

VASOMEDICAL INC  
Form 10-Q  
April 14, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended February 28, 2011

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-18105

VASOMEDICAL, INC.

(Exact name of registrant as specified in its charter)

Delaware 11-2871434  
(State or other jurisdiction of (IRS Employer Identification  
incorporation or organization) Number)

180 Linden Ave., Westbury, New York 11590  
(Address of principal executive offices)

Registrant's Telephone Number (516) 997-4600

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large Accelerated Filer  Accelerated Filer   
Non-Accelerated Filer  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

Number of Shares Outstanding of Common Stock, \$.001 Par Value, at April 8, 2011 - 115,016,131

Vasomedical, Inc. and Subsidiaries

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## ITEM 1 - FINANCIAL STATEMENTS

Vasomedical, Inc. and Subsidiaries

## CONSOLIDATED CONDENSED BALANCE SHEETS

ASSETS	February 28, 2011 (unaudited)	May 31, 2010 (audited)
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$2,073,025	\$481,679
Short-term investment	69,709	68,850
Accounts and other receivables, net of an allowance for doubtful accounts and commission adjustments of \$1,437,858 at February 28, 2011, and \$146,961 at May 31, 2010	12,688,153	473,878
Inventories, net	1,726,031	2,063,769
Financing receivables, net	18,038	-
Deferred commission expense	2,283,967	-
Other current assets	257,047	91,848
<b>Total current assets</b>	<b>19,115,970</b>	<b>3,180,024</b>
<b>PROPERTY AND EQUIPMENT</b> , net of accumulated depreciation of \$1,638,910 at February 28, 2011, and \$1,612,098 at May 31, 2010	329,972	303,038
<b>DEFERRED DISTRIBUTOR COSTS</b> , net of accumulated amortization of \$433,006 at February 28, 2011, and \$338,818 at May 31, 2010	155,870	250,058
<b>FINANCING RECEIVABLES</b> , net	31,887	-
<b>OTHER ASSETS</b>	314,821	130,390
	<b>\$19,948,520</b>	<b>\$3,863,510</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$433,059	\$271,620
Accrued commissions	2,694,855	29,164
Accrued expenses and other liabilities	1,010,396	239,032
Sales tax payable	161,396	141,884
Deferred revenue - current portion	11,347,582	854,403
Deferred gain on sale-leaseback of building - current portion	53,245	53,245
Accrued professional fees	77,077	86,985
Trade payable due to related party	241,910	240,000
Notes payable	14,751	-
<b>Total current liabilities</b>	<b>16,034,271</b>	<b>1,916,333</b>
<b>LONG-TERM LIABILITIES</b>		
Notes payable	-	1,250,000
Deferred revenue	1,261,586	172,945
Accrued rent expense	14,887	17,655
Deferred gain on sale-leaseback of building	22,185	62,121
Other long-term liabilities	261,114	11,900
<b>Total long-term liabilities</b>	<b>1,559,772</b>	<b>1,514,621</b>
<b>COMMITMENTS AND CONTINGENCIES (NOTE N)</b>		

## STOCKHOLDERS' EQUITY

Preferred stock, \$.01 par value; 1,000,000 shares authorized; 314,649 issued and outstanding at February 28, 2011	3,146	-
Common stock, \$.001 par value; 250,000,000 shares authorized; 111,816,131 shares at February 28, 2011 and 110,271,113 at May 31, 2010 issued and outstanding	111,816	110,271
Additional paid-in capital	54,511,712	48,958,737
Accumulated deficit	(52,272,197)	(48,636,452)
Total stockholders' equity	2,354,477	432,556
	\$19,948,520	\$3,863,510

The accompanying notes are an integral part of these consolidated condensed financial statements.

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## Vasomedical, Inc. and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS  
(Unaudited)

	Nine months ended February 28,		Three months ended February 28,	
	2011	2010	2011	2010
<b>Revenues</b>				
Equipment sales	\$ 2,484,488	\$ 1,700,440	\$571,213	\$589,283
Equipment rentals and services	1,702,709	1,562,459	558,019	518,115
Commissions	6,740,399	-	4,721,775	-
<b>Total revenues</b>	<b>10,927,596</b>	<b>3,262,899</b>	<b>5,851,007</b>	<b>1,107,398</b>
<b>Cost of revenues</b>				
Supplemental disclosure of cash flow information:				
Cash paid for interest	\$	\$	\$	
Cash paid for income taxes				
Supplemental disclosure of non-cash investing and financing activities:				
Decrease in accounts payable applicable to acquisition of mineral rights	\$ 30,000	\$	\$	
Common shares issued for advances payable related parties	25,000		43,480	

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

**MAGELLAN GOLD CORPORATION**

**(An Exploration Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**(Restated)**

**(unaudited)**

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

**Note 1 Organization, Basis of Presentation and Significant Accounting Policies:**

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 six month period ended June 30, 2012, 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, 2011.

