

MAGELLAN GOLD Corp
Form 10-K
April 05, 2013

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

FORM 10-K

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

For the fiscal year ended December 31, 2012

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

For the transition period from _____ to _____

Commission file number 333-174287

MAGELLAN GOLD CORPORATION

(Name of Registrant in its Charter)

Nevada
(State or other jurisdiction
of incorporation or organization)

27-3566922
I.R.S. Employer
Identification Number

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

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

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

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

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

Yes ☐ No ☒

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

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

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

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

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

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average bid and asked price of such common equity, as of June 30, 2012 is \$11,279,917.

The number of shares outstanding of the registrant's common stock, as of March 29, 2013 is 48,869,091.

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

None.

Safe Harbor for Forward-looking Statements

In General

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

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

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

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

- * the risk factors set forth below under Risk Factors ;

- * changes in the market prices of precious minerals, including gold; and
- * uncertainties inherent in the estimation of ore reserves.

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

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

PART I

ITEM 1. DESCRIPTION OF BUSINESS

INTRODUCTION

About Our Company

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

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

Our initial focus was on two mining leases secured in 2010 to explore 70 unpatented lode claims known as the Secret Claims in Washoe County, Nevada and 10 unpatented lode claims known as the Randall Claims in Churchill County, Nevada.

During 2011, we hired consulting geologists to review our exploration opportunities and recommend work programs. In March 2011, we also secured an option to lease 9 patented mining claims as part of the Secret Claims project area. During 2011 and 2012, on advice from our consulting geologist, we hired an outside firm to collect soil samples over our Secret claims in a standardized grid. In November 2011 and May 2012, we collected and assayed 85 and 217 soil samples, respectively, in the project area. After consideration of the results from our soil survey, the costs of our annual lease obligations to maintain these claims, the remote location of the project and our other opportunities that Magellan had secured that were deemed more attractive by management, we dropped our option to lease the 9 patented claims in June 2012 and did not renew our mining lease in September 2012 for the 70 unpatented lode claims.

In May 2012, we filed a notice with the BLM for permission to drill and trench on our Randall claims. The BLM notified us that our proposed project area conflicted with lands that were held by the State of Nevada under Federal Aid Highway Material Site Rights-of-Way and that a material site is not open to entry or location under the general mining laws. As a result, we did not renew our Randall Claims lease in August of 2012.

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.

Magellan is obligated to make material payments during 2013 to maintain its option on the Silver District properties.

Magellan also 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.

Our primary focus during the next twelve months will be to further explore, and, if warranted and feasible, permit and pursue exploration drilling to further develop these mineral properties subject to available funding.

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.

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

Conflicts of Interests

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

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

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

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

In addition, the common ownership could result in significant conflicts of interest both in terms of the allocation of working capital as well as under the doctrine of corporate opportunity, inasmuch as all three entities are engaged in mineral exploration in the United States. Messrs. Power and Gibbs have not adopted any policy or guidelines to mitigate the potential adverse effects of their conflicting interests between and among, Magellan, Athena and Silver Saddle.

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

Our Properties

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

We have two material mineral properties that we currently intend to engage in exploration activities and, if commercially recoverable deposits are found, mineral development activities. To date, we have only begun preliminary exploration work.

The following map illustrates the location of our significant properties in the States of Arizona and California:

SILVER DISTRICT, LA PAZ COUNTY, ARIZONA

Effective August 28, 2012, Magellan entered into an Option Agreement with Columbus Silver Corporation, a Nevada corporation (Columbus), which Option Agreement grants the Company the right to acquire all of Columbus interest in its Silver District properties located in La Paz County, Arizona. Magellan paid Columbus an initial \$63,200 on signing the Option and an additional \$50,000 before December 31, 2012.

The terms of the option agreement require another \$400,000 payment due on December 31, 2013 and a final \$500,000 payment due December 31, 2014.

Magellan is also be required to maintain the Property in good standing by making required lease and maintenance payments to third parties. During 2013, Magellan will be required to pay underlying purchase/option payments on patented claims of \$30,000 (Paid on Jan 31, 2013) and \$7,500 in August 2013 and claim maintenance renewal fees to the BLM of \$15,120 and a combination of work program/lease renewal with the State of Arizona in the amount of \$3,750 also in August 2013.

