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

# FORM 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **September 30, 2017**

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

For the transition period from _____ to _____

Commission File Number: 333-56262


(Exact name of registrant as specified in its charter)

| **Nevada** | **88-0482413** |
|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |
| **5871 Honeysuckle Road**<br>**Prescott, Arizona** | **86305** |
| (Address of Principal Executive Offices) | (Zip Code) |

Registrant's telephone number, including area code: **(928) 515-1942**

Securities registered pursuant to 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 Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve 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 Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or 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) 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ (Do not check if a smaller reporting company) | Smaller reporting company | ☑ |
| | | Emerging growth company | ☐ |

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

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

The aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant as of March 31, 2017 (the last business day of the registrant's most recently completed second fiscal quarter), was approximately $32,324,599 based on the last trading price of the registrant's common stock of $0.0845 as reported the OTC Marketplace operated by the OTC Markets Group, Inc. on such date.

As of March 30, 2018, the registrant had 437,759,960 shares of its $.001 par value common stock issued and outstanding.

Documents incorporated by reference: None.

**EL CAPITAN PRECIOUS METALS, INC.**

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## CAUTIONARY NOTE REGARDING EXPLORATION STAGE STATUS

*We are considered an "exploration stage" company under the U.S. Securities and Exchange Commission ("SEC") Industry Guide 7, Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations ("Industry Guide 7"), because we do not have reserves as defined under Industry Guide 7. Reserves are defined in Industry Guide 7 as that part of a mineral deposit which can be economically and legally extracted or produced at the time of the reserve determination. The establishment of reserves under Industry Guide 7 requires, among other things, certain spacing of exploratory drill holes to establish the required continuity of mineralization and the completion of a detailed cost or feasibility study.*

*Because we have no reserves as defined in Industry Guide 7, we have not exited the exploration stage and continue to report our financial information as an exploration stage entity as required under Generally Accepted Accounting Principles ("GAAP"). Although for purposes of FASB Accounting Standards Codification Topic 915, Development Stage Entities, we have exited the development stage and we will remain an exploration stage company under Industry Guide 7 until such time as we demonstrate reserves in accordance with the criteria in Industry Guide 7.*

*Because we have no reserves, we have and will continue to expense all mine construction costs, even though these expenditures are expected to have a future economic benefit in excess of one year. We also expense our reclamation and remediation costs at the time the obligations are incurred. Companies that have reserves and have exited the exploration stage typically capitalize these costs, and subsequently amortize them on a units-of-production basis as reserves are mined, with the resulting depletion charge allocated to inventory, and then to cost of sales as the inventory is sold. As a result of these and other differences, our financial statements will not be comparable to the financial statements of mining companies that have established reserves and have exited the exploration stage.*

## SEC INDUSTRY GUIDE 7 DEFINITIONS

The following definitions are taken from the mining industry guide entitled "Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations" contained in the Securities Act Industry Guides published by the United States Securities and Exchange Commission, as amended.

| | |
|---|---|
| *Exploration State* | The term "exploration state" (or "exploration stage") includes all issuers engaged in the search for mineral deposits (reserves) which are not in either the development or production stage. |
| *Development Stage* | The term "development stage" includes all issuers engaged in the preparation of an established commercially mineable deposit (reserves) for its extraction which are not in the production stage. This stage occurs after completion of a feasibility study. |
| *Mineralized Material* | The term "mineralized material" refers to material that is not included in the reserve as it does not meet all of the criteria for adequate demonstration for economic or legal extraction. |
| *Probable (Indicated) Reserve* | The term "probable reserve" or "indicated reserve" refers to reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation. |
| *Production Stage* | The term "production stage" includes all issuers engaged in the exploitation of a mineral deposit (reserve). |
| *Proven (Measured) Reserve* | The term "proven reserve" or "measured reserve" refers to reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established. |
| *Reserve* | The term "reserve" refers to that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves must be supported by a feasibility study done to bankable standards that demonstrates the economic extraction. ("Bankable standards" implies that the confidence attached to the costs and achievements developed in the study is sufficient for the project to be eligible for external debt financing.) A reserve includes adjustments to the in-situ tons and grade to include diluting materials and allowances for losses that might occur when the material is mined. |

## CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

This report may contain certain "forward-looking" statements as such term is defined by the Securities and Exchange Commission in its rules, regulations and releases, which represent the registrant's expectations or beliefs, including but not limited to, statements concerning the registrant's operations, economic performance, financial condition, growth and acquisition strategies, investments, and future operational plans. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," "might," "plan," "predict" or "continue" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements.

Forward-looking statements included in this Annual Report include statements regarding, among other things:

- our ability to continue as a going concern;
- we will require additional financing in the future to start production at the El Capitan Property and to bring it into sustained commercial production;
- our anticipated needs for working capital;
- our ability to secure financing;
- our dependence on our El Capitan Property for our future operating revenue, which property currently has no proven or probable reserves;
- our mineralized material calculations at the El Capitan Property are only estimates and are based principally on historic data;
- actual capital costs, operating costs, production and economic returns may differ significantly from those that we have anticipated;
- exposure to all of the risks associated with starting and establishing new mining operations, if the development of our mineral project is found to be economically feasible;
- title to some of our mineral properties may be uncertain or defective;
- land reclamation and mine closure may be burdensome and costly;
- significant risk and hazards associated with mining operations;
- the requirements that we obtain, maintain and renew environmental, construction and mining permits, which is often a costly and time-consuming process and may be opposed by local environmental groups;
- our exposure to material costs, liabilities and obligations as a result of environmental laws and regulations (including changes thereto) and permits;
- changes in the price of silver, gold and iron ore;
- extensive regulation by the U.S. government as well as state and local governments;
- our projected sales and profitability;
- anticipated trends in our industry;
- unfavorable weather conditions;
- the lack of commercial acceptance of our product or by-products;
- problems regarding availability of materials and equipment; and
- failure of equipment to process or operate in accordance with specifications, including expected throughput, which could prevent the production of commercially viable output.

These statements by their nature involve substantial risks and uncertainties, certain of which are beyond the registrant's control, and actual results may differ materially depending on a variety of important factors, including uncertainty related to acquisitions, governmental regulation, managing and maintaining growth, the operations of the company and its subsidiaries, volatility of stock price, commercial viability of any mineral deposits and any other factors set forth under "***Item 1A. Risk Factors***" and "***Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations***" of this Annual Report on Form 10-K, as well as in this annual report generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this Annual Report will in fact occur. Therefore, readers are cautioned not to place undue reliance on our forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Except as otherwise required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements or the risk factors described in this Annual Report or in the documents we incorporate by reference, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Annual Report on Form 10-K.

## PART I

### ITEM 1. BUSINESS

**Company Overview; Recent Developments**

El Capitan Precious Metals, Inc., a Nevada corporation, is based in Prescott, Arizona. Together with its consolidated subsidiaries (collectively referred to as the "Company," "our" or "we"), the Company is an exploration stage company as defined by the Securities and Exchange Commission's ("SEC") Industry Guide 7, as the Company has no established reserves as required under the Industry Guide 7. We are principally engaged in the exploration of precious metals and other minerals. Our primary asset is a 100% equity ownership interest in El Capitan, Ltd., an Arizona corporation ("ECL"), which holds an interest in the El Capitan property located near Capitan, New Mexico (the "El Capitan Property") . Our ultimate objective is to market and sell the El Capitan Property to a major mining company or enter into a joint venture arrangement with a major mining company to conduct mining operations. There is no assurance that commercially viable mineral reserves exist at the El Capitan Property. To date, we have not had any material revenue producing operations. We have completed research and confirmation procedures on the recovery process for the El Capitan Property mineralized material and our evaluation as to the economic and legal feasibility of the property, but we have not yet demonstrated the existence of proven or probable deposits on our property.

We commenced planned mineral exploration activity in the quarter ended December 2015 under our modified mining permit. However, we have not yet demonstrated the existence of proven or probable reserves at the El Capitan Property. As a result, and in accordance with accounting principles generally accepted in the United States for exploration stage companies, all expenditures for exploration and evaluation of our property are expensed as incurred.

***"Mineralized material" as used in this Annual Report on Form 10-K, although permissible under the Securities and Exchange Commission's ("SEC's") Industry Guide 7, does not indicate "reserves" by SEC standards. We cannot be certain that any part of the El Capitan Property will ever be confirmed or converted into SEC Industry Guide 7 compliant "reserves." Investors are cautioned not to assume that all or any part of the mineralized material will ever be confirmed or converted into reserves or that mineralized material can be economically or legally extracted.***

**Business Operations**

The Company is an exploration stage company as defined by the SEC's Industry Guide 7 as the Company has no established reserves as required under Industry Guide 7. We are principally engaged in the exploration of precious metals and other minerals on the El Capitan Property. We recorded nominal miscellaneous income in the fiscal years ended September 30, 2016 and 2017, resulting from the sale of test loads of iron ore to a construction contractor in fiscal 2016 and the sale of two test smelts on concentrates processed at our pilot plant located in Phoenix, Arizona in fiscal 2017.

In late April 2014, we announced the purchase of a heavy metals separation system from AuraSource, Inc (OTCBB and OCTGB: ARAO). This system will separate hematite and magnetite from other mineral elements in the El Capitan mineral deposits. The AuraSource process leaves a concentrate for additional processing that is used by the Company to extract precious metals.

The Company has methods for both the separation of the iron and the separation and recovery of the precious metals that have yielded consistent results. Another significant aspect of these technologies for separation and recovery is that they are environmentally friendly and do not rely on the use of caustic chemicals.

On August 4, 2015, we signed a contract with an independent subcontract miner to mine, process and concentrate the ore at the El Capitan site. The clearing of the overburden at the site commenced in late August 2015.

We commenced mineral exploration activity in the quarter ended December 2015 under our modified mining permit. However, we have not yet demonstrated the existence of proven or probable reserves at the El Capitan Property.

In February 2017, with the assistance of our Mine Safety and Health Administration ("MSHA") consultant and legal consultants, we signed an agreement with the United States Forest Service that governs the terms and conditions for the use of the road to our mine site. A copy of the agreement is posted on the Company web site.

The quarter ended March 31, 2017 marked the beginning of operations at a “pilot plant” established in Phoenix, Arizona by a Company vendor to house equipment obtained from China that processes concentrates recovered at the El Capitan Property. Although the pilot plant, including the equipment, are owned by its operator and not by the Company, its establishment brought the Company a significant step closer to recognizing revenue from the sale of concentrates. Significant effort was exerted during this quarter by our contract miner and his team in preparing the pilot plant site for the arrival of the approximately 20 ton machine from China. Upon its arrival, the machine was setup and on site enhancements were made to meet US safety standards and operational proficiencies for maximum through put and operational product results. Initially the pilot plant started producing test samples for shipments to various refiners. As modifications were required by a refiner, adjustments were made and new processed samples were shipped to the refiner. The process was time consuming in that once a refiner receives the sample, it is put into their system for processing and we have no control over the timeline and when we may get the results and comments back on the sample.

Continuing through the quarter ended June 30, 2017, sample product was shipped to various refiners for processing and precious metal extraction. During the quarter ending September 30, 2017, the Company signed a one year contract with a refiner for the extraction of precious metals from the Company’s concentrates and signed an agreement with PF Bullion for the purchase of the precious metals. Currently our contract miner is melting the concentrate ore into metal bars for delivery to the refiner. The refiner is then extracting the precious metals from the metal bars.

In the quarter ended June 30, 2017, the Company recognized its first precious metals sale revenue from the sale of a small sample test bar processed by the refiner. Although nominal, it represented the first sale of precious metals extracted from mineralized material recovered at the El Capitan Property. The sale, before cost deductions, was $3,637 and initial setup and processing charges amounted to $1,557. Precious metals recovered from the 4.2 lb bar were as follows:

| | |
|---|---|
| Gold | 2.53 oz. |
| Silver | 0.54 oz. |
| Platinum | 0.88 oz. |

In the quarter ended September 30, 2017, the Company recognized miscellaneous income from a second precious metals sale of a small sample test bar processed by the refiner. Although nominal, this represented the second sale of precious metals extracted from mineralized ore recovered at the El Capitan property and concentrated at the pilot plant. The sale, after cost deductions, was $10,665.

Also during this quarter, the Company's concentrates that were being stored in a bonded warehouse were brought to the pilot plant and concentrated further into less mineralized material to reduce the cost of freight on the concentrates for their sale.

***Arrangements with Glencore AG and Logistica***

On March 10, 2014, the Company entered into a life-of-mine off take agreement with Glencore AG (“Glencore”) for the sale of iron extracted from mineralized material at the El Capitan Property (such agreement is referred to herein as the “Glencore Purchase Contract”). Under the terms of the Glencore Purchase Contract, the Company agreed to sell to Glencore, and Glencore agreed to purchase from the Company, iron that meets the applicable specifications from the El Capitan Property mine. Payment for the iron is to be made pursuant an irrevocable letter of credit in favor of the Company. The purchase price is based on an index price less an applicable discount. Either party may terminate the Glencore Purchase Contract following a breach by the other party that remains uncured for a specified period after receipt of written notice. Because of current market iron ore prices, the contract has not been implemented or terminated.

In anticipation of, and in conjunction with, the Glencore Purchase Contract, the Company entered into a Master Services Agreement (the “Master Agreement”) and corresponding Iron Ore Processing Agreement (the “Processing Agreement”) with Logistica U.S. Terminals, LLC (“Logistica”), each effective as of February 28, 2014. Pursuant to these agreements, Logistica agreed to, among other things, provide the logistics required for the Company to fulfill its obligations under the Glencore Purchase Contract, to assist the Company in financing the costs of processing and delivering iron under the Glencore Purchase Contract, and to provide and/or manage the processing of the iron ore. Because of current market iron ore prices, the contract has not implemented.

The contracts with Logistica were superseded by a new agreement entered into on January 5, 2016. Under the new agreement, we will provide to Logistica concentrated ore to their specifications at the mine site, and Logistica will transport, process, and refine the precious metals concentrates to sell to precious metals buyers. When certain terms and conditions are met, the new agreement calls for Logistica to arrange for a letter of credit for working capital for the mining, processing and sale activities. To date, no letter of credit has been arranged. For additional information regarding the Glencore Purchase Contract and our agreements with Logistica, see ***Note 8 – Commitments and Contingencies*** to the financial statements included in this Annual Report on Form 10-K.