***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 12 months. 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 June 30, 2012, we had not yet generated any revenues or achieved profitable operations and we have accumulated losses of \$284,530 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. We anticipate that additional funding will be in the form of equity financing from the sale of our common shares. We may also seek to obtain loans from officers, directors or significant

shareholders. There are no current arrangements in place for equity funding or new loans.



***Recently Adopted Accounting Standards***

We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flows.

**Note 2 Mineral Rights:**

As of June 30, 2012, and December 31, 2011, our mineral rights consist of the following:

	<b>June 30, 2012</b>		<b>December 31, 2011</b>
Secret Canyon Claims	\$ 64,261	\$	79,729
Randall Claims			13,307
Pony Express Claims	4,471		4,471
Total Mineral Rights	\$ 68,732	\$	97,507
<b><i>Secret Canyon Claims</i></b>			

On March 15, 2011, we purchased a six-month Option to explore a group of nine patented claims in Washoe County, Nevada, included as part of our Secret Canyon Claims, along with the right to renew the Option for an additional six months. The Option granted us the right to enter into a Mining Lease during the Option period. On April 4, 2012, the Option was amended to extend the Option term from March 15, 2012, to June 15, 2012, in consideration for a cash payment of \$10,000. Effective June 15, 2012, we terminated this agreement without further obligation and expensed our previously capitalized costs to acquire these mineral rights in the amount of \$25,468 which is included in abandonment of mineral rights in our statements of operations.

On September 28, 2010, we entered into a mining lease which granted us a 10 year lease giving us the right to explore, develop and conduct mining operations on a group of 70 unpatented lode mining claims, included as part of our Secret Canyon Claims, situated in Washoe County, Nevada. Under the terms of the lease, the lessor will receive a production royalty of up to three percent of net smelter returns. The lease requires us to make annual advance minimum royalty payments to the lessor ranging from \$20,000 to \$50,000 per year over the life of the lease. We have the right to extend the lease term for an additional 10 years.

***Randall Claims***

On October 2, 2010, we were assigned a mining lease from John C. Power our President and director, which granted us the remaining term of a 10 year lease executed on August 18, 2010, giving us the right to explore, develop and conduct mining operations on a group of 10 unpatented lode mining claims situated in Churchill County, Nevada. Under the terms of the lease, the lessor will receive a production royalty of up to three percent of net smelter returns. The lease requires us to make annual advance minimum royalty payments to the lessor ranging from \$10,000 to \$50,000 per year over the life of the lease. We have the right to extend the lease term for an additional 10 years.

On July 16, 2012, we received notice from the Bureau of Land Management that our application to perform certain exploration work on our Randall Claims was not approved and as a result, we impaired 100% of our mineral rights applicable to our Randall Claims and recognized an impairment charge of \$13,307 effective June 30, 2012.



***Pony Express Claims***

On November 18, 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.

**Note 3 Notes Payable Related Parties:**

Effective February 28, 2012, we entered into an unsecured loan from John D. Gibbs, a significant investor, evidenced by a \$25,000 promissory note. The promissory note bears interest at 6% per annum and is due upon demand.

**Note 4 - Commitments and Contingencies:**

Under our Randall Claims Lease, as amended, we are committed to spend at least \$10,000 for exploration on these claims by June 30, 2012, as part of our first year lease obligation. As of June 30, 2012, we have satisfied \$5,508 of this work commitment. In addition, we are obligated to expend an amount equal to each year's annual advance minimum royalty in exploration, development, mining or mineral processing costs beginning with the second year of the lease. Our work commitment during the second year of the lease ending August 17, 2012, is \$20,000. The excess of expenditures in one year can be carried forward to meet subsequent year's obligations. On July 16, 2012, we received notice from the Bureau of Land Management that our application to perform certain exploration work on our Randall Claims was not approved and as a result, we may not be able to satisfy our work commitments. See also Note 2.