During the term of the Option, Magellan will have the right to undertake exploration activities on the Property.

The Silver District Property consists 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 is approximately 80 kilometers (50 miles) north of Yuma in southwest Arizona.

PATENTED CLAIMS UNDER COLUMBUS SILVER OPTION

Red Cloud Patented Mining Claim MS 749; Parcel #301-34-003 La Paz Co. Assessor

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

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

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

ARIZONA STATE MINING LEASE UNDER COLUMBUS SILVER OPTION

MINERAL EXPLORATION PERMIT #08-114891 - ARIZONA STATE LEASE SIGNED: Sept. 24, 2010 154.66 ACRES

UNPATENTED CLAIMS HELD UNDER COLUMBUS SILVER OPTION

Plata No. 1(3 rd am)	AMC# 44189
Plata No. 2 (2 nd Am.)	AMC# 44190
POP #1 (2dAm.)	AMC# 43990
POP #2 (2d Am.)	AMC# 43991
POP #3 (2d Am)	AMC# 43992
POP #4 (2d Am)	AMC# 43993
POP #5 (2d Am)	AMC# 43994
POP #6 (2d Am)	AMC# 43995
POP #7 (2d Am)	AMC# 43996
POP #8 (2d Am)	AMC# 43997

POP #9 (2d Am)	AMC# 43998
POP #10 (2d Am)	AMC# 43999
POP #11 (2d Am)	AMC# 44000
POP #13 (2dAm)	AMC# 44002
POP #14 (2dAm)	AMC# 44003
POP #15 (2dAm)	AMC# 44004
POP #16 (2dAm)	AMC# 44005
POP #17 (Am)	AMC# 44006
POP #19 (Am)	AMC# 44008
POP #21 (Am)	AMC# 44010
POP #22 (Am)	AMC# 44011
POP #24 (2d Am)	AMC# 44013
POP #25 (2d Am)	AMC# 44014
POP #26 (2d Am)	AMC# 44015
POP #27 (2d Am)	AMC# 44016
POP #28 (2d Am)	AMC# 44017
POP #29 (2d Am)	AMC# 44018

POP #30 (Am)	AMC# 44019
POP #31 (Am)	AMC# 44020
POP #32 (Am)	AMC# 44021
POP #37 (2d Am)	AMC# 44026
POP #38 (2d Am)	AMC# 44027
POP #43 (Am)	AMC# 44032
POP #50 POP #51	AMC# 207723-207724
POP #53 POP #57	AMC# 207725-207729
POP #62	AMC# 207734
RUF #1	AMC # 129269
RUF #2	AMC # 129270
RUF #5	AMC # 129273
RUF #9	AMC # 129277
RUF #10	AMC# 129278
RUF #12	AMC# 129280
RUF #13	AMC# 129281
RUF #14	AMC# 129282
RUF #15	AMC# 129283
RUF #17	AMC# 129285
RUF #18	AMC# 129286
RUF #22	AMC# 129290
RUF #23	AMC# 129291
RUF #24	AMC# 129292
MIL #1	AMC # 129261
MIL #2	AMC# 129262
MIL #3	AMC# 129263
MIL #4	AMC# 129264
MIL #5	AMC# 129265
MIL #6	AMC# 129266
G + W #2	AMC # 129255
G + W #3	AMC # 129256
G + W #4	AMC # 129257
PL-1 PL-2	AMC # 366944-366945
Arch	AMC # 366937
RU 1 RU 3	AMC # 366947-366949
CH-1 CH-6	AMC # 366938-366943
POP 39	AMC # 366946
A-1	AMC # 369924
RIHO	AMC # 369925
MAX 13-26	AMC # 386562-386575
Ruth #1 Amended	AMC # 42216
Ruth #3 Amended	AMC# 44218
Ruth #5 Amended	AMC# 44220
Ruth #7 Amended	AMC# 44222
Plata No. 3 Amended	AMC# 44191
Plata No. 5 Amended	AMC# 44193
Plata No. 6 Amended	AMC# 44194

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

In addition to our option payments to Columbus Silver to acquire the project, the claims are also subject to third party lease and or purchase obligations and/or net smelter royalties of varying percentages.