**Price of Precious Metals**

Gold and silver are each traded as investments on various world markets, including London, New York, Zurich and Tokyo, and are fixed twice daily in London. The "fix" is the reference price on which a large number of precious metal transactions around the world are based. The price is set by a number of market members matching buy and sell orders from all over the world.

High, low and average London afternoon fix prices for gold and silver for the period from January 1, 2017 to September 30, 2017 and for the last five calendar years are as follows:

**Gold - London Afternoon Fix Prices - US Dollars**

| Period | High | Low | Average |
|---|---|---|---|
| For the nine months ended September 30, 2017 | $ 1,346 | $ 1,151 | $ 1,251 |
| For the year ended December 31, 2016 | 1,366 | 1,077 | 1,251 |
| For the year ended December 31, 2015 | 1,297 | 1,040 | 1,160 |
| For the year ended December 31, 2014 | 1,385 | 1,192 | 1,266 |
| For the year ended December 31, 2013 | 1,694 | 1,192 | 1,411 |
| For the year ended December 31, 2012 | 1,750 | 1,540 | 1,669 |

Data Source: Kitco

**Silver - London Afternoon Fix Prices - US Dollars**

| Period | High | Low | Average |
|---|---|---|---|
| For the nine months ended September 30, 2017 | $ 18.56 | $ 15.22 | $ 17.17 |
| For the year ended December 31, 2016 | 20.71 | 13.56 | 17.14 |
| For the year ended December 31, 2015 | 17.10 | 13.71 | 15.68 |
| For the year ended December 31, 2014 | 22.05 | 15.28 | 19.08 |
| For the year ended December 31, 2013 | 32.23 | 18.61 | 23.79 |
| For the year ended December 31, 2012 | 37.23 | 28.00 | 31.15 |

Data Source: Kitco

Our ability to sell the El Capitan Property will be highly dependent upon the price of these precious metals, the market for which can be highly volatile. There is no assurance that we will be able to recover precious metals from the El Capitan Property or that we will generate significant revenue from the sale of the El Capitan Property.

**Competition**

The mining industry has historically been highly competitive. It is dominated by multi-billion dollar, multi-national companies that possess resources significantly greater than ours. Additionally, due to our limited resources, we do not intend to develop any of our properties on our own, but rather to only perform exploration on our properties with the anticipation of selling or developing through a joint venture any properties in which our exploration proves successful. Given our size and financial condition, there is no assurance we can compete with any larger companies for the acquisition of additional potential mineral properties, and we have no current plans to do so.

**Government Regulation**

Mining and exploration is highly regulated and subject to various constantly changing federal and state laws and regulations. These laws are becoming more and more restrictive, and include without limitation: the Clean Water Act; the Clean Air Act; the Comprehensive Environmental Response, Compensation and Liability Act; the Emergency Planning and Community Right-to-Know Act; the Endangered Species Act; the Federal Land Policy and Management Act; the National Environmental Policy Act; the Resource Conservation and Recovery Act; and related state laws. The environmental protection laws dramatically impact the mining and mineral extraction industries as it pertains to both the use of hazardous materials in the mining and extraction process and from the standpoint of returning the land to a natural look once the mining process is completed. Compliance with federal and state environmental regulations can be expensive and time-consuming, and given our limited resources, such regulations may have a material effect on the success of our operations.

Compliance with the various federal and state governmental regulations requires us to obtain multiple permits for each mining property. Although the requirements may differ slightly in each of the respective states in which we may hold claims or may hold claims in the future, the process of securing such permits generally require the filing of a "Notice of Intent to Locate Mining Claims" and the payment of a fee of $20 to the Bureau of Land Management ("BLM") office in the state in which the claim is located. Subsequently, we are required to file and record a New Location Notice for each such claim within 90 days of locating the claim, the fee for which is approximately $192. On an annual basis, we are required to pay a maintenance fee of $155 per claim which is due September 1 of each year.

To the extent we intend to take action on a property that is more than "casual use," which generally includes activities that cause only negligible disturbance to the land (this would not generally include drilling or operating earthmoving equipment on the property), we are required to prepare and file with the BLM either a notice of operation or plan of operation identifying the activity we intend to take on the property, including a plan of reclamation indicating how we intend to return the land to its prior state upon completion of our activities. For each claim that we file a notice or plan of operations, we are required to pay a one-time reclamation bond to the BLM to be used toward restoration of the property upon completion of our activities. The amount of the reclamation bond is determined by the BLM based upon the scope of the activity described in the notice or plan of operation, and will thus vary with each property.

In connection with the original plan of operation on the El Capitan Property that we filed with the BLM, we were required to pay a reclamation bond of $15,000. Upon payment we were issued a notice to proceed from the BLM. This allowed us to proceed with our original plan of operation on up to five (5) acres. The permit was received by the Company from the previous owners of the El Capitan Property under a grandfather clause and allows operations on five (5) acres of the property at a time. In 2015, we amended the permit to allow operations on forty acres (40) of property at a time. The amended permit was issued in March 25, 2015, and we were required to increase our reclamation bond to $74,495 and in February 2017 the U.S. Forest Service required an additional bond of $5,350 for road remediation. The balance of restricted cash for these bonds including interest is $79,861 at September 30, 2017.

In July 2007, we submitted a Plan of Operation for continued exploration on a 2,000 acre parcel within our more than 7,000 acres, at that time, Company claim block near Capitan, New Mexico with the U.S. Forest Service ("USFS"). We hired an experienced environmental services firm to manage this effort. Having this permit in place would provide the opportunity for a professional and methodical investigation into the additional geologic potential of this portion of our holdings, without requiring further time-consuming permitting efforts. The area being permitted will allow access to a number of high-potential targets identified through previous surface sampling and remote sensing efforts, as well as to the prospective area to the west of the existing deposit, which remains open to geologic resource extension. The USFS permitting effort is governed by the National Environmental Policy Act of 1970 ("NEPA") and under the General Mining Law of 1872, as amended. In conjunction with the USFS filing, the Company submitted an Exploration Permit with the New Mexico Mining and Minerals Division ("MMD"). The permitting process is a robust process that can take a significant amount of time to complete. The typical process generally takes longer than the prescribed regulatory time frame, and is dependent upon a number of factors outside of our control, including, without limitation, governmental approvals, licensing and permitting, as well as potential opposition by third parties. Both permits must be approved prior to the commencement of drilling activity.

In July 2008, we entered into a Memorandum of Understanding with the USFS related to the permitting of 112 exploration drill holes planned on 2,000 acres of Company claims in Lincoln County, New Mexico. The action signaled the initiation of the Federal Environmental Assessment ("EA") permitting process. It was originally anticipated that the receipt of these two permits would occur in the second or third quarter of 2009. Subsequently in late 2008, this process was put on hold due to a lack of working capital and a potential conflict of interest with the USFS by the environmental services firm we were utilizing for the permitting process.

In December 2009, we hired a new experienced environmental services firm, AMEC Environment & Infrastructure, Inc. ("AMEC"), to manage and oversee our continued permitting process. AMEC has drafted a replacement Plan of Operations ("PoO") and submitted it to the USFS. The USFS has provided technical comments on the PoO and AMEC has responded to their comments and submitted a revised PoO for approval. AMEC has met with representatives of the USFS at the project site to review the proposed exploration locations and general discussion of the project. Subsequent to the meeting, the USFS agreed to work with AMEC to develop the third part of the NEPA scope of work. The USFS provided a draft NEPA scope of work template to AMEC in electronic format. AMEC revised the draft template and submitted it to the USFS for review and approval.

AMEC has also prepared the Stormwater Pollution Prevention Plan ("SWPPP") that will be sent to the agencies upon permit approval. Informational copies of the SWPPP will be provided to the MMD and the USFS. The SWPPP is an EPA required document for construction projects that disturb more than one (1) acre of land. Prior to field activities, coverage under the New Mexico Construction General Permit ("CGP") will be obtained by filing a Notice of Intent ("NOI") with EPA Region 6. Coverage under the CGP is required prior to field work. A copy of the SWPPP must be maintained at the project site during all construction activities. New Mexico does not have primacy over the SWPPP requirements. EPA Region 6 is the primary agency.

AMEC prepared and submitted a revised New Mexico Mining and Minerals Subpart 4 Exploration permit application. The revised application was submitted on September 16, 2011 and MMD issued administrative completeness determination on October 4, 2012. The Agency comment period closed on December 31, 2012. MMD requested a site visit as part of the Agency review process, and the site visit was conducted on December 5, 2012. A second site visit was requested by MMD to view locations that were not accessible. Revisions to the boring locations were made, based on the field visit, and revised boring location figures were submitted to the MMD on April 26, 2013. To date a second site visit has not been conducted related to the drill hole sites.

A PoO was submitted to the USFS in 2011. Comments were received from the USFS and incorporated into a revised document which was resubmitted to the USFS. In addition, at the request of the USFS, a NEPA scope of work ("SOW") was prepared and submitted to the USFS in 2012. Comments were received from the USFS and incorporated into a revised NEPA SOW. This activity has been on hold since April 2013. In February through April 2013, the existing mine permit (L1005 ME) for the El Capitan Property mine site and a cursory review of water rights issues were evaluated.

In May 2014, and in conjunction with requesting modifications to our mining permit, we submitted a revised PoO, as well as the required reclamation plan for the site. The modified permit approval process required we increase the amount of our reclamation bond to $74,495. We posted the increased bond in January 2015 and received the modified mining permit on March 25, 2015.

In June 2014 we applied for an Air Quality Permit for our operation, which is tied to the generation of dust from the mining and crushing process. This permit was issued by the New Mexico Environment Department Air Quality Bureau in November 2014.

During our fiscal operating year ending September 30, 2016, the Company received various minor violations from MSHA. The proposed assessments were contested by the Company. The proposed assessments aggregated $1,864. On July 3, 2017, we received a letter from the Federal Mine Safety and Health Review Commission that the citations were vacated and dismissed.

**Employees**

We currently have informal arrangements with two individuals, one of whom is an officer and director of the Company and one is an officer of the Company, who serve as support staff for the functioning of all the corporate activities. There are no written agreements with these individuals. Additionally, we use consultants for the testing and exploration of property claims. If administrative requirements expand, we anticipate that we may hire additional employees, and utilize a combination of employees and consultants as necessary to conduct these activities.

**Available Information**

The Company is a Nevada corporation with its principal executive office located at 5871 Honeysuckle Road, Prescott, Arizona 86305. The Company's telephone number is (928) 515-1942. The Company's website address is www.elcapitanpmi.com. Our website contains links to download free of charge our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Unless expressly noted, none of the information on our website is part of this Annual Report.

## ITEM 1A. RISK FACTORS

### Risks Relating to Our Business

***The volatility of precious metal prices may negatively affect our potential earnings.***

We anticipate that a significant portion of our future revenues will come from the sale of our El Capitan Property. Our earnings will be directly affected by the prices of precious metals believed to be located on such property. Demand for precious metals can be influenced by economic conditions, including worldwide production, attractiveness as an investment vehicle, the relative strength of the U.S. dollar and local investment currencies, interest rates, exchange rates, inflation and political stability. The aggregate effect of these factors is not within our control and is impossible to predict with accuracy. The price of precious metals has on occasion been subject to very rapid short-term changes due to speculative activities. Downward fluctuations in precious metal prices may adversely affect the value of any discoveries made at the site with which our Company is involved. If the market prices for these precious metals falls below the mining and development costs we incur to produce such precious metals, we will experience the inability to sell our El Capitan Property.

***We have minimal revenue-generating operations to date and may never generate significant revenues.***

With the exception of immaterial revenue from the sale of test loads of iron ore to a construction contractor in fiscal 2016 and from the sale of two test melts on concentrates processed at our pilot plant located in Phoenix, Arizona in fiscal 2017, we have not yet had revenue-generating operations, and it is possible that we will not find marketable amounts of minerals on our El Capitan Property or that the property will ever be sold. Should we fail to obtain working capital through other avenues, our ability to continue to market our El Capitan Property could be curtailed.

***Until we confirm recoverable precious metals on our El Capitan Property, we may not have any potential of generating any revenue.***

Our ability to sell the El Capitan Property depends on the success of our exploration programs and the development of a cost-effective process for recovering precious metals and iron extracted from the mineralized materials at the El Capitan Property. We have not established proven or probable mineral deposits at our El Capitan Property. Even if exploration leads to a valuable deposit, it might take several years for us to enter into an agreement for sale or joint venture development of the property. During that time, depending on economic conditions and the underlying market values of the precious metals that may be recovered, it might become financially or economically unfeasible to extract the minerals at the property.

***We may not be able to sell the El Capitan Property or on terms acceptable to us.***

We are concentrating our efforts on developing a strategic plan to sell the El Capitan Property or potentially enter into a joint venture with a major mining company to operate the mining operation. There is no guarantee that we will be able to find a potential acquirer or joint venture partner on terms that are acceptable to us or at all.

***Our inability to establish the existence of mineral resources in commercially exploitable quantities on our El Capitan Property may cause our business to fail.***

To date, we have not established a mineral reserve on the El Capitan Property. A “reserve,” as defined by the Securities and Exchange Commission’s Industry Guide 7, is that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. A reserve requires a feasibility study demonstrating with reasonable certainty that the deposit can be economically and legally extracted and produced. At this time it is not ascertainable or it is possible that the El Capitan Property does not contain a reserve and all resources we spend on exploration of this property may be lost. We have not developed feasibility studies. As a result, we have no reserves at the El Capitan Property. In the event we are unable to establish reserves or measured resources acceptable under industry standards, we may be unable to sell or enter into a joint venture with respect to the development of the El Capitan Property, and the business of the Company may fail as a result. At this time the Company does not intend to complete feasibility studies or establish reserves.

***Uncertainty of mineralization estimates may diminish our ability to properly value our property.***

We rely on estimates of the content of mineral deposits on our properties, which estimates are inherently imprecise and depend to some extent on statistical inferences drawn from both limited drilling on our properties and the placement of drill holes that may not be spaced close enough to one another to enable us to establish probable or proven results. These estimates may prove unreliable. Additionally, we have previously relied upon various certified independent laboratories to assay our samples, which may produce results that are not as consistent as a larger commercial laboratory might produce. Reliance upon erroneous estimates may have an adverse effect upon the financial success of the Company.