**Note 5 Shareholders Equity:**

During the period, we issued common shares to Mr. Gibbs, a related party, as follows:

	Six Months Ended June 30, 2012			
	Common Shares Issued	Price per Share	Cash Proceeds Received	In Satisfaction of Advances Payable Related Parties
January 24, 2012	2,500,000	\$ 0.01	\$	\$ 25,000
January 24, 2012	2,500,000	0.01	25,000	
April 10, 2012	2,500,000	0.01	25,000	
May 31, 2012	2,500,000	0.01	25,000	
June 28, 2012	1,500,000	0.01	15,000	

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The May 31, 2012 sale of common stock was valued at \$0.02 per share based on the last trading price prior to the transaction. The difference between the cash proceeds and the total value of the transaction in the amount of \$25,000, was charged as a non-cash financing cost and is included in General and administrative expenses for the six months ended June 30, 2012.

The June 28, 2012 sale of common stock was valued at \$0.03 per share based on the last trading price prior to the transaction. The difference between the cash proceeds and the total value of the transaction in the amount of \$30,000, was charged as a non-cash financing cost and is included in General and administrative expenses for the six months ended June 30, 2012.

**Note 6 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, 2012, 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 are included in general and administrative expenses in our statement of operations as follows:

	<b>June 30, 2012</b>		<b>June 30, 2011</b>	
Three months ended	\$	7,500	\$	7,500
Six months ended		15,000		15,000

***Due from Related Parties***

We made non-interest bearing advances to related parties and received repayments during the same period as follows:

**Six Months Ended June 30, 2012**

	<b>Advances</b>		<b>Repayments</b>	
Silver Saddle Resources, LLC	\$	5,000	\$	5,000

**Six Months Ended June 30, 2011**

	<b>Advances</b>		<b>Repayments</b>	
Athena Silver Corporation	\$	10,000	\$	10,000
Mr. Power		6,000		6,000
	\$	16,000	\$	16,000

***Due to Related Parties***

Accounts payable and accrued interest payable to related parties are included in due to related parties in our balance sheets as follows:

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
Accounts payable Mr. Power	\$ 2,937	\$ 4,271
Accrued interest payable related parties	3,597	1,284
Due to related parties - total	\$ 6,534	\$ 5,555

**Advances Payable Related Parties**

Advances payable to related parties are as follows:

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
Mr. Power	\$ 1,250	\$
Mr. Gibbs		25,000
Total advances payable related parties	\$ 1,250	\$ 25,000

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

	<b>Six Months Ended June 30, 2012</b>	
	<b>Advances</b>	<b>Repayments</b>
Mr. Gibbs	\$	\$ 25,000
Mr. Power, including entities controlled by Mr. Power	14,310	13,060
	\$ 14,310	\$ 38,060

	<b>Six Months Ended June 30, 2011</b>	
	<b>Advances</b>	<b>Repayments</b>
Athena Silver Corporation	\$ 3,000	\$ 3,000
Mr. Power	9,500	
	\$ 12,500	\$ 3,000

On January 24, 2012, we repaid a \$25,000 advance payable to Mr. Gibbs by issuing 2,500,000 common shares valued at \$25,000, or \$0.01 per share. See also Note 5.

**Note 7 Subsequent Events**

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Effective July 10, 2012, we completed the sale of 3,000,000 common shares at \$0.01 per share in consideration of \$30,000 in cash from Mr. Gibbs.



## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Amended and Restated)**

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

The following discussion should be read in conjunction with our financial statements, including the notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q. The discussion of results, causes and trends should not be construed to imply any conclusion that these results or trends will necessarily continue into the future.

### **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 recently begun operations 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.

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, including one sample grading at 2.6 ppm gold. Results applicable to our mineral rights 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.

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. We plan to further investigate alternatives that might allow us to perform exploration work on these claims.

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

## Results of Operations

The following discussion should be read in conjunction with our financial statements, including the notes thereto, appearing in Part I. Item 1. of this report.

### *Results of Operations for the Three Months Ended June 30, 2012 and 2011.*

	<b>Three Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Operating expenses:		
Exploration costs	\$ 23,957	\$ 7,079
Other operating costs	1,504	
General and administrative expenses	82,148	24,052
Abandonment of mineral rights	25,468	
Impairment of mineral rights	13,307	
Total operating expenses	146,384	31,131
Operating loss	(146,384)	(31,131)
Other income (expense):		
Interest expense	(1,272)	
Net loss	\$ (147,656)	\$ (31,131)
<i>Operating expenses</i>		

During the three months ended June 30, 2012, our total operating expenses were \$146,384 as compared to \$31,131 during the three months ended June 30, 2011.