SACRAMENTO MOUNTAINS PROJECT

The Sacramento Project is located approximately 10 miles WNW of Needles, California in the northwest corner of the Sacramento Mountains.

Magellan staked fifty (50) unpatented lode mining claims (SMF 1-50), in which they have a 100% unencumbered interest, on Federal (BLM) land in October 2012.

BLM Claim No.

Claim Name

CAMC 0305871 CAMC 0305920

SMF 1 50

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

Pony Express Claims

On November 18, 2010, we staked two unpatented lode mining claims (the Pony Express Claims) giving us the right to explore, develop and conduct mining operations on these claims located in Churchill County, Nevada. As we staked the claims ourselves, there is no mineral lease governing our rights to explore the Pony Express Claims except for our annual obligations to renew the claims with the Bureau of Land Management and Churchill County. These claims consist of:

BLM Claim No.

Claim Name

BLM# NMC1036374

Pony Express #1

BLM# NMC1036375

Pony Express #10

This property is currently without known reserves and we currently have no exploration plans for these claims.

Discontinued Mineral Interests

Secret Canyon Claims:

In September 2010, we signed a 10 year mining lease to explore, develop and conduct mining operations on 70 unpatented lode mining claims located in Washoe County, Nevada. In March 2011, we also signed a one year option to explore a group of nine patented claims and the right to enter into a 10 year mining lease with option to purchase this group of nine claims. The patented claims under the option were surrounded by our unpatented claims. Together, these 79 claims are referred to as the Secret Canyon Claims.

During 2011 we began exploration work on our Secret Canyon Claims including collecting and assaying 85 soil samples from our claims. In May 2012 we collected and assayed an additional 217 soil samples from our Secret Canyon Claims. Results applicable to our group of 70 unpatented claims were encouraging but results pertaining to our nine patented Cowles Option claims were less encouraging and as a result, on June 15, 2012, we gave notice to the owners that we terminated the Option and Mining

Lease Agreement without further obligation to the owners effective June 15, 2012. As a result, we wrote off \$25,468 of capitalized mineral rights applicable to the Cowles Option and included this cost in abandonment of mineral rights in our statements of operations for the year ended December 31, 2012

Effective September 28, 2012, after considering the results of our Secret Canyon Claims soil sample surveys, the costs to maintain the lease and remote location of the claims, other opportunities with Magellan we decided to terminate our mining lease with RS Gold, LLC covering the remaining Secret Canyon Claims without further obligation and expensed our previously capitalized costs to acquire these mineral rights in the amount of \$64,261 which is included in abandonment of mineral rights in our statements of operations for the year ended December 31, 2012.

Randall Claims:

We had a 10 year mining lease to explore, develop and conduct mining operations on 10 unpatented lode mining claims located in Churchill County, Nevada.

In July 2012 we received notice from the Bureau of Land Management that our application to perform exploration work on our Randall Claims was not approved and as a result, we impaired 100% the carrying value of our mineral rights applicable to our Randall Claims as of June 30, 2012, and recognized an impairment expense of \$13,307 in our statements of operations.

Unpatented Mining Claims: The Mining Law of 1872

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

Our exploration, development and mining rights relate to patented and unpatented mining claims covering federal and State lands in Arizona, California and Nevada. Some of our patented and unpatented claims are held under the Silver District Option with Columbus Silver.

Location of mining claims under the General Mining Law, is a self-initiation system under which a person physically stakes an unpatented mining claim on public land that is open to location, posts a location notice and monuments the boundaries of the claim in compliance with federal laws and regulations and with state location laws, and files notice of that location in the county records and with the Bureau of Land Management (BLM). Mining claims can be located

on land as to which the surface was patented into private ownership under the Stockraising Homestead Act of 1916, 43 U.S.C. §299, but the mining claimant cannot injure, damage or destroy the surface owner's permanent improvements and must pay for damage to crops caused by prospecting. Discovery of a valuable mineral deposit, as defined under federal law, is essential to the validity of an unpatented mining claim and is required on each mining claim individually.