***We rely heavily upon the industry experience of members of our Board, our officers and various third parties to pursue our business objectives.***

The skills of the Company's directors and officers span mining, business and legal expertise. The Company relies on third party contractors and consultants for certain industry matters, including the development of a cost-effective process for recovering precious metals and iron extracted from the mineralized materials at the El Capitan Property and sales and logistics related to potential future sales of iron extracted from such mineralized materials. We believe that all of these relationships and the background of the directors, third party contractors and consultants would be difficult to replace. As a result, fulfilling the Company's objectives might be negatively impacted or prove more costly or time consuming to obtain if we were to lose the services of these directors, contractors or consultants. The Company does not own life insurance on any of our officers, directors, contractors or consultants. Further, if the efforts of our third party contractors and consultants prove to be unsuccessful, our objectives to generate revenue from the sale of precious metals and/or iron extracted from mineralized material at the El Capitan property and, ultimately, to sell to or partner with a major mining company, will be comprised.

***We may not recoup our investment in the Phoenix, Arizona "pilot plant."***

The quarter ended March 31, 2017 marked the beginning of operations at a "pilot plant" established in Phoenix, Arizona by a third party contract miner to house equipment obtained from China that processes concentrates recovered at the El Capitan Property. While the pilot plant is a critical part of our efforts to develop a cost-effective process for recovering precious metals and iron extracted from mineralized materials at the El Capitan Property, the pilot plant itself, including the equipment and technology, are owned by our contract miner and not by the Company. Under our agreement with the contract miner, the contract miner is responsible for obtaining and securing the equipment to process and concentrate the Company's mineralized material, provide the manpower necessary to operate the equipment and to conduct processing and concentrating activities. Although the contract miner is responsible to bear its own costs in carrying out its duties under the agreement, the parties agreed that the Company may, in its discretion, advance sums of money to the contract miner to facilitate such activities. Such advances are expected to be repaid to the Company from the proceeds of the sale of concentrates generated by the pilot plant, which would otherwise be split equally between the Company and the contract miner after recovery of expenses. As of September 30, 2017, the Company had advanced a total of $569,429, of which $113,116 are cash advances, to the contract miner under this arrangement. If the pilot plant ultimately proves to be unsuccessful, or if it fails to generate sufficient revenue from sales of concentrates generated there, we will not be able to recoup our investment in the pilot plant. As owner of the pilot plant, our contract miner (and not the Company) will continue to own the equipment and all improvements thereon funded by our advances regardless of whether the Company is ultimately reimbursed for its advances.

***The nature of mineral exploration is inherently risky, and we may not ever discover marketable amounts of precious minerals.***

Exploration for minerals is highly speculative and involves greater risk than many other businesses. Most exploration programs fail to result in the discovery of economically feasible mineralization. Our exploration and mining efforts are subject to the operating hazards and risks common to the industry, such as:

- economically insufficient mineralized materials;
- decrease in values due to lower metal prices;
- fluctuations in production cost that may make mining uneconomical;
- unanticipated variations in grade and other geologic problems;
- unusual or unexpected formations;
- difficult surface conditions;
- metallurgical and other processing problems;
- environmental hazards;
- water conditions; and
- government regulations.

Any of these risks can adversely affect the feasibility of development of our El Capitan Property, production quantities and rates, and costs and expenditures. We currently have no insurance to guard against any of these risks. If we determine that capitalized costs associated with our El Capitan Property are likely not to be recovered, a further write-down of our investment would be necessary. All of these factors may result in unrecoverable losses or cause us to incur potential liabilities, which could have a material adverse effect on our financial position.

The effect of these factors cannot be accurately predicted, and the combination of any of these factors may prevent us from selling or otherwise developing the El Capitan Property and receiving an adequate return on our invested capital.

***Extensive government regulation and environmental risks may require us to discontinue or delay our marketing activities for the sale of El Capitan Property.***

Our business is subject to extensive federal, state and local laws and regulations governing exploration, development, production, labor standards, occupational health, waste disposal, use of toxic substances, environmental regulations, mine safety and other matters. Additionally, new legislation and regulations may be adopted at any time that may affect our business. Compliance with these changing laws and regulations could require increased capital and operating expenditures and could prevent or delay the sale of the El Capitan Property.

***Any failure to obtain government approvals and permits may require us to discontinue future exploration on our El Capitan Property.***

We are required to seek and maintain federal and state government approvals and permits in order to conduct exploration and other activities on our El Capitan Property. The permitting requirements for our respective claims and any future properties we may acquire will be somewhat dependent upon the state in which the property is located, but generally will require an initial filing and fee (of approximately $20) relating to giving notice of an intent to make a claim on such property, followed by a one-time initial filing of a location notice with respect to such claim (approximately $192), an annual maintenance filing for each claim (generally $155 per claim per year), annual filings for bulk fuel and water well permits (typically $5 per year each) and, to the extent we intend to take any significant action on a property (other than casual, surface-level activity), a one-time payment of a reclamation bond to the BLM, which is to be used for the reclamation of the property upon completion of exploration or other significant activity. In order to take any such significant action on a property, we are required to provide the BLM with either a notice of operation or a plan of operation setting forth our intentions. The amount of the reclamation bond is determined by the BLM based upon the scope of the activity described in the notice or plan of operation. With respect to the current plan of operations on the El Capitan Property, the reclamation bond was $15,000, but this amount has been increased to $74,495 with the approval of our modified mining permit in December 2014 and subsequently issued on March 25, 2015. In February 2017 the U.S. Forest Service required an additional bond of $5,350 for road remediation. The balance of restricted cash for these bonds including interest is $79,861at September 30, 2017.

Obtaining the necessary permits can be a complex and time-consuming process involving multiple jurisdictions, and requiring annual filings and the payment of annual fees. Additionally, the duration and success of our efforts to obtain permits are contingent upon many variables outside of our control and may increase costs of or cause delay to our mining endeavors. There can be no assurance that all necessary approvals and permits will be obtained, and if they are obtained, that the costs involved will make it economically unfeasible to continue our exploration of the El Capitan Property.

As of the filing of this Annual Report on Form 10-K, we have been issued all of our required permits.

***Mineral exploration is extremely competitive, and we may not have adequate resources to successfully compete.***

There is a limited supply of desirable mineral properties available for claim staking, lease or other acquisition in the areas where we contemplate participating in exploration activities. We compete with numerous other companies and individuals, including competitors with greater financial, technical and other resources than we possess, and that are in a better position than us to search for and acquire attractive mineral properties. We have no intention to expand our mineral properties interest outside of the El Capitan Property.

***Title to any of our properties may prove defective, possibly resulting in a complete loss of our rights to such properties.***

The primary portion of our holdings includes unpatented mining claims. The validity of unpatented claims is often uncertain and may be contested. These claims are located on federal land or involve mineral rights that are subject to the claims procedures established by the General Mining Law of 1872, as amended. We are required to make certain filings with the county in which the land or mineral is situated and annually with the BLM and pay an annual holding fee of $155 per claim. If we fail to make the annual holding payment or make the required filings, our mining claims would become invalid. In accordance with the mining industry practice, generally a company will not obtain title opinions until it is determined to sell a property. Also no title insurance is available for mining. Accordingly, it is possible that title to some of our claims may be defective and in that event we would not have good and valid title to the El Capitan Property, and we would be forced to curtail or cease our exploratory programs on the property site.

**Risks Related to Our Common Stock**

***Our common stock is thinly traded, and there is no guarantee of the prices at which the shares will trade.***

Trading of our common stock is conducted on the OTCQB Marketplace operated by the OTC Markets Group, Inc., or "OTCQB," under the ticker symbol "ECPN." Not being listed for trading on an established securities exchange has an adverse effect on the liquidity of our common stock, not only in terms of the number of shares that can be bought and sold at a given price, but also through delays in the timing of transactions and reduction in security analysts' and the media's coverage of the Company. This may result in lower prices for your common stock than might otherwise be obtained and could also result in a larger spread between the bid and asked prices for our common stock. Historically, our common stock has been thinly traded, and there is no guarantee of the prices at which the shares will trade, or of the ability of stockholders to sell their shares without having an adverse effect on market prices.

***We have been delinquent in filing certain periodic reports that we are required to file with the Securities and Exchange Commission and our common stock could be removed from the OTCQB Marketplace as a result.***

Trading in our common stock is conducted on the OTCQB Marketplace operated by the OTC Markets Group, Inc., or "OTCQB." The OTC Markets Group may remove a company's securities from trading on the OTCQB for failure to timely file required SEC periodic reports, subject to a 45 calendar day cure period. Due to the resignation of our former independent registered public accounting firm, we were unable to timely file our Annual Report on Form 10-K for fiscal 2017, and we were unable to remedy the delinquency within the cure period. Upon our request, the OTC Markets Group granted us an extension, until March 31, 2018, to cure our late filing. We completed the audit of our 2017 consolidated financial statements and filed our Form 10-K within the extended cure period. However, we are also delinquent in filing our Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2017. The automatic cure period for filing the Form 10-Q will expire on March 31, 2018. We intend to request a short, additional extension of the cure period to file the Form 10-Q, and expect to be timely in our SEC periodic reporting thereafter. However, the OTC Markets Group is not required to honor our request and, if it elects not to do so, may remove our common stock from trading on the OTCQB Marketplace. Upon removal, our common stock would be quoted on the OTC Pink, another inter-dealer electronic quotation and trading system for equity securities operated by the OTCQB Marketplace. Investors may perceive our common stock to be less attractive because it is quoted on the OTC Pink. In addition, the OTC Pink is not recognized by the SEC as an "established public market." As a result, we will not be able to utilize equity lines or conduct similar financing transactions, and securities that we may register for resale on behalf of selling shareholders will not be eligible for at-the-market pricing. This will have a significant and negative impact our ability to finance our operations through the issuance and sale of securities. We must apply for re-admission to the OTCQB, which re-admission cannot be assured.

***Our stock price may be volatile and as a result you could lose all or part of your investment.***

In addition to volatility associated with securities traded on the OTCQB in general, the value of your investment could decline due to the impact of any of the following factors upon the market price of our common stock:

- adverse changes in the worldwide prices for gold, silver or iron ore;
- disappointing results from our exploration or development efforts;
- failure to meet operating budget;
- decline in demand for our common stock;
- downward revisions in securities analysts' estimates or changes in general market conditions;
- technological innovations by competitors or in competing technologies;
- investor perception of our industry or our prospects; and
- general economic trends.

In addition, stock markets have experienced extreme price and volume fluctuations and the market prices of securities generally have been highly volatile. These fluctuations commonly are unrelated to operating performance of a company and may adversely affect the market price of our common stock. As a result, investors may be unable to resell their shares at a fair price.

***We have never paid dividends on our common stock and we do not anticipate paying any dividends in the foreseeable future.***

We have not paid dividends on our common stock to date, and we may not be in a position to pay dividends in the foreseeable future. Our ability to pay dividends depends on our ability to successfully develop the El Capitan Property and generate revenue from future operations. Further, our initial earnings, if any, will likely be retained to finance our growth. Any future dividends will depend upon our earnings, our then-existing financial requirements and other factors and will be at the discretion of our Board of Directors.

***Because our common stock is a "penny stock," it may be difficult to sell shares of our common stock at times and prices that are acceptable.***

Our common stock is a "penny stock." Broker-dealers who sell penny stocks must provide purchasers of these stocks with a standardized risk disclosure document prepared by the SEC. This document provides information about penny stocks and the nature and level of risks involved in investing in the penny stock market. A broker must also give a purchaser, orally or in writing, bid and offer quotations and information regarding broker and salesperson compensation, make a written determination that the penny stock is a suitable investment for the purchaser, and obtain the purchaser's written agreement to the purchase. The penny stock rules may make it difficult for you to sell your shares of our common stock. Because of these rules, many brokers choose not to participate in penny stock transactions and there is less trading in penny stocks. Accordingly, you may not always be able to resell shares of our common stock publicly at times and prices that you feel are appropriate.

***We may raise additional capital to fund our operations. The manner in which we raise any additional funds may affect the value of your investment in our common stock.***

Although we have no current expectation to pursue any other long-term financings beyond those contemplated by the Equity Purchase Agreement with L2 Capital (discussed below and in "***Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations"***), we may be required to do so if our circumstances change or opportunities requiring expenditures in excess of the proceeds available under the Equity Purchase Agreement present themselves. We have no current committed sources of additional capital. We do not know whether additional financing will be available on terms favorable or acceptable to us when needed, if at all. To the extent that we raise additional capital by issuing equity securities, our stockholders may experience dilution. In addition, we may grant future investors rights superior to those of our existing stockholders. If we raise additional funds by incurring debt, we could incur significant interest expense and become subject to covenants in the related transaction documentation that could affect the manner in which we conduct our business. If adequate additional capital is not available when required, we may be forced to reduce or eliminate our marketing efforts for the sale of the El Capitan Property.

***Costs incurred because we are a public company may affect our profitability.***

As a public reporting company, we are subject to the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley, as well as to the information and reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and other federal securities laws. As a result, we incur significant legal, accounting, and other expenses, including costs associated with our public company reporting requirements and corporate governance requirements. As an example of public reporting company requirements, we evaluate the effectiveness of disclosure controls and procedures and of our internal control over financing reporting in order to allow management to report on such controls

Our management concluded that our internal control over financial reporting was ineffective as of September 30, 2017 as discussed further under Item 9A of this Form 10-K. The Company has retained a qualified professional company with the level of technical accounting knowledge, experience in the application of generally accepted accounting principles commensurate with the complexity of our equity derivative financial instruments issued with certain debt transactions. However, in the past our management has concluded that our internal control over financial reporting was not effective for certain prior periods (including as of September 30, 2016) and we cannot assure you that management won't similarly conclude as such in the future. If significant deficiencies or other material weaknesses are identified in our internal control over financial reporting that we cannot remediate in a timely manner, investors and others may lose confidence in the reliability of our financial statements and the trading price of our common stock and ability to obtain any necessary equity or debt financing could suffer. This would likely have an adverse effect on the trading price of our common stock and our ability to secure any necessary additional equity or debt financing.

