \$60,000 and \$74,604 were made, and were primarily used to fund working capital and certain obligations due to maintain our mining rights and properties. At March 31, 2014 a total of \$459,604 was outstanding under this line of credit. In addition, a total of \$26,797 of interest has been accrued on this obligation and is included in Due to related parties on the accompanying balance sheet at March 31, 2014.

**Note 4 Notes Payable Related Parties:**

In August 2011, we entered into an unsecured loan from John Power, the Company's sole executive officer, evidenced by a \$20,000 promissory note. The promissory note bears interest at 6% per annum and is payable on demand with thirty days' notice from the lender. In July 2013, the Company paid Mr. Power \$1,198 representing accrued interest on this note at June 30, 2013. And in January 2014, we entered into an unsecured loan from John Power, the Company's sole executive officer, 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. At March 31, 2014 a total of \$1,510 of interest was accrued on this promissory note and is included in Due to related parties on the accompanying balance sheet at March 31, 2014.

**Note 5 - Commitments and Contingencies:**

Under the Columbus Silver - Silver District option, we were required to make a \$400,000 payment due December 31, 2013, and a final \$500,000 payment due December 31, 2014 to complete the purchase. On August 20, 2013 the agreement was amended to defer the due dates of the \$400,000 and \$500,000 payments to December 31, 2014 and 2015, respectively. In addition, the amendment also requires that we make payments under the option agreement to maintain the underlying claims, leases and purchase contracts through December 31, 2014. The required payments include federal and state claim renewal payments due in August and September 2014 of approximately \$25,000.

**Note 6 Shareholders Equity:**

During the three months ended March 31, 2014 no shares of common stock or other equity instruments or derivatives were issued.

**Note 7 Related Party Transactions:**

*Conflicts of Interests*

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

Silver Saddle Resources, LLC is 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*

On January 1, 2014, we extended, for one year, our month-to-month management agreement with Mr. Power requiring a monthly payment, in advance, of \$2,500 as consideration for the day-to-day management of Magellan.

Management fees to Mr. Power totaling \$7,500 for both the three months ended March 31, 2014 and 2013 are included in general and administrative expenses in our statement of operations. All management fees due Mr. Power through March 31, 2014 have been paid.

*Due from Related Parties*

During both the three months ended March 31, 2014 and 2013, no non-interest bearing advances to related parties were made.

***Due to Related Parties***

Amounts due to related parties are included in due to related parties in our balance sheets as follows:

	March 31, 2014	December 31, 2013
Accrued interest payable - Mr. Power	\$ 1,510	\$ 585
Accrued interest payable - Mr. Gibbs	26,797	20,385
	\$ 28,307	\$ 20,970

***Advances Payable Related Parties***

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

	Three Months Ended March 31, 2014	
	Advances	Repayments
Mr. Power	\$ 4,500	\$ 4,500

	Three Months Ended March 31, 2013	
	Advances	Repayments
Mr. Power	\$ 14,800	\$ 10,900

At both March 31, 2014 and December 31, 2013, no advances from related parties were outstanding.

The Company also utilizes a credit card owned by Mr. Power to pay various small obligations when the availability of cash is limited or the timing of the payments is considered critical. At March 31, 2014 a total of \$2,799 of Company charges was outstanding on this credit card and is included in the accounts payable balance at March 31, 2014. No such amounts were outstanding at December 31, 2013.

**Note 8 Subsequent Events**

The Company has evaluated subsequent events through the date that the financial statements were available to be issued.

On April 3, 2014 the Company announced that it had commenced core drilling at its Papago target located within the Company's 100% optioned Silver District project in La Paz County, Arizona. The drilling was completed in April 2014.

Subsequent to March 31, 2014, Magellan has drawn \$45,000 on its line of credit with its majority shareholder to fund its operations and meet its obligations.