The location is made as a lode claim for mineral deposits found as veins or rock in place, or as a placer claim for other deposits. While the maximum size and shape of lode claims and placer claims are established by statute, there are no limits on the number of claims one person may locate or own. The General Mining Law also contains provision for acquiring five-acre claims of non-mineral land for mill site purposes. A mining operation typically is comprised of many mining claims.

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

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

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

Patented Mining Claims

Patented mining claims, such as the ones included in our Silver District Option, are mining claims on federal lands that are held in fee simple by the owner. No maintenance fees or royalties are payable to the BLM; however lease payments and royalties are payable under the operative leases.

LOCATION, HISTORY AND GEOLOGY OF OUR PROPERTIES

SILVER DISTRICT

The property covers the heart of the historic Silver District in La Paz County, approximately 80 kilometers (50 miles) north of Yuma in southwest Arizona.

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

Location, Access and Composition

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

North on US 95 from Yuma. Turn on the road to Martinez Lake approximately 2 1/2 miles north of the Imperial Dam turn-off (from US 95N);after turning west, you travel through the Yuma Proving Grounds about 6 or 7 miles. There is a trailer park-type settlement on the east side of the lake and a sign to Martinez Lake, turn right (North) towards Wildlife Refuge and that road is known as the Red Cloud mine Road. Stay on Red Cloud Mine road along the wash and actually passes back through a corner of the Yuma Proving Grounds and leads to the Red Cloud Mine.

The Silver District project consists 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.

History

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

Modern exploration, principally shallow drilling, metallurgical test work and a number of scoping studies to evaluate development of the silver and fluorspar deposits of the District, was carried out intermittently from 1973 through 1992 by Gulf + Western Industries through its New Jersey Zinc subsidiary, Orbex Resources and its successor companies, Silver Glance Resources and Silverspar Minerals. A total of 465 holes for an aggregate length of 62,866 feet were drilled during this period. The project has been largely inactive since that time.

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

Power and Water

There are no modern mine developments or equipment on the property. The Red Cloud Mine property has a covered shop and full time watchman with living facilities. It also has a water well and a small diesel generator. There is no commercial water or power available at the site and no work has been done to date to access what sources may be available for a commercial operation.

Geology

The Silver District deposits, consisting of variable silver and lead-zinc mineralization in massive quartz-calcite-fluorspar-barite veins and breccia zones, occur within three major north to north-northwest trending vein systems with a collective strike length of about eight miles. The veins are hosted by Tertiary volcanic and volcanoclastic rock formations, which overly an older, possibly Pre-Cambrian crystalline to metamorphic basement. Potential ore-grade silver (lead-zinc), fluorspar and barite deposits occur as pod-like bodies within all three vein

systems. Various historic resource estimates, all pre-dating NI 43-101 reporting standards, have been carried out by past operators in the District.

EXPLORATION PLANS

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

Past explorers in the District identified a number of outcropping ore bodies (some of which saw production in the late 19th and early 20th centuries) and defined new and larger resources to moderate depths with drilling. These known occurrences are the exposed portions of three long, through going fault trends in the

District. Potential for the discovery of additional mineralization is likely to be at depth below known ore bodies and along the fault trends in between known ore bodies. The best methods for pursuing this objective are drilling at depth below known ore bodies, using geology as a targeting tool and remote sensing tools such as geophysics to look for blind (non-outcropping) mineralization in the unexplored areas described. Positive results from geophysical surveys would likely require testing with a drill. Both of these approaches will need to be progressive, with drilling and geophysical orientation over the best known mineralization on one fault or vein trend, as defined by geological review. Currently, the known mineralization at the historic Red Cloud and Papago mines would be our initial exploration targets.