**Risks Relating to the Equity Purchase Agreement with L2 Capital**

In connection with the Equity Purchase Agreement with L2 Capital, LLC ("L2 Capital"), further described in ***"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations"*** below, the following risk factors should be taken into account by investors:

***Resales of shares purchased by L2 Capital under the Purchase Agreement may cause the market price of our common stock to decline.***

Subject to the terms and conditions of the Purchase Agreement, we have the right to "put," or sell, up to $5,000,000 worth of shares of our common stock to L2 Capital. Unless terminated earlier, L2 Capital's purchase commitment will automatically terminate on the earlier of the date on which L2 Capital shall have purchased Company shares pursuant to the Purchase Agreement for an aggregate purchase price of $5,000,000, or February 21, 2020. The common stock to be issued to L2 Capital pursuant to the Purchase Agreement will be purchased at a price equal to 85% of the Market Price, which is defined as the average of the two lowest closing bid prices on the OTCQB Marketplace, as reported by Bloomberg Finance L.P., during the five consecutive Trading Days including and immediately prior to the settlement date of the sale, which in most circumstances will be the trading day immediately following the "Put Date," or the date that a put notice is delivered to L2 Capital (the "Pricing Period"); provided, however, the additional discounts to the purchase price may apply based on the occurrence of certain events. L2 Capital will have the financial incentive to sell the shares of our common stock issuable under the Purchase Agreement in advance of or upon receiving such shares and to realize the profit equal to the difference between the discounted price and the current market price of the shares. This may cause the market price of our common stock to decline.

The foregoing description of the terms of the Purchase Agreement does not purport to be complete and is subject to and qualified in its entirety by reference to the Purchase Agreement itself.

***Puts under the Purchase Agreement may cause dilution to existing shareholders.***

Under the terms of the Purchase Agreement, L2 Capital has committed to purchase up to $5,000,000 worth of shares of our common stock. This arrangement is also sometimes referred to herein as the "Equity Line." From time to time during the term of the Purchase Agreement, and at our sole discretion, we may present L2 Capital with a put notice requiring L2 Capital to purchase shares of our common stock. As a result, our existing stockholders will experience immediate dilution upon the purchase of any of the shares by L2 Capital. L2 Capital may resell some, if not all, of the shares that we issue to it under the Purchase Agreement and such sales could cause the market price of the common stock to decline significantly. To the extent of any such decline, any subsequent puts would require us to issue and sell a greater number of shares to L2 Capital in exchange for each dollar of the put amount. Under these circumstances, the existing stockholders of our company will experience greater dilution. The effect of this dilution may, in turn, cause the price of our common stock to decrease further, both because of the downward pressure on the stock price that would be caused by a large number of sales of our shares into the public market by L2 Capital, and because our existing stockholders may disagree with a decision to sell shares to L2 Capital at a time when our stock price is low, and may in response decide to sell additional shares, further decreasing our stock price. If we draw down amounts under the Equity Line when our share price is decreasing, we will need to issue more shares to raise the same amount of funding.

***There is no guarantee that we will satisfy the conditions to the Purchase Agreement.***

Although the Equity Purchase Agreement provides that we can require L2 Capital to purchase, at our discretion, up to $5,000,000 worth of shares of our common stock in the aggregate, our ability to put shares to L2 Capital and obtain funds when requested is limited by the terms and conditions of the Equity Purchase Agreement, including restrictions on when we may exercise our put rights, restrictions on the amount we may put to L2 Capital at any one time, which is determined in part by the trading volume of our common stock, and a limitation on our ability to put shares to L2 Capital to the extent that it would cause L2 Capital to beneficially own more than 9.99% of the outstanding shares of our common stock.

***We may not have access to the full amount available under the Purchase Agreement with L2 Capital.***

Our ability to draw down funds and sell shares under the Purchase Agreement requires that a registration statement (and periodic post-effective amendments thereto) be declared effective and continue to be effective registering the resale of shares issuable under the Purchase Agreement. We filed a registration statement on Form S-1 registering the resale of 25,000,000 shares of our common stock, and that registration statement was declared effective on March 10, 2017. Our ability to sell any additional shares issuable under the Purchase Agreement is subject to our ability to prepare and file one or more additional registration statements registering the resale of such additional shares. These registration statements may be subject to review and comment by the staff of the Securities and Exchange Commission, and will require the consent of our independent registered public accounting firm. Therefore, the timing of effectiveness of these registration statements cannot be assured. The effectiveness of these registration statements is a condition precedent to our ability to sell all of the shares of our common stock to L2 Capital under the Purchase Agreement. Even if we are successful in causing one or more registration statements registering the resale of some or all of the shares issuable under the Purchase Agreement to be declared effective by the Securities and Exchange Commission in a timely manner, we may not be able to sell the shares unless certain other conditions are met. For example, we might have to increase the number of our authorized shares in order to issue the shares to L2 Capital. Increasing the number of our authorized shares will require board and stockholder approval. Accordingly, because our ability to draw down any amounts under the Purchase Agreement with L2 Capital is subject to a number of conditions, there is no guarantee that we will be able to draw down all of the proceeds of $5,000,000 under the Purchase Agreement.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

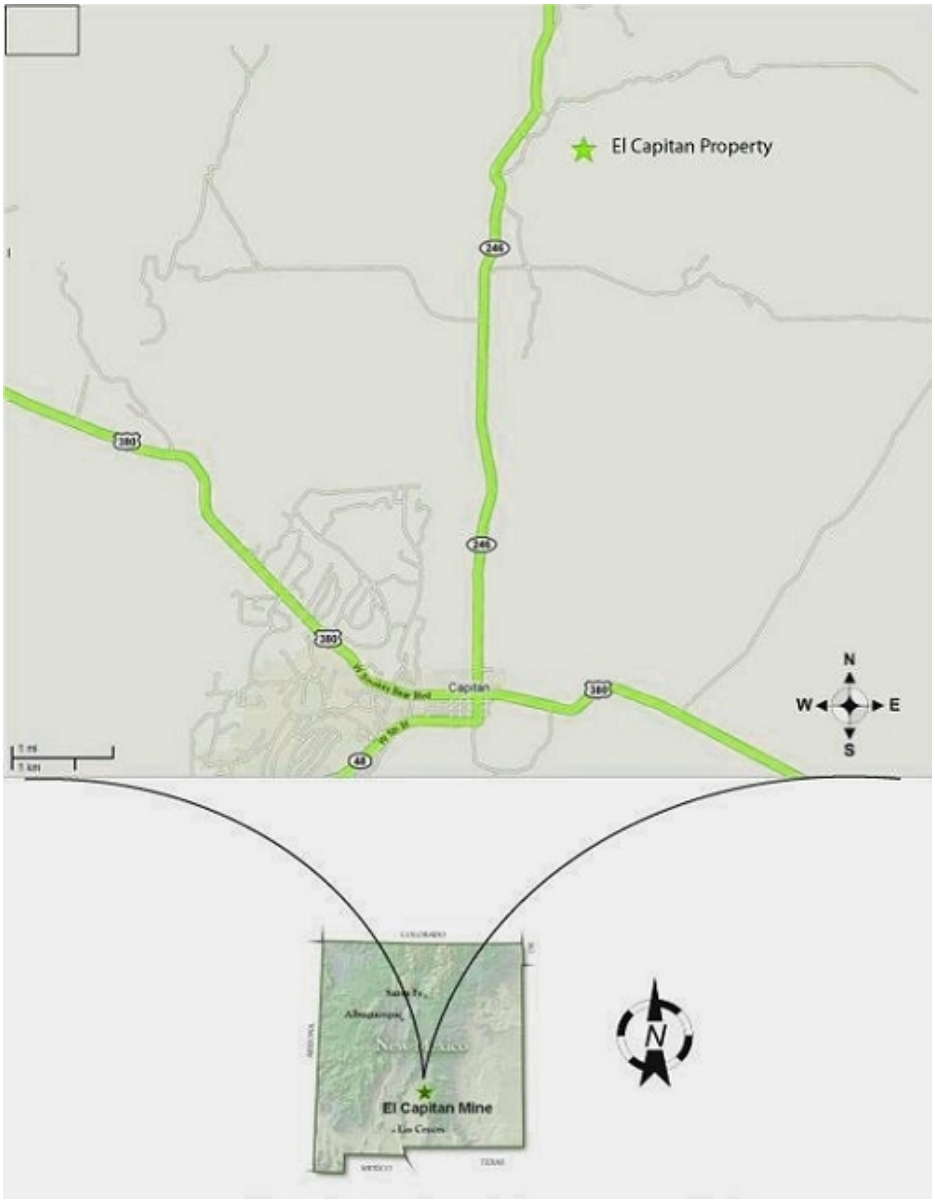
None.

## ITEM 2. PROPERTIES

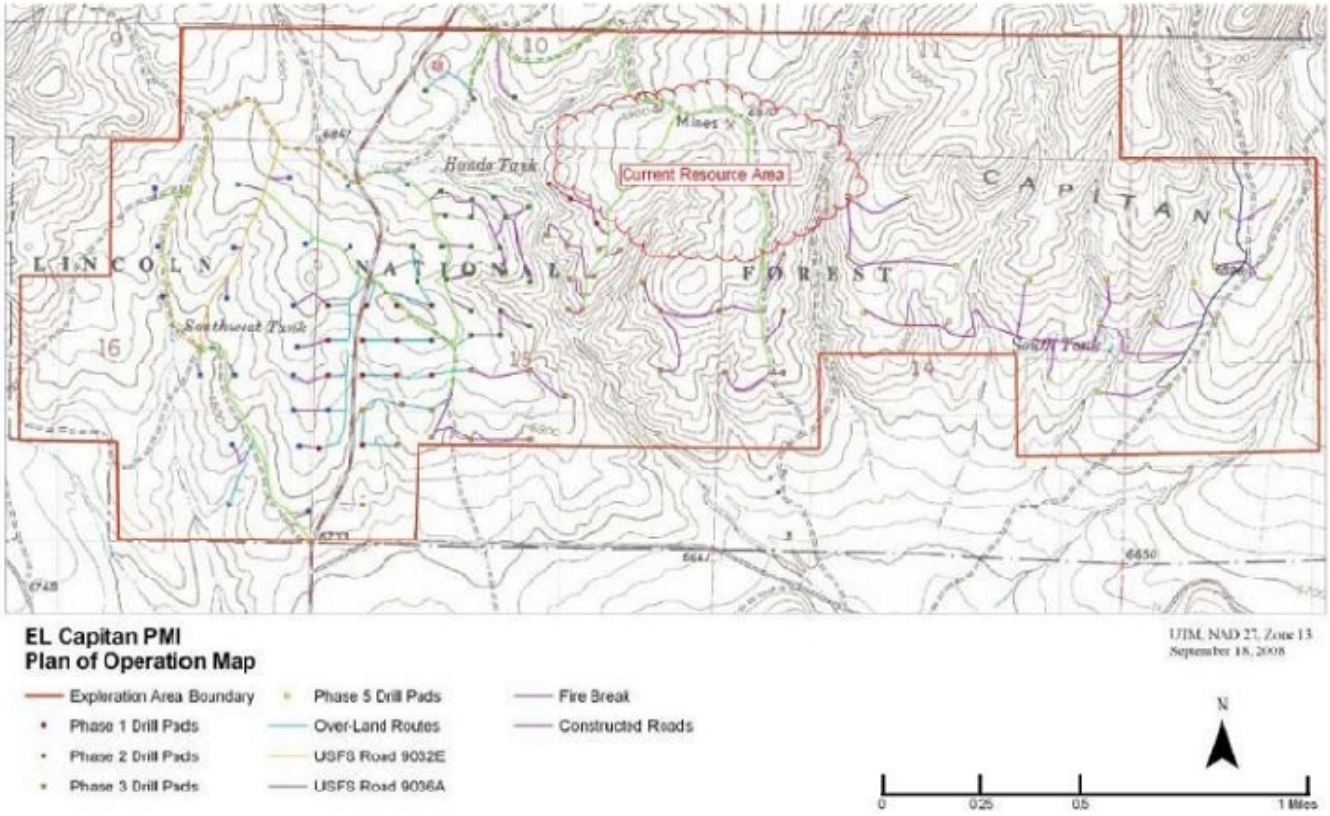
### El Capitan Property

Our primary asset is the 100% equity interest in El Capitan, Ltd., an Arizona corporation ("ECL"), which holds a 100% interest in the El Capitan property located near Capitan, New Mexico (the "El Capitan Property").

Below are maps setting forth the location of the El Capitan Property and the location and access to deposits.



**Location and Access to Deposits**




The El Capitan Property is situated in the Capitan Mountains, near the city of Capitan, in southwest New Mexico. The main site can be reached by going north from Capitan on State Road 246 for 5.5 miles, turning right onto an improved private road and proceeding for about 0.75 mile.

**Description of Interests**

The El Capitan Property originally consisted of four (4) patented and nine (9) BLM lode claims; and mineral deposits are covered by these claims. The lode claims, known as Mineral Survey Numbers 1440, 1441, 1442 and 1443, were each located in 1902 and patented in 1911. On January 1, 2006, ECL finalized the purchase of the four (4) patented mining claims on the property, which constitute approximately 77.5 acres in the aggregate. These claims are bounded by the Lincoln National Forest in Lincoln County, New Mexico.

Based upon recommendations from our consulting geologist, we have staked and claimed property surrounding the El Capitan Property site located in Lincoln County, New Mexico, increasing the acreage of our total BLM claimed area. We continue to maintain BLM load claims covering the approximately 240 acres and are currently staking and will file on an additional approximate 2,000 acres that support the Company's mineral exploration operating plans.

The Company has four grants from President Woodrow Wilson which grants rights and easements to the property.

The Company has power supplied to a mobile home on the patented land by Otero County Electric Co-op, Inc.

Currently the Company transports water to the El Capitan Property in a Company-owned water truck. The Company plans to eventually have a water well permitted and drilled on a turn-key basis and has received initial bids on this project. The well will be situated on our patented property.