## **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, 2013, filed with the Commission on March 7, 2014, and our interim unaudited condensed 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 within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements that include terms such as may, will, intend, anticipate, estimate, expect, continue, believe, 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. We are an exploration stage company and our principal business is the acquisition and exploration of mineral resources. We have not presently determined whether the properties to which we have mineral rights contain mineral reserves that are economically recoverable.

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

In August 2012, we entered into an option agreement to purchase The Silver District project consisting of 85 unpatented lode mining claims, 4 patented lode claims, an Arizona mining lease of 154.66 acres and 23 unpatented mill site claims, totaling over 2,000 acres in Lap Paz County, Arizona. In addition to our option payments to Columbus Silver to acquire the project, the underlying claims are also subject to third party lease and or purchase obligations and net smelter





royalties of varying percentages. We are obligated to make certain significant payments during 2014 to maintain our option on the Silver District properties.

We also have staked fifty (50) unpatented lode mining claims known as the Sacramento Mountains project totaling approximately 1,000 acres, in which we have a 100% unencumbered interest, on Federal (BLM) land in October 2012 and filed the claims with the BLM in January 2013. The Project is located in the northwest corner of the Sacramento Mountains approximately 10 miles WNW of Needles, California.

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

## Results of Operations

### *Results of Operations for the Three Months Ended March 31, 2014 and 2013*

	Three Months Ended March 31, 2014	2013
Operating expenses:		
Exploration costs	\$ 13,737	\$ 34,872
General and administrative expenses	24,522	27,465
Total operating expenses	38,259	62,337
Operating loss	(38,259)	(62,337)
Other income (expense):		
Interest expense	(7,337)	(2,584)
Net loss	\$ (45,596)	\$ (64,921)
<i>Operating expenses</i>		

During the three months ended March 31, 2014, our total operating expenses were \$38,259 as compared to \$62,337 during the three month ended March 31, 2013.

During the three months ended March 31, 2014 we incurred \$13,737 of exploration costs as compared to \$34,872 during the same period in 2013. Exploration costs for the three months ended March 31, 2014 are primarily comprised of \$11,651 in consulting geologist fees and related expenses associated with the preparation for our small exploratory drilling program on our Silver District project planned for April 2014. Other exploration costs totaling \$2,086 primarily consist of other exploration related costs associated with our planned drill program.



During the three months ended March 31, 2013 we incurred \$34,872 of exploration costs. Exploration costs for the three months ended March 31, 2013 are entirely comprised of consulting geologist fees and related expenses associated with the review of the Silver District and Sacramento Mountains projects. The primary objective was to develop drill targets on both projects and file applications with the BLM to conduct exploratory drilling as capital became available.

General and administrative expenses for the three months ended March 31, 2014 totaling \$24,522 were comprised professional fees including accounting and audit fees of \$10,723, legal fees totaling \$3,370, management fees to Mr. Power totaling \$7,500, investor relations fees totaling \$724, advertising and promotional fees of \$1,768, and other expenses totaling \$437 mainly comprised of bank service fees and other office related expenses.

General and administrative expenses for the three months ended March 31, 2013 totaling \$27,465 were comprised of accounting and audit fees of \$9,250, legal fees totaling \$4,066, management fees to Mr. Power totaling \$7,500, investor relations and other professional fees totaling \$2,140, and other expenses of \$4,509 primarily comprised of travel expenses, office expenses and other licenses and fees.

Interest expense for the three months ended March 31, 2014 and 2013 totaled \$7,337 and \$2,584, respectively, and is attributable to our related party line of credit, which accrues interest at the rate of 6.0% per year, and our related party notes payable which accrue interest at a weighted average interest rate of 6.54%.

#### **Liquidity and Capital Resources:**

We intend to meet our cash requirements for the next 12 months primarily through the expansion of and utilization of our line of credit established in December 2012 and the private placement of debt or equity instruments. We currently do not have any arrangements in place to complete private placement financings and there is no assurance that we will be successful in completing any such financings on terms that will be acceptable to us.

On 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 initially provided for a maximum balance of \$250,000, and accrues interest at 6%, which is payable from time to time and due at maturity. 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.