Geological mapping, with rock sampling and assaying, will help guide the drilling and geophysical surveying for the next six to twelve months. The geophysical survey will be designed to test for sulfide mineralization within the vein structure below the currently known resources at Red Cloud and Papago and, if successful, will be used in future campaigns to test for similar mineralization under other historic resource areas in the district and the unexplored areas between them. Drilling of geologically and geophysically defined targets will initially be done by coring to provide control on the geology of the vein system and to help in characterizing the mineralization and grades therein.

The geological survey will cost approximately \$100,000 for this phase of work and subsequent computer modeling of the new mineralization and known resources. The orientation geophysical surveying will cost approximately \$50,000. Drilling and assaying of approximately 6000 feet of core to test the current geological and expected geophysical targets will cost approximately \$350,000.

This program is progressive in that drilling is dependent on successful targeting by geology or geophysics and follow-up drilling is dependent on success in the initial holes.

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

SACRAMENTO MOUNTAINS PROJECT

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

Location, Access and Composition

The Sacramento Project is located approximately 10 miles WNW of Needles, California in the northwest corner of the Sacramento Mountains. The northern end of the Project is immediately south of I-40 and existing utility service roads and 4WD roads provide access to the entirety of the project area.

Magellan staked fifty (50) unpatented lode mining claims (SMF 1-50) or approximately 1,000 acres, in which they have a 100% unencumbered interest, on Federal (BLM) land in October 2012. The claims were properly recorded in the San Bernardino County and with the Bureau of Land Management. The claims are currently in good standing until September 1 2013, by which time Federal maintenance fees of \$140 per claim (\$7,000) must be paid to the BLM in Sacramento. In addition, a Notice of Intent to Hold must be recorded in San Bernardino County.

Power and Water

Commercial power is available on U.S. Highway 40. The availability of water is unknown at this time.

Geology

The Company's claim block consists of a sequence of Mid-Tertiary volcanic and sedimentary rocks series that unconformably overlie a much older, possibly Pre-Cambrian metamorphic and crystalline complex that also dominates the central core of the Sacramento Mountains. The entire sequence has been eroded and much of the flanks of the mountains, including the Company's property, is covered by a gravel pediment or active gravel washes. A number of epithermal veins of quartz-calcite-barite composition cut the volcanic and sedimentary rocks and, in some places, have historically been explored for copper, silver and gold. The veins occur as swarms of discrete thinner veins within wider zones that may be tens of feet wide and several hundred feet long. The veins dip moderately to steeply and strike directions vary. There is some evidence in other parts of the Sacramento Mountains that the unconformity between the Tertiary and basement rocks may be mineralized, but the unconformity is not exposed on the Property and lies at an unknown depth below surface outcroppings of Tertiary rocks. The Company intends to identify and target those veins that might likely continue to depth and also the unconformity below those projections

History

There are a number of historic pits, trenches, shafts and adits on various outcroppings within the claim block that probably date to the 1890s, and some may have been reopened in the 1920s. Modern exploration began in the early to mid 1980s by such mining companies as Duval, AMAX, Goldfields (London) and Fischer-Watt Mining. Further work was completed in the area by Fischer-Watt in the mid 1990's. Exploration activities by these mining companies included surface mapping and geochemical sampling and limited programs of localized drilling near some of the historic workings. There is only limited anecdotal record of these activities in the Public Domain.

Current State of Exploration

All activities to date have been and those proposed will be entirely exploratory in nature.

The claim group comprises a "green fields" or "grass roots" exploration target. Only the historic diggings of over 100 years ago remain from past activities. Exploration to date has been limited to land acquisition and preliminary field examination of old workings as shown on USGS Quadrangle maps. AMAX reportedly drilled one RC hole near one of the historic workings within the Company's current claim block that may have encountered anomalous gold values. The Company intends to examine all outcroppings within the claim block and sample those that may be associated with mineralization. This work may also include sampling stream sediments, soils and vegetation. The workings that

AMAX may have targeted with drilling in the past will be examined with an eye to some initial core drilling by the Company. The property has no known reserves.