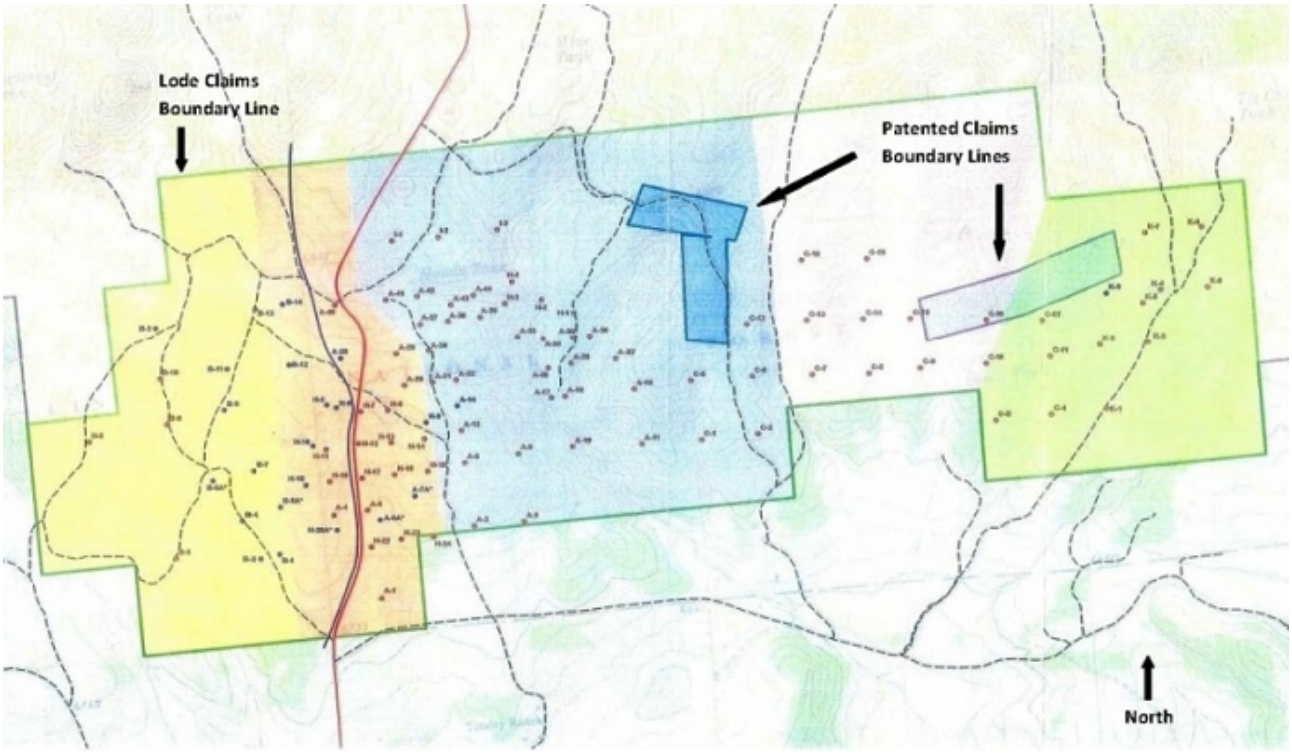
**Mineral Title**

As of September 30, 2017, the Company's holdings at the El Capitan Property consist of four (4) patented mining claims, covering approximately 77.5 acres (the "Patented Claims"), and twelve (12) lode claims with the BLM, covering approximately 240 acres (the "BLM Claims"). The Patented Claims and BLM Claims are held in the name of ECL and ECPN. The BLM Claims are Federal unpatented mining claims for locatable minerals and are located on public land and held pursuant to the General Mining Law of 1872, as amended. The Company fully owns the mining rights and believes the claims are in good standing in accordance with the mining laws of the United States.

To maintain our claims in good standing, for its Patented Claims the Company must pay annual property taxes to Lincoln County, and for its BLM Claims, the Company must pay annual assessment fees to the BLM and record the payment of rental fees with Lincoln County. The current year annual assessment and recording costs for our BLM Claims total approximately $2,160. The Company has paid the required assessment fees for 2017 assessment year (September 1, 2017 through August 31, 2018).

The Company has no underlying agreements or royalty agreements on any of its claims.

The map set forth below shows the location of our claims on the El Capitan Property as of September 30, 2017:




**Permits**

Pursuant to the New Mexico Mining Act, the MMD issued Permit No. L1005ME to ECL. The permit is a "minimal impact existing mining operation." In 2015, the Company was issued a modified permit that increased the portion of the El Capitan Property on which we could conduct exploration activities from five acres to 40 acres The modified permit approval process required we increase the amount of our reclamation bond to $74,495.

The New Mexico Environmental Department issued our Air Quality Permit, NSR permit No. 5951 in November 2014.

**Previous Operations**

To our knowledge, prior to its acquisition by ECL, the property was last active in 1988. The property was previously drilled with a total of approximately 160 short core holes by the U.S. Bureau of Mines in 1944 and 1948. The results of this drilling showed that our patented claims contain a combined indicated and inferred resource of approximately 2.5 million short tons of potential iron ore containing an average 53.38% magnetite. This equates to a resource of approximately 1.34 million short tons of contained magnetite in the deposit. Reported analytical results on drill core show that magnetite in the deposit has an average of 66.82% TFe (percent total iron). From 1961 to 1988, to our knowledge, an estimated 250,000 tons of iron were produced on the property. Prior to December 2004, there had not been any significant exploration completed on the property. There had only been shallow drilling of the upper magnetite horizon, which was completed by the U.S. Bureau of Mines in 1944 and 1948, and additionally performed by ECL in 2005 and 2006. Additionally, there was geologic mapping of the property at a scale of 1:3,600 by Kelley in 1952.

There were no significant surface disturbances or contamination issues found on the surface or underground water due to the historical mining activities referred to above and no remediation has been required to be performed by the Company. However, initially the Company was required to provide, and has provided, a $15,000 financial assurance in connection with the issuance of our Permit No. L1005ME by the MMD.

**Geology**

The main El Capitan Property deposit is exposed in an open-pit and outcrops within a nearly circular 1,300 foot diameter area, with smaller bodies stretching eastward for a distance of up to 7,000 feet. The El Capitan Property includes two magnetite-dominant bodies. The upper magnetite zone lies below a limestone cap that is a few tens of feet thick, and that is bleached and fractured with hematite-calcite fracture filling. Hematite is an iron oxide mineral, and calcite is a calcium carbonate mineral. Below the limestone cap, there is a mineral deposit which consists mainly of calc-silicate minerals, or minerals which have various ratios of calcium, silicon and oxygen. Beneath the calc-silicate deposit is granite rock. The El Capitan Property has an abundance of hematite, which occurs with calcite in later stage fracture fillings, breccias (rock composed of sharp-angled fragments), and stockworks (multi-directional fractured rock containing veinlets of hydrothermally introduced materials).

Potential mineralization has been defined as two separate types: (i) magnetite iron and (ii) hematite-calcite mineralized skarn and limestone, which may contain precious metals. By using core holes located at strategic points throughout the property, we have been able to develop subsurface information and define the mineralization. To date, there have been no proven commercial precious metals reserves on the El Capitan Property site. To establish “reserves” (as defined under Industry Guide 7 issued by the SEC), we will be required to establish that the property is commercially viable. As of September 30, 2017, we have not completed a feasibility study on the property, and thus cannot identify the economic significance of the property, if any, at this time.

**Exploration**

***Historical***

After a preliminary sampling and assay program in early 2005, the Company implemented three stages of diamond drilling and rotary drilling, totaling 45 holes between April 2005 and September 2006.

Stage 1 of the drilling program was completed between April and May 2005, and consisted of 1,391 feet drilled in 12 vertical core holes, with depths ranging from 38 to 142 feet. Between June and August 2005, we completed Stage 2 drilling, which consisted of both drilling in areas adjacent to some of the Stage 1 drilling holes and drilling in new target areas to the southwest of the main deposit site. Stage 2 drilling consisted of 1,204 feet of combined core and rotary footage in 10 vertical holes, ranging from 24.5 to 344.5 feet in depth. The Stage 3 drilling program began in February 2006 and was completed in May 2006. The program consisted of 23 vertical reverse drill holes totaling 9,685 feet and varying depths from 270 to 710 feet. Drill cuttings were sent to AuRIC and fusion assays of these holes were completed. The samples were collected and controlled under “Chain-of-Custody” by our outside quality control person.

Because caustic fusion is not a precious metal industry accepted assay technique, we retained M.H.S. Research of Lakewood, Colorado (“M.H.S.”) in August 2006 to research and develop a modified fire assay technique that we believe is more appropriate for the material from the El Capitan Property. Preliminary results to date by M.H.S. indicated values that meet or exceed the values obtained by AuRic. The principal of M.H.S. is Michael Thomas who had over thirty years of experience in geology and mining related area including extensive laboratory work in fire assaying, mineral processing and precious metals recovery. He also was an adjunct professor in the Mining Engineering Department at the Colorado School of Mines providing part-time instruction in mineral processing and fire assays.

After several months of investigation into the composite sample from the El Capitan Property, M.H.S. results have shown the ability to readily produce 'metal-in-hand' using a minor modification of standard fire assay procedures. Mr. Thomas began testing various fire assay fluxes to improve the effectiveness and repeatability of the fire assay procedure on the specific rock matrix of this material. M.H.S. worked in these areas and performed multiple replicate tests on chain of custody composite material in order to establish a benchmark head grade for the composite sample. There can be no assurance that any mineral grade or recovery determined in a small scale laboratory test can or will be duplicated in larger tests under on-site conditions or during mineral exploration.

The Company has entered into agreements with various contractors (as referenced above) for exploration of the El Capitan Property. Each of the respective contractors utilizes its own equipment to complete such exploration and testing.

The Company has worked with third parties to analyze samples from the El Capitan Property to create an economically feasible recovery model for the El Capitan Property mineralized material. We have successfully utilized a repeatable concentration and recovery procedure, which is a modified fire assay technique, to allow evaluation of the mineralized material. Results using this procedure have been positive and show potential economically feasible mineralized material. The Company has not filed any geological reports on SEDAR for review by Canadian authorities and does not intend to do so.

The Company and Gold and Minerals Company, Inc. ("G&M"), a wholly owned subsidiary of the Company, have incurred a total of $15,560,410 in exploration, mine development, and pilot plant costs associated with the El Capitan Property. G&M incurred $5,275,916 in exploration costs from January 1, 1994 through January 19, 2011, at which time it was merged into the Company, and the Company has incurred $10,284,494 in exploration, mine development, and pilot plant costs from its inception on July 26, 2002 through September 30, 2017. The foregoing exploration, mine development, and pilot plant costs include costs associated with drilling, assaying, filing fees, extraction process development, consultant, geological, metallurgical, chemist, environmental and legal fees, pilot plant, and other miscellaneous property exploration costs have been expensed as required under the SEC Industry Guide 7.

***Current***

In 2014, we utilized and verified the three recovery processes on the El Capitan Property mineralized material: cyanide leaching utilizing various pre-step ore processing, silver – lead inquarting, and the fine grind and magnetic separation method. The final verification process is to ensure that value of the El Capitan Property mineralized materials is sufficient so that the costs of the recovery process are not prohibitive in comparison to the price of the precious metals recoverable at the El Capitan Property.

Based upon the test results that utilized the fine-grinding and separation method, we moved forward with our strategic plan for a limited-scale continued mineral exploration at the El Capitan Property site in New Mexico in support of the sale of that property. The chain-of-custody samples were finely milled and magnetically separated using specific gravity concentrating methodology from extraction testing represents the complete methodology - from samples to final mineralized materials without the use of cyanide.

In March 2014, we announced that the Company reached an agreement with Logistica US Terminals LLC ("Logistica"), a Texas-based limited liability company and member of LIT Group network. The contract, which is the first of several contracts with high-profile mining industry companies, supports the Company's mineral exploration plans and represents a tactical initiative to support the marketing and potential sale of the El Capitan Property. Under the terms of a Master Service Agreement, Logistica has agreed to finance and operate the extraction of iron from mineralized materials at the El Capitan Property mine and provide the Company with a turnkey solution that also includes shipment of the iron to ports where buyers will take delivery. The contracts with Logistica were superseded by a new agreement entered into on January 5, 2016 to encompass our concentrated mineralized material.

In March 2014, we also announced that we reached an agreement with GlencoreXstrata for the purchase of iron from the El Capitan Property mine. Under the terms of the agreement, GlencoreXstrata committed to ongoing purchases of iron from the El Capitan Property. GlencoreXstrata will issue a Letter of Credit to guarantee payment on iron sales. Because of current market iron ore prices, the contract has not implemented.

In late April 2014, we announced the purchase of a heavy metals separation system from AuraSource, Inc. that uses state-of-the-art technology to separate hematite and magnetite from other elements in the El Capitan Property mineralized deposits. The AuraSource system leaves a rich concentrate of mineralized material that we will use to extract precious metals. We have successfully completed the assembly and testing of the AuraSource heavy metals separation system at the El Capitan Property.

In May 2014, we announced recovery results of .40 of gold equivalent per ton of El Capitan Property samples. The precious metals processing was completed in China as part of testing related to the calibration and tuning of the heavy metals separation device that will be used on site at the El Capitan Property in New Mexico. After the separation of the hematite and magnetite from the El Capitan Property mineralized materials, an independent lab processed the precious metals that yielded the .40 of gold equivalent per ton of samples. Parameters used to calculate the economic value were 0.20, 3.2 and 0.25 ounces of gold, silver and palladium per ton, respectively, of mineralized material at the current market price.

The Company currently has methods for both the separation of the iron and the separation and recovery of mineralized material that have repeatedly yielded consistent results. Yet another significant aspect of these breakthrough technologies for separation and recovery is that they are environmentally friendly and do not rely on the use of caustic chemicals.

We have a 5-acre minimal impact mining permit that can be used on our patented land and has been modified to encompass allowing exploration on 40 acres at a time on our patented land. The modified permit was issued on March 25, 2015. The Company's Clean Air Permit was also issued in late November 2014.

In September 2014, we announced that we had reached an agreement for the sale of mineralized tailings from the El Capitan Property to a Hong Kong-based trading company. This agreement was not finalized due to a disagreement regarding which party would serve the importer of the mineralized materials. Other contributing factors to the delay on finalizing this contract were disputes involving unionized dock workers that hindered trade at international seaports on the West coast of the United States during the first and second quarters of 2015, and the subsequent downturn of the China economy later in 2015.

At September 30, 2015, the El Capitan Property has been prepared for mineral exploration with issuance of the modified minimal impact mining permit and other required permits on our patented land. Leased fencing encompasses the mineral exploration area and other criteria that the MMD has required and inspected. Mineral exploration will be conducted on open pit basis and no tunneling will be involved.

We commenced mineral exploration activity in the quarter ended December 2015 under our modified mining permit. In November 2016 we completed certain mining activity at the El Capitan Property and developed a plan for a pilot plant in Phoenix, Arizona to work on concentrating the processed head ore produced in our fiscal year 2016. The quarter ended March 31, 2017 marked the beginning of operations at the pilot plant, which was established by a Company vendor to house equipment that processes concentrates recovered at the El Capitan Property. Although the pilot plant, including the equipment, are owned by its operator and not by the Company, its establishment brought the Company a significant step closer to recognizing revenue from the sale of concentrates. However, we have not yet demonstrated the existence of proven or probable reserves at our El Capitan Property. As a result, and in accordance with accounting principles generally accepted in the United States for exploration stage companies, all expenditures for exploration and evaluation of our property are expensed as incurred.