During the second quarter of 2012 we incurred \$ 23,957 of exploration costs as compared to \$7,079 during the same period in 2011. Our second quarter 2012 costs were mainly comprised of costs incurred to complete our second phase of the Secret Canyon Claims soil sample survey. Second quarter 2012 exploration costs were comprised of: assay and geochemical analysis costs totaling \$16,970, geologist professional fees totaling \$4,924 and other exploration costs totaling 2,063. During the second quarter of 2012 we incurred \$21,110 of exploration costs on our Secret Canyon Claims and \$ 2,847 on all other claims

Second quarter 2011 exploration costs were comprised of: assay and geochemical analysis costs totaling \$3,001, geologist professional fees totaling \$2,753 and other exploration costs totaling \$872. During the second quarter of 2011 we incurred \$4,183 of exploration costs on our Secret Canyon Claims, \$2,583 on our Pony Express Claims and \$313 on all other claims.



Second quarter 2012 general and administrative expenses were mainly comprised of professional fees including: accounting and audit fees totaling \$11,384, legal fees totaling \$6,015, management fees to Mr. Power totaling \$7,500, and investor relations and other fees of \$2,249. In addition, \$55,000 of non-cash financing costs relating to certain related party sales of common stock is included in the second quarter of 2012. Second quarter 2011 general and administrative expenses were comprised of: accounting fees totaling \$4,500, legal fees totaling \$11,373, management fees to Mr. Power totaling \$7,500, and other general and administrative costs of \$679.

Effective June 15, 2012, after considering the results of our Secret Canyon Claims soil sample surveys, we decided to terminate our mineral rights agreement under the Cowles Option without further obligation and expensed our previously capitalized costs to acquire these mineral rights in the amount of \$25,468 which is included in abandonment of mineral rights in our statements of operations. On July 16, 2012, we received notice from the Bureau of Land Management that our application to perform certain exploration work on our Randall Claims was not approved and as a result, we impaired 100% of our mineral rights applicable to our Randall Claims and recognized an impairment charge of \$13,307 effective June 30, 2012. We did not incur mineral rights abandonment or impairment charges during 2011.

*Net loss*

Our net loss for the three months ended June 30, 2012 and 2011 was \$147,656 and \$31,131, respectively. Net loss during the second quarter of 2012 was comprised of \$146,384 of operating expenses described above plus \$1,272 of interest expense. Net loss during the second quarter of 2011 was comprised entirely of operating expenses described above.

***Results of Operations for the Six Months Ended June 30, 2012 and 2011.***

	<b>Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Operating expenses:		
Exploration costs	\$ 27,558	\$ 7,079
Other operating costs	1,504	
General and administrative expenses	123,980	50,406
Abandonment of mineral rights	25,468	
Impairment of mineral rights	13,307	
Total operating expenses	191,817	57,485
Operating loss	(191,817)	(57,485)
Other income (expense):		
Interest expense	(2,312)	
Net loss	\$ (194,129)	\$ (57,485)
<i>Operating expenses</i>		

During the six months ended June 30, 2012, our total operating expenses were \$191,817 as compared to \$57,485 during the six months ended June 30, 2011.



During the first half of 2012 we incurred \$ 27,558 of exploration costs as compared to \$7,079 during the same period in 2011. Our first half 2012 costs were mainly comprised of our Secret Canyon Claims soil sample survey costs, including: assay and geochemical analysis costs totaling \$16,970, geologist professional fees totaling \$6,518 and other exploration costs totaling \$4,070. During the first half of 2012 we incurred \$22,919 of exploration costs on our Secret Canyon Claims and \$4,639 on all other claims.

First half 2011 exploration costs were comprised of: assay and geochemical analysis costs totaling \$2,753, geologist professional fees totaling \$3,454 and other exploration costs totaling \$872. During the first half of 2011 we incurred \$4,182 of exploration costs on our Secret Canyon Claims, \$2,583 on our Pony Express Claims and \$314 on all other claims.

First half 2012 general and administrative expenses were mainly comprised of professional fees including: accounting and audit fees totaling \$30,510, legal fees totaling \$16,985, management fees to Mr. Power totaling \$15,000, and investor relations and other fees of \$5,969. In addition, \$55,000 of non-cash financing costs relating to certain related party sales of common stock is included in the six months ended June 30, 2012. First half 2011 general and administrative expenses were comprised of: accounting and audit fees totaling \$13,614, legal fees totaling \$21,063, management fees to Mr. Power totaling \$15,000, and other general and administrative costs of \$729.