Silver-gold mineralization is contained in quartz-calcite veins that cut Tertiary volcanic and volcanoclastic rocks in the Sacramento Mountains. This epithermal system comprises numerous vein outcroppings throughout the claim block controlled by the Company. Evidence of past prospecting activities dating from the 1890s to the 1930s include historic pits, trenches, shallow shafts and adits on outcropping vein sets. Limited exploration by Fischer-Watt Gold and AMAX in the 1980s included an RC hole drilled by AMAX in the northern part of the claim block that reportedly encountered anomalous gold values adjacent to exposed veining in outcrop. The vein has been intermittently traced for over 3000 feet along strike. Exploration of the exposed vein system and extensions under cover will initially entail core drilling to test

down dip from mineralization exposed in the largest adit and to twin the AMAX RC hole. Minor geologic mapping with rock sampling and assaying will be needed to put the drilling into geological context. A geophysical survey of the immediate drill area may be useful in tracing the vein to depth and a possible intersection of it at depth with the regional unconformity between the Tertiary section and the underlying metamorphic basement, a second target for mineralization.

Subject to available funding, the following is our exploration plans for the Sacramento Mountains.

The proposed exploration program can be accomplished within a six month period, with summer months being difficult for exploration due to high temperatures. Drilling and assaying 1500' of core in two holes will cost approximately \$90,000. A geophysical orientation survey and interpretation will cost approximately \$15,000. Geologic supervision and mapping plus assaying will cost an additional \$25,000. Subsequent drilling will depend on positive results from the initial drilling and the geophysics. The project includes outcroppings of other vein sets that have not been mapped and sampled by the Company that may represent targets in their own right.

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

PONY EXPRESS CLAIMS

In November 2010, we located, staked and filed two unpatented lode mining claims with the BLM giving us the right to explore, develop and conduct mining operations on these claims. These two claims, the Pony Express #1 (BLM# NMC1036374) and the Pony Express #10 (BLM# NMC1036375), cover approximately 40 acres and are located in the Sand Springs Mining District in Churchill County, Nevada. We do not plan to conduct significant exploration activities on these claims during the next twelve months and currently, these claims are not material to our business.

OUR EXPLORATION PROCESS

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

Our current focus is primarily on the exploration of our Silver District (Arizona) and Sacramento Mountains Project. To date, we have collected a limited number of samples from our Pony Express claims. Currently, our contract geologists collect samples and deliver them to third party labs for analysis. We plan to develop a more formal sample

collection and analysis process in the near future; this process will include appropriate quality assurance and quality control procedures.

Subject to our ability to raise the necessary funds, we may acquire additional exploration properties near our existing properties and implement exploration programs that may cover these future properties or on our Pony Express Claims at various times as we deem prudent.

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

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

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researching the available geologic literature;

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

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conducting geologic mapping, geophysical testing and geochemical testing;

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

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

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

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

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

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examining underground characteristics of mineralization that were previously identified;

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conducting more detailed geologic mapping;

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conducting more advanced geochemical and geophysical surveys;

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conducting more extensive trenching; and

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conducting exploratory drilling.

Subject to obtaining the necessary permits in a timely manner, the second phase can typically be completed on an individual property in nine to twelve months at a cost of less than \$1 million. None of our properties has reached the second phase.

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

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drilling to develop the mining site;

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conducting metallurgical testing; and

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

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

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

PLAN OF EXPLORATION

We intend to conduct further exploration on our Silver District (Arizona) and Sacramento Mountains Project (California) during 2013 in the manner previously described. We have not allocated any funds for exploration on our

Pony Express Claims. Our 2013 plan of exploration is contingent upon securing additional loans or equity funding.

GOLD PRICES

Our operating results are substantially dependent upon the world market prices of gold. We have no control over gold prices, which can fluctuate widely. The volatility of such prices is illustrated by the following table, which sets forth the high and low prices of gold (as reported by www.kitco.com) per ounce during the periods indicated:

Year Ended December 31,						
	2012		2011		2010	
	<u>HIGH</u>	<u>LOW</u>	<u>HIGH</u>	<u>LOW</u>	<u>HIGH</u>	<u>LOW</u>
GOLD	\$1,791.75	\$1,540.00	\$1,895.00	\$1,319.00	\$1,421.00	\$1,058.00

These historical prices are not indicative of future gold prices.