During the current fiscal year no mining activity occurred at the El Capitan Property and the Company focused on the additional concentration of head ore mined in the previous fiscal year at the pilot plant in Phoenix, Arizona.

See "***Item 1. Business - Business Operations***" for additional details describing current fiscal year.

We engage third party consultants and companies to provide mineral exploration and analysis of samples. As part of its selection process, we take into account the quality assurance practices of such consultants and companies prior to engagement. Consequently, the Company has not created an independent quality assurance program.

**Description of Equipment**

We have purchased a heavy metals separation system from AuraSource, Inc that uses state-of-the-art technology to separate hematite and magnetite from other elements in the mineralized materials collected at the El Capitan Property. The AuraSource process separates the head ore into three products: iron ore, precious metals and tailings, which is mainly a waste product but may contain some precious metals material. The system does not use any water or toxic chemicals and utilizes complete green industrial extraction of precious metals. At full capacity, the machine can process up to 400 tons of mineralized material per hour. The Company built various protective coverings for the AuraSource machine and for storage of small tools and other related enhancements relative to our project.

The Company has purchased a water truck to transport water to the El Capitan Property pending the drilling on-site. We also have a mobile home situated on our patented land. The Company currently has no other material equipment or buildings on site.

From time to time, we have entered into agreements with various personnel and companies to conduct exploration projects on the El Capitan Property. Each of the respective companies utilizes its own equipment to perform contracted work at the El Capitan Property. Currently our contract miner has used various types of equipment on the El Capitan Property site, which has been rented to perform the required mining activities.

**Other Properties**

As previously reported, the Company has a 20% joint venture interest in the COD Property, an underground property located in the Cerbat mountains in Mohave County, Arizona, approximately 11 miles north, northwest of Kingman, Arizona. The Company entered into a joint venture agreement related to this property in May 2004. Based upon the events and financial condition of the 80% joint venture partner, we have determined that this joint venture is not viable and, as a result, the Company does not consider the COD Property to be a material property of the Company.

**Executive Offices and Administrative Offices**

The executive and administrative office is at 5871 Honeysuckle Road, Prescott. Arizona 86305. The office premises are contributed free of charge by Mr. Stephen J. Antol, Chief Financial Officer for the Company. We believe that the offices are adequate to meet our current operational requirements. Other than our property as described above, we do not own any real property.

## ITEM 3. LEGAL PROCEEDINGS

We are not currently subject to any legal proceedings, and to the best of our knowledge, no such proceeding is threatened, the results of which would have a material impact on our properties, results of operation, or financial condition. Nor, to the best of our knowledge, are any of our officers or directors involved in any legal proceedings in which we are an adverse party.

## ITEM 4. MINE SAFETY DISCLOSURES

During our fiscal operating year ending September 30, 2017, the Company received various minor violations from MSHA. The proposed assessments were contested by the Company. The proposed assessments aggregated $1,864. On July 3, 2017, we received a letter from the Federal Mine Safety and Health Review Commission that the citations were vacated and dismissed. The Company will pursue reimbursement of our costs of defending these assessments as provided for under MSHA regulations.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

**Market Information**

Our common stock trades on the OTCQB Marketplace operated by the OTC Markets Group, Inc., or "OTCQB," under the ticker symbol "ECPN." The following table sets forth the range of high and low closing bid quotes of our common stock per quarter as reported by the OTCQB for the past two fiscal years ended September 30, 2017 and 2016, respectively. All quoted prices reflect inter-dealer prices without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

| | Price Range | |
|---|---|---|
| **Quarter Ended** | **High** | **Low** |
| September 30, 2017 | $ 0.085 | $ 0.0416 |
| June 30, 2017 | $ 0.0874 | $ 0.045 |
| March 31, 2017 | $ 0.1068 | $ 0.047 |
| December 31, 2016 | $ 0.0925 | $ 0.04 |
| | | |
| September 30, 2016 | $ 0.199 | $ 0.035 |
| June 30, 2016 | $ 0.074 | $ 0.030 |
| March 31, 2016 | $ 0.067 | $ 0.034 |
| December 31, 2015 | $ 0.995 | $ 0.045 |

**Holders**

As of March 30, 2018, we had approximately 1,420 holders of record of our common stock, one of which was Cede & Co., a nominee for Depository Trust Company, or DTC. Shares of common stock that are held by financial institutions as nominees for beneficial owners are deposited into participant accounts at DTC, and are considered to be held of record by Cede & Co. as one stockholder. As of March 30, 2018, we had approximately 8,300 beneficial holders of our common stock.

**Dividends**

To date, the Company has not declared or paid any cash dividends since its inception, and does not intend to declare any such dividends in the foreseeable future. Our ability to pay dividends is subject to limitations imposed by Nevada law. Under Nevada law, dividends may be paid to the extent that a corporation's assets exceed its liabilities and it is able to pay its debts as they become due in the usual course of business.

**Recent Sales of Unregistered Securities**

On March 31, 2017, the Company issued 3,150,719 shares of common stock for the complete conversion of an aggregate of $266,236 in principal and accrued interest under a promissory note. The issuances of shares were exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof because such issuance did not involve a public offering.

During the fiscal year ended September 30, 2017, we issued 7,684,671 shares of common stock to River North under the Purchase Agreement between the Company and River North for aggregate proceeds of $344,575. The issuances of shares were exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof because such issuance did not involve a public offering.

During the fiscal year ended September 30, 2017, we issued 3,403,890 shares of common stock for the complete conversion of an aggregate of $113,768 in principal and accrued interest under a promissory note. The issuances of shares were exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof because such issuance did not involve a public offering.

During the fiscal year ended September 30, 2017, we issued 446,988 shares of common stock for the partial conversion of an aggregate of $14,265 in principal and accrued interest under a promissory note. The issuances of shares were exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof because such issuance did not involve a public offering.

During the fiscal year ended September 30, 2017, we issued 14,240,321 shares of common stock to L2 Capital, LLC under the Purchase Agreement between the Company and L2 Capital, LLC for aggregate proceeds of $560,436. The issuances of shares were exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof because such issuance did not involve a public offering.

During the fiscal year ended September 30, 2017, we issued a total of 9,072,075 restricted shares of common stock to three individuals, two of whom are officers of the Company, for settlement of accrued compensation, a loan commitment fee and legal fees aggregating $375,755, resulting in a loss on extinguishment of $325,453. The issuance of shares was exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof because such issuance did not involve a public offering.

## ITEM 6. SELECTED FINANCIAL DATA

As a smaller reporting company, we are not required to provide disclosure pursuant to this item.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview of Business

The Company is an exploration stage company as defined by the SEC's Industry Guide 7 as the Company has no established reserves as required under Industry Guide 7. We are principally engaged in the exploration of precious metals and other minerals on the El Capitan property located near Capitan, New Mexico (the "El Capitan Property"). We have recorded nominal miscellaneous income in the fiscal years ended September 30, 2016 and 2017, resulting from the sale of test loads of iron ore to a construction contractor in fiscal 2016 and the sale of two test smelts on concentrates processed at a pilot plant located in Phoenix, Arizona in fiscal 2017. The 2016 and 2017 sales have been recorded as net miscellaneous income for accounting purposes.

We commenced mineral exploration activity in the quarter ended December 2015 under our modified mining permit. In November 2016 we completed certain mining activity at the El Capitan Property and developed a plan for a pilot plant in Phoenix, Arizona to work on concentrating the processed head ore produced in our fiscal year 2016. The quarter ended March 31, 2017 marked the beginning of operations at the pilot plant established in Phoenix, Arizona by a Company vendor to house equipment that processes concentrates recovered at the El Capitan Property. Although the pilot plant, including the equipment, are owned by its operator and not by the Company, its establishment brought the Company a significant step closer to recognizing revenue from the sale of concentrates. However, we have not yet demonstrated the existence of proven or probable reserves at our El Capitan Property. As a result, and in accordance with accounting principles generally accepted in the United States for exploration stage companies, all expenditures for exploration and evaluation of our property are expensed as incurred.

For complete details regarding the business of the Company, see "***Item 1. Business***" and "***Item 2. Properties***," above.

### Results of Operations - Fiscal year ended September 30, 2017 compared to fiscal year ended September 30, 2016.

We have not yet realized any material revenue from operations through our fiscal year ended September 30, 2017. We realized a net increase in operating expenses of $901,617, from $3,159,452 for the fiscal year ended September 30, 2016 to $4,061,069 for the fiscal year ended September 30, 2017. The increase is comprised mainly of an increase in impairment of exploration property of $1,607,608, partially offset by decreases in mine, exploration and pilot plant costs of $435,945, professional fees of $194,299 and legal and accounting fees of $76,542.

During our fiscal year 2017, we recorded an impairment on our exploration property, the El Capitan Property. To date the Company has not had any material revenue generated from operations at the site. Due to constraints on working capital, the Company has never had a market feasibility study done on our El Capitan Property and we are not able to substantiate the future cash inflows from this exploration property without a detailed study or significant revenues generated. At the time of filing this report, the Company did not have the supporting documentation to project the current estimated present value. With information about a mining property in the same county, we based the current market value on the number of patented mine claims the Company has compared to the subject property on the market and the estimated value of each of their patented mine claims. The current estimated fair value was under our carrying value by $1,607,608. We recorded an impairment charge for this amount to operations in our current fiscal year ended September 30, 2017.

The decrease in mine, exploration and pilot plant costs is mainly associated with the start-up of active mining operations at the El Capitan Property in the fiscal year ended September 30, 2016, and in the current year of measurement costs in this area were associated with the operations of the pilot plant which were substantially lower due mainly to decreased costs associated with labor and equipment rental costs. We also made significant improvements to the road to the site as required by MSHA in the prior period of measurement. Under SEC Guide 7, we are required to expense all incurred associated costs. The decrease in professional fees is mainly due to recording the MRI fees as professional fees and in the current year of measurement as administrative consulting fees. The decrease in legal and accounting expenses occurred due to decreased legal fees related to the negotiation and preparation of contracts and agreements associated with the prior fiscal year.

The net decrease in other expense, net totaling $190,840 is due to three main factors in the current period of measurement. The loss on non-cash derivative instruments decreased $453,189; the non-cash loss on debt extinguishment increased $579,980 and non-cash debt discounts recorded as interest expense decreased $258,659.

Our net loss increased by $710,777 from $4,507,737 for the fiscal year ended September 30, 2016 to $5,218,514 for the current fiscal year ended September 30, 2017. The increase in net loss is mainly attributable to the $901,617 net increase in operating expenses detailed above and a net decrease in other expense, net of $190,840.

**Liquidity and Capital Resources**

As of September 30, 2017, we had cash on hand of $80,416 and a working capital deficit of $1,270,835, which includes a non-cash derivative instruments liability of $606,330. Based upon our budgeted burn rate, we currently have operating capital for approximately one month. The Company has historically relied on equity or debt financings to finance its ongoing operations. Currently, the Company intends to rely on the potential proceeds from the sale of processed concentrates and sale of stock under the Purchase Agreement with L2 Capital to fund its ongoing operations until such time as the Company can generate revenue from its mineral exploration and mining activities or enter into a joint operating venture or sale of the El Capitan Property. As needed, we may also seek short term financing though the sale of equity or convertible debt securities.

We cannot predict whether and when proceeds from the sale of concentrates will be available to help fund our continued operations. Our current financing arrangements are summarized below under the caption ***"Recent Financing Activities."*** Our only committed source of future financing is pursuant to the Purchase Agreement with L2 Capital. To the extent that we are required to raise additional capital, we do not know whether it will be available on terms favorable or acceptable to us when needed, if at all. To the extent that we raise additional capital by issuing equity securities, our stockholders may experience dilution. In addition, we may grant future investors rights superior to those of our existing stockholders. If we raise additional funds by incurring debt, we could incur significant interest expense and become subject to covenants in the related transaction documentation that could affect the manner in which we conduct our business or seek to obtain future financing. If adequate additional capital is not available when required, we may be forced to reduce or eliminate our marketing efforts for the sale or a joint venture of the El Capitan Property, or suspend our operations entirely.

**Recent Financing Activities**

***Agreements with Logistica U.S. Terminals, LLC***

On January 5, 2016, we entered into our current agreement with Logistica U.S. Terminals, LLC ("Logistica"). Under the agreement we will provide to Logistica concentrated ore to their specifications at the mine site. Logistica will transport, process, and refine the precious metals concentrates to sell to precious metals buyers. The terms of the new agreement provide for the recovery of hard costs related to the concentrates by both parties prior to the distribution of profits. The agreement also provides for the issuance of 10,000,000 shares of our restricted common stock and the elimination of a $100,000 accrued liability to Logistica for prior services rendered, which shares were issued in August 2016. When certain terms and conditions are met, the Agreement calls for Logistica to arrange for a letter of credit for working capital for the mining, processing and sale activities under the Agreement. See "***Item 1. Business – Business Operations - Arrangements with Glencore AG and Logistica***."

***October 17, 2014 Note and Warrant Purchase Agreement***

On October 17, 2014, we entered into a private Note and Warrant Purchase Agreement with an accredited investor pursuant to which we borrowed $500,000 against delivery of a promissory note (the "2014 Note") in such amount and issued warrants to purchase 882,352 shares of our common stock. The 2014 Note carries an interest rate of 8% per annum, was initially due on July 17, 2015 and was secured by a first priority security interest in all right, title and interest of the Company in and to the net proceeds received by the Company from its sale of tailings separated from iron recovered by the Company at the El Capitan Property. On August 24, 2015, the maturity date of the 2014 Note was mutually extended to January 17, 2016. In consideration of the extension, the Company issued a common stock purchase warrant to purchase 4,714,286 shares (subject to adjustment) of our common stock at an exercise price of $0.07 per share. The warrant previously issued on October 17, 2014 for 882,352 shares was cancelled. On January 19, 2016, the maturity date of the 2014 Note was further extended to September 19, 2016. The 2014 Note was in default. In consideration of the extension, we issued to the investor a fully vested three year common stock purchase warrant to purchase 471,429 shares (subject to adjustment) of common stock of the Company at an exercise price of $0.051 per share, the closing price on the date of the agreed extension agreement. The fair value of the warrants was determined to be $16,775 using Black-Scholes option price model and was expensed during the three months ended March 31, 2016. The 2014 Note was delinquent and principal payments of $100,000 were made on the 2014 Note. During the six months ended March 31, 2017, the outstanding principal balance of the amended 2014 Note was reduced $150,000 and related accrued interest payments of $6,115 was made. On March 29, 2017, the Company authorized outstanding principal and accrued interest under the 2014 Note as of March 29, 2017 to be converted into common stock at the conversion price of $0.08126 per share. The parties entered into an agreement of exchange dated March 30, 2017. The outstanding principal balance and accrued interest under the 2014 Note at the time of conversion were $250,000 and $6,027, respectively. The principal and accrued interest was converted into 3,150,719 shares of common stock at a fair market value of $266,236 and the Company recorded a loss on extinguishment of debt of $10,209. In connection with the conversion of the note payable on March 30, 2017, the Company issued a fully vested three year warrant to purchase 250,000 shares of common stock of the Company at an exercise price of $0.08126 per share. The fair value of the warrants was determined to be $16,258 using the Black-Scholes option pricing model and was recorded as a loss on extinguishment of debt.