Effective June 15, 2012, after considering the results of our Secret Canyon Claims soil sample surveys, we decided to terminate our mineral rights agreement under the Cowles Option without further obligation and expensed our previously capitalized costs to acquire these mineral rights in the amount of \$25,468 which is included in abandonment of mineral rights in our statements of operations. On July 16, 2012, we received notice from the Bureau of Land Management that our application to perform certain exploration work on our Randall Claims was not approved and as a result, we impaired 100% of our mineral rights applicable to our Randall Claims and recognized an impairment charge of \$13,307 effective June 30, 2012. We did not incur mineral rights abandonment or impairment charges during 2011.

#### *Net loss*

Our net loss for the six months ended June 30, 2012 and 2011 was \$194,129 and \$57,485, respectively. Net loss during the second half of 2012 was comprised of \$191,817 of operating expenses described above plus \$2,312 of interest expense. Net loss during the second quarter of 2011 was comprised entirely of operating expenses described above.

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

We intend to meet our cash requirements for the next 12 months through a combination of debt and equity financing by way of private placements. 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.

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>Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Net cash used in operating activities	\$ (76,178)	\$ (34,342)
Net cash used in investing activities	(40,000)	(5,846)
Net cash provided by financing activities	116,250	
Net increase (decrease) in cash	72	(40,188)
Cash and cash equivalents, beginning of period	107	41,814
Cash and cash equivalents, end of period	\$ 179	\$ 1,626
<i>Six months ended June 30, 2012</i>		

As of June 30, 2012, we had \$179 in cash and \$155,762 negative working capital. During the six months ended June 30, 2012, we experienced a \$72 net increase in cash.

Net cash used in operating activities during the six months ended June 30, 2012, was \$76,178 and was mainly comprised of our \$194,129 net loss during the period. This amount was offset by non-cash financing costs of \$55,000, non-cash write-downs of our mineral rights totaling \$38,775, plus a \$19,179 increase in accounts payable, a \$979 increase in amounts due to related parties, and a \$4,000 decrease in prepaid expenses during the period.

We used \$40,000 of cash in investing activities during the period comprised of advance minimum royalty payments applicable to our Secret Canyon Claims and Randall Claims mineral rights.

During the six months ended June 30, 2012, cash provided by financing activities was \$116,250 as we sold 9,000,000 common shares to Mr. Gibbs for \$90,000 cash and borrowed an additional \$25,000 from Mr. Gibbs and \$1,250 from Mr. Power.

*Six months ended June 30, 2011*

Our \$40,188 decrease in cash during the six months ended June 30, 2012, was mainly comprised of our \$57,485 net loss plus \$5,846 of cash payments applicable to our Secret Canyon Claims mineral rights. These cash outflows were offset by a \$13,643 increase in accounts payable and a \$9,500 increase in due to related parties during the period.



### **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, including Mr. Power, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on this evaluation, Mr. Power concluded that the design and operation of our disclosure controls and procedures were not effective as of such date to provide assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to management as appropriate, to allow timely decisions regarding

disclosures.

The SEC, as required by Section 404 of the Sarbanes-Oxley Act, adopted rules requiring every company that files reports with the SEC to include a management report on the effectiveness of disclosure controls and procedures in its periodic reports and an annual assessment of the effectiveness of its internal control over financial reporting in its annual report. Neither this report or our first Annual Report on Form 10-K for the fiscal year ending December 31, 2011, filed on March 30, 2012, includes a report of management's assessment regarding internal control over financial reporting due to a transition period established by SEC rules applicable to new public companies. Management will be required to provide an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2012, in our Annual Report on Form 10-K for the year ended December 31, 2012.

#### **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, 2011.

**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**

3.2	Amended and Restated Bylaws dated January 24, 2012 (1)
3.3	Second Amended and Restated Bylaws dated March 29, 2012 (2)
10.3	Promissory Note Dated February 28, 2012, in favor of John D. Gibbs (3)
10.4	First amendment to Option and Mining Lease (4)
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.*

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(1) Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 000-333-174287), filed February 7, 2012.

(2) Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 000-333-174287), filed March 30, 2012.

(3) Incorporated by reference to the Registrant's Current Report on Form 8-K / A-1 (File No. 000-333-174287), filed March 29, 2012.

(4) Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 000-333-174287), filed April 5, 2012.



**INDEX TO EXHIBITS**

Certification\*

Certification pursuant to 18 U.S.C. Section 1350\*

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\*\*

\* Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q/A filed September 5, 2012.

\*\* Provided herewith.

**SIGNATURE**

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



**MAGELLAN GOLD CORPORATION**

Dated: October 29, 2012. By: /s/ John C. Power  
John C. Power  
President, Principal Executive Officer, Principal Accounting Officer,  
Secretary, Treasurer and director.