MARKETING

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

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

HEDGING ACTIVITIES

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

GOVERNMENT REGULATION

General

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

Federal Environmental Laws

Certain mining wastes from extraction and beneficiation of ores are currently exempt from the extensive set of Environmental Protection Agency (EPA) regulations governing hazardous waste, although such wastes may be subject to regulation under state law as a solid or hazardous waste. The EPA has worked on a program to regulate these mining wastes pursuant to its solid waste management authority under the Resource Conservation and Recovery Act (RCRA). Certain ore processing and other wastes are currently regulated as hazardous wastes by the EPA under RCRA. If our future mine wastes, if any, were treated as hazardous waste or such wastes resulted in operations being designated as a Superfund site under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or Superfund) for cleanup, material expenditures would be required for the construction of additional waste disposal facilities or for other remediation expenditures. Under CERCLA, any present owner or operator of a Superfund site or an owner or operator at the time of its contamination generally may be held liable and may be forced to undertake remedial cleanup action or to pay for the government's cleanup efforts. Such owner or operator may also be liable to governmental entities for the cost of damages to natural resources, which may be substantial. Additional regulations or requirements may also be imposed upon our future tailings and waste disposal, if any, in Nevada under the Federal Clean Water Act (CWA) and state law counterparts. We have reviewed and considered current federal legislation relating to climate change and we do not believe it to have a material effect on our operations. Additional regulation or requirements under any of these laws and regulations could have a materially adverse effect upon our results of operations.

EMPLOYEES AND CONSULTANTS

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

We rely heavily on the services of consulting engineers and geologists.

ITEM 1A RISK FACTORS.

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

Risks Related to our Business

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

Our financial statements have been prepared assuming that we will continue as a going concern. Due to our continuing operating losses and negative cash flows from our operations, the reports of our auditors issued in connection with our financial statements for the fiscal year ended December 31, 2012, and the period from September 28, 2010 (our inception), through December 31, 2012, contain explanatory paragraphs indicating that the foregoing matters raised substantial doubt about our ability to continue as a going concern. We cannot provide any assurance that we will be able to continue as a going concern.

We have no history of or experience in mineral production.

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

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

Messrs. Gibbs and Power are control persons and principal shareholders of Magellan, Athena and Silver Saddle. Magellan, Athena and Silver Saddle are engaged in mineral exploration activities, although in different geographical regions. While the geographical focus of the companies is different, numerous conflicts could arise in the future. For example, Messrs. Gibbs and Power have provided the majority of working capital for all three companies to date, and in the likely event that these companies require additional capital in the future their resources may be inadequate to

finance the activities of all. In addition, if new prospects become available, a conflict may exist with respect to which company to offer those opportunities. Messrs. Gibbs and Power have not developed a conflict of interest policy to mitigate the potential adverse effects of these conflicts and as a result these conflicts represent a significant risk to the shareholders of the Company. Conflicts for access to limited resources and opportunities cannot be eliminated completely, and investors should be aware of their potential.

Our principal executive officer intends to devote only a limited amount of his time and attention to our business.

Mr. Power is the principal executive officer of both Magellan and Athena. He anticipates that he will only devote approximately 25% of his time and attention to our business. This limited focus could result in significant delays in our exploration activities and ability to generate revenues and profits, if any, in the future.

We have no proven or probable reserves.

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

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

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

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

establish ore reserves through drilling and metallurgical and other testing techniques;

determine metal content and metallurgical recovery processes to extract metal from the ore; and,
design mining and processing facilities.

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

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

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

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

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

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

The mining industry is intensely competitive.

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

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

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

insufficient ore reserves;

fluctuations in metal prices and increase in production costs that may make mining of reserves uneconomic;

significant environmental and other regulatory restrictions;

labor disputes; geological problems;

failure of underground stopes and/or surface dams;

force majeure events; and

the risk of injury to persons, property or the environment.

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

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

global or regional consumption patterns;

supply of, and demand for, gold and other metals;

speculative activities;

expectations for inflation; and,

political and economic conditions.

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

December 31, 2012, the high and low settlement prices for g