***February 4, 2015 Unsecured Promissory Notes***

On February 4, 2015, we issued unsecured promissory notes in the aggregate principal amount of $63,000, of which a $30,000 note was issued to MRI, a company controlled by John F. Stapleton, who served as the Chief Financial Officer and a director of the Company at that time and who currently serves as President and Chief Executive Officer and a director of the Company. Outstanding amounts under these notes accrue interest at 18% per year, with all principal and accrued interest being due and payable on February 4, 2016. As additional consideration for the loans, we issued 200,000 shares of our restricted common stock for each note for a total of 400,000 shares to the lenders. The relative fair value of the common stock was determined to be $21,211 and was recorded as discounts to the promissory notes and was amortized to interest expense over the life of the notes. On February 4, 2016, one of the promissory notes was amended to extend the maturity date from February 4, 2016 to February 4, 2017 and reduce the interest rate to 10% per year. The Company also agreed to capitalize the $5,940 of accrued interest on the note at February 4, 2016 and add it to principal. In consideration of the amendment, the Company agreed to issue 150,000 shares of restricted common stock of the Company to the noteholders, the issuance of which was approved by the Board of Directors on April 22, 2016. MRI, the holder of the other note, agreed to extend its maturity date to February 4, 2017 at the same rate of interest and in consideration for the issuance of 200,000 shares of our restricted common stock; and the shares were issued in April 2017 at a market value on the date of issuance of $12,000. On March 29, 2017, both noteholders agreed to extend the maturity date of the notes for six months, to August 4, 2017. Our obligations under both notes are personally guaranteed by a Company's director and who was the Chief Executive Officer at the time the notes were issued.

As of September 30, 2017, the aggregate outstanding balance under these notes was $68,940, the aggregate accrued interest was $21,267 and the unamortized discount on the notes payable was $0. During the fiscal years ended September 30, 2017 and 2016, amortization expense of $1,769 and $19,442, respectively, was recognized. As of September 30, 2017, both notes are in default and currently due.

***December 2, 2015 Securities Purchase Agreement***

On December 2, 2015, we entered into a Securities Purchase Agreement for two $114,400 convertible notes with an accredited investor for an aggregate principal amount of $228,800 with an annual interest rate of 9%. Each note contains an original issue discount ("OID") of $10,400 and related legal and due diligence costs of $12,000. The Company received net proceeds of $92,000 from the first note received by the Company. The second note was cancelled. The maturity date on the first note is December 2, 2017. An amendment to the note on January 12, 2016, allows us to prepay in full the unpaid principal and interest on the note, upon notice, any time prior to June 3, 2016. Any prepayment is at 140% face amount outstanding and accrued interest. The redemption must be closed and paid for within three business days of the Company sending the redemption demand. The note may not be prepaid after the June 2, 2016. The note is convertible into shares of the Company's common stock at any time beginning on May 30, 2016. The conversion price is equal to 55% of the lowest trading price of our common stock as reported on the QTCQB for the 10 prior trading days (and may include the day of the Notice of Conversion under certain circumstances). We agreed to reserve an initial 5,033,000 shares of common stock for conversions under the note. We also agreed to adjust the share reserve to ensure that it equals at least four times the total number of shares of common stock issuable upon conversion of the note from time to time. We recognized the fair value of the embedded conversion feature as a derivative liability on June 9, 2016 of $136,276.

The note contained an embedded conversion option and was separated from the note and accounted for as a derivative instrument at fair value and discount to the note and is expensed over the life of the note under the effective interest method. The initial carrying value of the of the embedded conversion option exceeded the net proceeds received and created a derivative loss of $132,068 in the period ending December 31, 2015. The Company recorded a loan discount of $114,400 and the discount included OID interest of $10,400 and related loan costs of $12,000. For the year ended September 30, 2016, the discount amortization was $114,400, and during the period of conversion we issued 6,341,355 shares of restricted common stock in satisfaction of $114,400 principal and accrued interest of $5,816.

***January 26, 2016 Securities Purchase Agreement***

On January 26, 2016 (the "Effective Date"), we entered into a Securities Purchase Agreement (the "SPA") for an $180,000 convertible note with an accredited investor, with an annual interest rate of 7%. The note contains an OID of $18,000 and related legal costs of $6,000. The net proceeds received by the Company were $156,000. The maturity date of the note is January 26, 2017. Interest is due on or before the maturity date. We may redeem the note by prepaying the unpaid principal and interest on the note, upon notice, any time prior to 180 days after the Effective Date. If redemption is (i) prior to the 30th day the note is in effect (including the 30th day), the redemption will be 105% of the unpaid principal amount and accrued interest; (ii) if the redemption is on the 31st day up to and including the 60th day the note is in effect, the redemption price will be 115% of the unpaid principal amount of the note along with any accrued interest; (iii) if the redemption is on the 61st day up to and including the 120th day the note is in effect, the redemption price will be 135% of the unpaid principle amount of the note along with any accrued interest; if the redemption is on the 121st day up to and including the 180th day the note is in effect, the redemption price will be 150% of the unpaid principle amount of the note along with any accrued interest. The redemption must be closed and paid for within three business days of the Company sending the redemption demand. The note may not be prepaid and redeemed after the 180th day. The note is convertible into shares of the Company's common stock at any time beginning on the date which is 181 days following the Effective Date. The conversion price is equal to 55% of the lowest trading price of our common stock as reported on the QTCQB for the 10 prior trading days and may include the day of the Notice of Conversion under certain circumstances. The Company agreed to reserve an initial 10,800,000 shares of common stock for conversions under the note (the "Share Reserve"). We also agreed to adjust the Share Reserve to ensure that it always equals at least three times the total number of shares of common stock that is actually issuable if the entire note were to be converted. The OID interest of $18,000 and related loan costs of $6,000 was recorded as a discount to the note and was being amortized over the life of the loan as interest expense

The note has an embedded conversion option which qualifies for derivative accounting and bifurcation under ASC 815-15, *Derivatives and Hedging*. Pursuant to ASC 815, the Company recognized the fair value of the embedded conversion feature as a derivative liability on July 25, 2016 of $238,479 with $167,898 recorded as a discount to the note and $70,581 recorded as a day one derivative loss. On August 8, 2016, the investor converted the principal balance of $180,000 and accrued interest of $6,662 into 9,506,619 shares of restricted common stock. For the year ended September 30, 2016, the discount amortization was $191,898.

***March 16, 2016 Purchase Agreement and Registration Rights Agreement; December 9, 2016 Amendment***

On March 16, 2016, we entered into a Purchase Agreement with River North, which was subsequently amended on December 9, 2016 by Amendment No. 1 thereto (the "Amendment"). Pursuant to the Purchase Agreement we may from time to time, in our discretion, sell shares of our common stock to River North for aggregate gross proceeds of up to $5,000,000. Unless terminated earlier, River North's purchase commitment will automatically terminate on the earlier of the date on which River North shall have purchased Company shares pursuant to the Purchase Agreement for an aggregate purchase price of $5,000,000 or March 16, 2018. We have no obligation to sell any shares under the Purchase Agreement.

As provided in the Purchase Agreement, the Company may require River North to purchase shares of common stock from time to time by delivering a put notice to River North specifying the total purchase price for the shares to be purchased (the "Investment Amount"); provided there must be a minimum of 10 trading days between deliveries of each put notice. The minimum trading days between deliveries of put notices may be adjusted downward at the discretion of River North from time to time. Currently the minimum time between the put notices is five (5) days. This arrangement is also sometimes referred to herein as the "Equity Line." We may determine the Investment Amount, provided that such amount may not be more than the average daily trading volume in dollar amount for the Company's common stock during the 10 trading days preceding the date on which the Company delivers the applicable put notice. Additionally, such amount may not be lower than $5,000 or higher than $150,000 without prior approval of River North. The number of shares issuable in connection with each put notice will be computed by dividing the applicable Investment Amount by the purchase price for such common stock. River North will have no obligation to purchase shares under the Purchase Agreement to the extent that such purchase would cause River North to own more than 9.99% of the Company's common stock.

Prior to the Amendment, for each share of our common stock purchased under the Purchase Agreement, River North paid a purchase price equal to 85% of the Market Price, which was defined as the average of the two lowest closing bid prices on the OTCQB Marketplace, as reported by Bloomberg Finance L.P., during the five consecutive Trading Days including and immediately prior to the date on which the applicable put notice is delivered to River North (the "Pricing Period"). If, at the time of a sale, we were not deposit/withdrawal at custodian ("DWAC") eligible, or if we were under Depository Trust Company ("DTC") "chill" status, an additional 5.0% and 10% discount to the Market Price, respectively, applied.

On December 9, 2016, the Company and River North entered into the Amendment in order to amend the formula pursuant to which the purchase price for the Company's shares is calculated and to make certain other amendments to the terms of the Purchase Agreement. As amended, the Pricing Period now includes the five consecutive trading days including and immediately prior to the settlement date of the sale, which in most circumstances will be the trading day immediately following the date that a put notice is delivered to River North (a "Put Date"). In addition, the Amendment provides that if either (i) the closing bid price the common stock is less than $0.10 per share on the Put Date, or (ii) the average daily trading volume in dollar amount for the common stock during the ten trading days including and immediately preceding a Put Date is less than $50,000, then an additional 10% discount to the Market Price will be taken when calculating the purchase price for the shares. The prior discounts for DWAC ineligibility and DTC chill status remain.

River North's obligation to purchase shares under the Purchase Agreement is subject to customary closing conditions, including without limitation a requirement that a registration statement remain effective registering the resale by River North of the shares to be issued pursuant to the Purchase Agreement as contemplated by the Registration Rights Agreement described below. The Purchase Agreement contains covenants, representations and warranties of the Company and River North that are typical for transactions of this type. In addition, the Company and River North have granted each other customary indemnification rights in connection with the Purchase Agreement. The Purchase Agreement may be terminated by the Company at any time. The Purchase Agreement is not transferable and any benefits attached thereto may not be assigned.

The foregoing description of the Purchase Agreement (including the Amendment) does not purport to be complete and is subject to and qualified in its entirety by reference to the Purchase Agreement itself (including the Amendment).

During the fiscal years ended September 30, 2017 and 2016, we issued a total of 7,684,671 and 13,072,636 shares of common stock, respectively, to River North under the Purchase Agreement for aggregate proceeds of $344,575 and $871,679, respectively.

Also on March 16, 2016, in connection with the Purchase Agreement, we entered into a Registration Rights Agreement with River North requiring the Company to prepare and file, within 45 days of the effective date of the Registration Rights Agreement, a registration statement registering the resale by River North of the shares to be issued under the Purchase Agreement, and to use commercially reasonable efforts to cause such registration statement to become effective, and to keep such registration statement effective until (i) three months after the last closing of a sale of shares under the Purchase Agreement, (ii) the date when River North may sell all the shares under Rule 144 without volume limitations, or (iii) the date on which River North no longer owns any of the shares. On April 11, 2016, we filed a Registration Statement on Form S-1 (SEC File No. 333-210686) with the SEC registering the resale of up to 25,000,000 shares of the Company's common stock that may be issued and sold to River North pursuant to the Purchase Agreement. Such Registration Statement was declared effective by the SEC on April 20, 2016.

As partial consideration for the above-mentioned agreements, on March 16, 2016, we issued to River North a "commitment" convertible promissory note (the "Commitment Note") in the principal amount of $35,000. The Commitment Note accrued interest at a rate of 10% per annum and was scheduled to mature on March 16, 2017. Upon the registration statement contemplated by the Registration Rights Agreement being declared effective, $10,000 of the principal balance of the Commitment Note and accrued interest thereon was extinguished and deemed to have been repaid.

After 180 days following the date of the Commitment Note, or earlier upon the occurrence of an event of default that remains uncured, the Commitment Note may be converted into shares of the Company's common stock at the election of River North at a conversion price per share equal 60% of the Current Market Price, which is defined as the lowest closing bid price for the common stock as reported by Bloomberg, LP for the 10 trading days ending on the trading day immediately before the conversion. The loan principal and accrued interest were paid in full prior to the note conversion date.

On March 16, 2016, we entered into a Securities Purchase Agreement with River North pursuant to which the Company issued a convertible promissory note (the "Bridge Note") to River North, in the original principal amount of $90,000, in consideration of the payment by River North of a purchase price equal to $73,800, with $9,000 retained by River North as original issue discount and $7,200 for related legal and due diligence costs and these costs were recorded as discount to the note. The Company issued the Bridge Note on March 16, 2016. The Bridge Note accrues interest at a rate of 10% per annum and matures on March 16, 2017.The Bridge Note provides for conversion rights and events of default on substantially the same terms and conditions as the Commitment Note; provided however that an event of default under the Bridge Note will also be triggered if the Company fails to use at least 15% of the proceeds from each sale of shares under the Purchase Agreement to prepay a portion of the Bridge Note after it becomes convertible. The loan principal and accrued interest were paid in full prior to the note conversion date and for the fiscal year ended September 30, 2016, we recorded a discount expense of $16,200.

On February 21, 2017, the Company and River North terminated the River North Purchase Agreement and a related registration rights agreement and the Company entered into a new Equity Purchase Agreement with L2 Capital, LLC, as described below.