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



**Cash Flows**

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

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
Net cash used in operating activities	\$ (32,049)	\$ (41,573)
Net cash used in investing activities	(80,000)	(40,350)
Net cash provided by financing activities	110,000	78,504
Net decrease in cash	(2,049)	(3,419)
Cash and cash equivalents, beginning of period	2,128	4,409
Cash and cash equivalents, end of period	\$ 79	\$ 990

As of March 31, 2014, we had \$79 in cash and a \$629,684 working capital deficit. This compares to cash of \$2,128 and a working capital deficit of \$504,088 at December 31, 2013.

Net cash used in operating activities during the three months ended March 31, 2014 was \$32,049 and was mainly comprised of our \$(45,596) net loss during the period as well as increases in prepaid expenses and other current assets totaling \$1,260, and increases in accounts payable and accrued expenses totaling \$7,470, as well as increases totaling \$7,337 in amounts due to related parties representing accrued interest on our related party line of credit and notes payable.

Net cash used in operating activities during the three months ended March 31, 2013, was \$41,573 and was mainly comprised of our \$(64,921) net loss during the period. This amount was offset by a \$27,364 net increase in our account payable and accrued expenses, and a \$4,016 decrease in amounts due to related parties.

During the three months ended March 31, 2014 we used \$80,000 of cash in investing activities, which represents a payment to Columbus Exploration under our option agreement to make the final installment on the purchase of a patented claim included in the Silver District land package. During the three months ended March 31, 2013 we used \$40,350 of cash in investing activities, which is comprised of a \$30,000 payment to maintain our option agreement associated with our Silver District claims, and \$10,350 for the acquisition of our Sacramento Mountains claims.

During the three months ended March 31, 2014, cash provided by financing activities was \$110,000. In December 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. 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. During the three months ended March 31, 2014 we drew an additional \$60,000 on this credit line. In addition, we received an additional \$50,000 in funding from Mr. Power in the form of a demand note, which accrues interest at 6.75%. Also, during the



three months ended March 31, 2014, Mr. Power advanced the Company \$4,500, all of which has been repaid.

During the three months ended March 31, 2013, cash provided by financing activities was \$78,504. During the three months ended March 31, 2013 we drew \$74,604 on our credit line with Mr. Gibbs, which was used primarily to pay for our claims activities and to fund our general corporate expenses. Also, during the three months ended March 31, 2013, Mr. Power advanced the Company \$14,800, of which \$10,900 had been repaid.

#### **Off Balance Sheet Arrangements**

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

#### **Recent Accounting Pronouncements:**

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

### **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 John C. Power, our President who is also our Principal Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only

reasonable assurance regarding management's control objectives.

Our management, 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 a material weakness in our internal control over financial reporting due to lack of segregation of duties and a limited corporate governance structure as discussed in Item 9A of our Form 10-K for the fiscal year ended December 31, 2013.



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, 2013.

### **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**

Effective May 8, 2012, our common shares were approved by the Financial Industry Regulatory Authority ( FINRA ) for quotation on the OTC Bulletin Board under the ticker symbol MAGE.

**ITEM 6. EXHIBITS**

**EXHIBIT**

**NUMBER**

**DESCRIPTION**

31	Certification Pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
99.1	Amendment No. 1 to Option Agreement Silver District Property filed as an Exhibit to Form 8-K dated August 20, 2013 as filed with the Commission on August 23, 2013.

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101.INS	XBRL Instance**
101.SCH	XBRL Taxonomy Extension Schema**
101.CAL	XBRL Taxonomy Extension Calculation**
101.DEF	XBRL Taxonomy Extension Definition**
101.LAB	XBRL Taxonomy Extension Labels**
101.PRE	XBRL Taxonomy Extension Presentation**

\* Filed herewith  
 \*\* Furnished, not filed.

**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**

Dated: May 12, 2014

By: /s/ John C. Power  
John C. Power  
President, Principal Executive Officer,

Principal Accounting Officer, Secretary, Treasurer and director.