***February 21, 2017 Termination of River North Purchase Agreement; Entry into L2 Purchase Agreement***

On February 21, 2017, the Company and River North terminated the River North Purchase Agreement and a related registration rights agreement and the Company entered into a new Equity Purchase Agreement (the "L2 Purchase Agreement") with L2 Capital, LLC ("L2 Capital"), an affiliate of River North. Under the L2 Purchase Agreement, the Company may from time to time, in its discretion, sell shares of its common stock to L2 Capital for aggregate gross proceeds of up to $5,000,000. Unless terminated earlier, L2 Capital's purchase commitment will automatically terminate on the earlier of the date on which L2 Capital shall have purchased Company shares pursuant to the Purchase Agreement for an aggregate purchase price of $5,000,000, or February 21, 2020. The Company has no obligation to sell any shares under the L2 Purchase Agreement.

As provided in the L2 Purchase Agreement, the Company may require L2 Capital to purchase shares of common stock from time to time by delivering a put notice to L2 Capital specifying the total number of shares to be purchased (such number of shares multiplied by the purchase price described below, the "Investment Amount"); provided there must be a minimum of ten trading days between delivery of each put notice. The Company may determine the Investment Amount, provided that such amount may not be more than the average daily trading volume in dollar amount for the Company's common stock during the 10 trading days preceding the date on which the Company delivers the applicable put notice. Additionally, such amount may not be lower than $5,000 or higher than $150,000. L2 Capital will have no obligation to purchase shares under the L2 Purchase Agreement to the extent that such purchase would cause L2 Capital to own more than 9.99% of the Company's common stock.

For each share of the Company's common stock purchased under the L2 Purchase Agreement, L2 Capital will pay a purchase price equal to 85% of the Market Price, which is defined as the average of the two lowest closing bid prices on the OTCQB Marketplace, as reported by Bloomberg Finance L.P., during the five consecutive Trading Days including and immediately prior to the settlement date of the sale, which in most circumstances will be the trading day immediately following the "Put Date," or the date that a put notice is delivered to L2 Capital (the "Pricing Period"). The purchase price will be adjusted as follows: (i) an additional 10% discount to the Market Price will be applied if either (A) the Closing Price of the Common Stock on the Put Date is less than $0.10 per share, or (B) the average daily trading volume in dollar amount for the Common Stock during the ten Trading Days including and immediately preceding the Put Date is less than $50,000; (ii) an additional 5% discount to the Market Price will be applied if the Company is not deposit/withdrawal at custodian ("DWAC") eligible; and (iii) an additional 10% discount to the Marker Price will be applied if the Company is under DTC "chill" status. L2 Capital's obligation to purchase shares on any settlement date is subject to customary closing conditions, including without limitation a requirement that a registration statement remain effective registering the resale by L2 Capital of the shares to be issued. The L2 Purchase Agreement is not transferable and any benefits attached thereto may not be assigned.

The L2 Purchase Agreement contains covenants, representations and warranties of the Company and L2 Capital that are typical for transactions of this type. In addition, the Company and L2 Capital have granted each other customary indemnification rights in connection with the L2 Purchase Agreement. The L2 Purchase Agreement may be terminated by the Company at any time.

In connection with the L2 Purchase Agreement, the Company also entered into Registration Rights Agreement with L2 Capital requiring the Company to prepare and file, within 45 days, a registration statement registering the resale by L2 Capital of shares to be issued under the L2 Purchase Agreement, to use commercially reasonable efforts to cause such registration statement to become effective, and to keep such registration statement effective until (i) three months after the last closing of a sale of shares under the L2 Purchase Agreement, (ii) the date when L2 Capital may sell all the shares under Rule 144 without volume limitations, or (iii) the date L2 Capital no longer owns any of the shares. On February 28, 2017, we filed a Registration Statement on Form S-1 (SEC File No. 333-216328) with the SEC registering the resale of up to 26,849,394 shares of the Company's common stock that may be issued and sold to L2 Capital pursuant to the L2 Purchase Agreement. Such Registration Statement was declared effective by the SEC on March 10, 2017.

The foregoing description of the terms of the Termination with River North and the L2 Purchase Agreement and corresponding Registration Rights Agreement does not purport to be complete and is subject to and qualified in its entirety by reference to the agreements themselves, copies of which are filed as Exhibits 10.4, 10.5 and 10.6, respectively, to our Current Report on Form 8-K filed with the SEC on February 23, 2017, and the terms of which are incorporated herein by reference. The benefits and representations and warranties set forth in such documents (if any) are not intended to and do not constitute continuing representations and warranties of the Company or any other party to persons not a party thereto.

The offering of shares issuable under the L2 Purchase Agreement was not registered under the Securities Act, and therefore may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. For such issuances, the Company is relying on the exemption from federal registration under Section 4(2) of the Securities Act and/or Rule 506 promulgated thereunder, based on the Company's belief that the offer and sale of such securities did not involve a public offering.

During the fiscal year ended September 30, 2017, we issued a total of 14,240,321 shares of common stock to L2 Capital under the Purchase Agreement for aggregate proceeds of $560,436.

***February 21, 2017 Convertible Note and Warrant Financing Transaction***

On February 21, 2017, we entered into a Securities Purchase Agreement pursuant to which the Company issued a convertible note (the "Note") to an accredited investor in the aggregate principal amount of $550,000, or such lesser amounts based on actual advances thereunder. In order to reflect an agreed upon original issue discount, the outstanding principal amount of the Note attributable to each advance is 110% of the amount of the corresponding advance (i.e., a $100,000 advance results in outstanding principal attributable to the advance of $110,000). Upon issuance of the Note, the investor made a $100,000 initial advance. The Company and the investor must mutually agree upon any future advances under the Note. Amounts advanced under the Note will accrue interest at seven percent per annum. Except to the extent converted into common stock of the Company, as discussed below, outstanding principal and interest will become due and payable on August 21, 2017. Amounts outstanding under the Note are convertible at the election of the investor into common stock of the Company at a conversion price equal to $0.0913 (the volume weighted average price of the Company's common stock on the day prior to the issuance date). The Note provides for various events of default upon which amounts outstanding under the Note will immediately increase by 140% and the conversion price will be permanently redefined to equal 60% of the average of the three lowest traded prices during the 14 consecutive trading days preceding the conversion date. As additional consideration for the initial advance, the Company issued the investor a three year warrant to purchase up to 602,406 shares of the Company's common stock at an exercise price equal to $0.3652 per share (which price is subject to anti-dilution adjustment in the event the Company issues additional convertible securities with lower conversion prices). In conjunction with any future advances under the Note, the Company will issue additional three year warrants to purchase a number of shares equal to 50% of the conversion shares issuable upon conversion of the amount advanced.

The Securities Purchase Agreement contains covenants, representations and warranties of the Company and the investor that are typical for transactions of this type.

The foregoing description of the terms of the Securities Purchase Agreement, Note and the warrants does not purport to be complete and is subject to and qualified in its entirety by reference to the agreements and instruments themselves, copies of which are filed as Exhibits 10.1, 10.2 and 10.3, respectively, to our Current Report on Form 8-K filed with the SEC on February 23, 2017, and the terms of which are incorporated herein by reference. The benefits and representations and warranties set forth in such agreements and instruments are not intended to and do not constitute continuing representations and warranties of the Company or any other party to persons not a party thereto.

The issuance of the Note and warrant, and the shares issuable upon any conversion or exercise thereof, were not registered under the Securities Act, and therefore may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. For these issuances, the Company relied on the exemption from federal registration under Section 4(2) of the Securities Act and/or Rule 506 promulgated thereunder, based on the Company's belief that the offer and sale of such securities did not involve a public offering.

***Note Amendment, Funding and Conversion***

On July 24, 2017, the Company amended the maturity date of the $100,000 initial advance under an the Securities Purchase Agreement and the corresponding Note dated February 21, 2017. The maturity date for first advance was extended to November 15, 2017 and the conversion price of each advance under the Note was changed to equal the lesser of (a) the volume weighted average price of the Company's common stock on the trading day prior to such advance or (b) 75% of the average of the two lowest daily trades in the five day period prior to the noteholder's delivery of a conversion notice. All other terms and conditions of the Note remain in full force and effect.

On July 28, 2017, the Company received a second $100,000 advance under the Investor Agreement and the corresponding Note, resulting in additional outstanding principal of $110,000 after taking into account the original issue discount. The second advance is subject to the terms and conditions the Promissory and interest and principal are due January 28, 2018. Outstanding amounts under this advance are convertible at the election of the noteholder at a conversion price of the lower of $0.0617 or 75% of the average of the two lowest daily trades in the five-day period prior to the noteholder's delivery of a conversion notice. The Company also issued a three year warrant to purchase up to 891,410 shares of the Company's common stock at a per share exercise price of $0.2468. The warrant provides for cashless exercise at the election of the holder if, on the date on which the warrant is exercised, the warrant is in-the-money and a registration statement registering the issuance of the underlying warrant shares is not effective. As part of the second advance, the Company initially reserved 7,000,000 shares of common stock for issuance upon possible conversion of the advance and exercise of the warrant.

At September 30, 2017, the first note advance and related interest aggregating $113,768 was retired through conversion for 3,403,890 shares of common stock.

During the quarter ended September 30, 2017, the accredited investor converted a portion of the second advance and accrued interest aggregating $14,265 into 446,988 shares of common stock.

***Financing of Insurance Premiums and Truck Purchase***

On August 15, 2016, we entered into an agreement to finance a portion of our liability insurance premiums in the amount of $28,384 at an interest rate of 7.25% with equal payments of $2,934, including interest, due monthly beginning July 14, 2016 and continuing through April 14, 2017. As of September 30, 2017, the outstanding balance under this note payable was $0.

On November 14, 2016, we entered into an agreement to finance director and officer insurance premiums in the amount of $25,224 at an interest rate of 5% with equal payments of $2,581, including interest, due monthly beginning December 21, 2016 and continuing through September 21, 2017. As of September 30, 2017, the outstanding balance under this note payable was $0.

On February 23, 2017, we entered into an agreement to finance a Ford 450 truck for transporting mineralized ore in the amount of $26,071 at an interest rate of 4.99% and 36 monthly payments of $781, due monthly beginning March 25, 2017, and continuing through February 25, 2020. As of September 30, 2017, the outstanding balance under this note payable was $21,325. The Chief Financial Officer co-signed on behalf of the Company on the finance contract.

On June 13, 2017, we entered into an agreement to finance our liability insurance premiums in the amount of $22,277, with a down payment of $3,342 and $18,935 financed at an interest rate of 4.0% with equal payments of $1,928, including interest, due monthly beginning July 14, 2017 and continuing through April 14, 2018. As of September 30, 2017, the outstanding balance under this note payable was $13,320.

***Securities Purchase Agreement with L2 Capital, LLC and Promissory Note***

On December 18, 2017, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with L2 Capital, LLC ("L2 Capital") pursuant to which the Company issued a convertible promissory note (the "Note") to L2 Capital, in the original principal amount of $99,000, in consideration of the payment by L2 Capital of a purchase price equal to $90,000, with $9,000 retained by L2 capital as original issue discount. As additional consideration for the loan, the Company issued 1,250,000 shares of its common stock to L2 Capital as a commitment fee. The Securities Purchase Agreement contains covenants, representations and warranties of the Company and L2 Capital that are typical for transactions of this type. The transaction was finalized on December 28, 2017. For complete details regarding this transaction, see ***Note 12 – Subsequent Events*** to the financial statements included in this Annual Report on Form 10-K.

***Note Purchase and Assignment Agreement; Replacement Convertible Promissory Note***

On January 3, 2018, the Company entered into a Note Purchase and Assignment Agreement (the "Assignment Agreement") with L2 Capital, LLC ("L2 Capital") and the holder (the "Seller") of an outstanding promissory note of the Company (the "Original Note") pursuant to which the Seller agreed to sell and assign to L2 Capital, and L2 Capital agreed to purchase from the Seller, the Original Note. The Original Note, which became due and payable on February 4, 2016, had outstanding principal and accrued interest of $47,118 as of January 3, 2018. Pursuant to the Assignment Agreement, the Company issued a new promissory note dated January 3, 2018 to L2 Capital to replace the Original Note (the "Replacement Note"). The Replacement Note, which has an original principal balance of $47,118, accrues interest at a rate of 7% per annum, with principal and interest payable on June 3, 2018. For a more complete summary of this transaction, see ***Note 12 – Subsequent Events*** to the financial statements included in this Annual Report on Form 10-K.

***February 12, 2018 Promissory Note***

On February 12, 2018, the Company signed a promissory note for $25,000 with a revocable trust of Robert W. Shirk, one of the Company's directors. The note has an interest rate of 5% per annum. Principal and accrued interest thereon are due and payable on the six month anniversary of the note.

***Cash Advances***

On February 28, 2018, two officers of the Company advanced a total of $20,000 to the Company for working capital use. Reimbursement of the advances is anticipated to be made within 30 days of the advances and there are no penalty or interest factors attached to such advances.

**Factors Affecting Future Mineral Exploration Results**

Since inception we have only received miscellaneous income from the sale of test loads of iron ore to a construction contractor in fiscal 2016 and the sale of two test smelts on concentrates processed at our pilot plant located in Phoenix, Arizona in fiscal 2017. As a result, we have only a limited history upon which to evaluate our future potential performance. Our potential must be considered by evaluation of all risks and difficulties encountered by exploration companies which have not yet established business operations and anticipated results and situations of entering active exploration activities.

The price of gold and silver has experienced both increases and decreases in value over the past five years. A historical chart of their respective prices is contained in ***Item 1***, the "***Business***" portion of this Annual Report. Beginning in April 2013, the price of gold and silver has experienced volatile upward and downward swings. A significant permanent drop in the price of gold, silver or other precious metals may have a materially adverse effect on the future results of potential exploration activities and the opportunity to market the sale of the El Capitan Property and the potential future revenue derived from the sale of concentrates. The El Capitan Property is an open pit mine with lower production costs and a material increase in costs associated with the recovery of precious metals may also cause a material adverse effect on the financial success of the Company and our ability to market the sale or enter into a joint venture on the El Capitan Property.

Time delays in obtaining any necessary future approvals from the various governmental agencies, both federal and state, may also cause delays, all of which are not under our control, in achieving our strategic business plan and current plan of operation. At this time, the Company has no formal plan in place for additional mineral exploration activities in fiscal 2018.

**Off-Balance Sheet Arrangements**

During the fiscal year ended September 30, 2017, we did not engage in any off-balance sheet arrangements as set forth in Item 303(a)(4) of the Regulation S-K.

**Critical Accounting Policies**

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require us to make estimates and judgments that significantly affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the consolidated financial statements. ***Note 1***, "***Business, Basis of Presentation and Significant Accounting Policies***" in the Notes to the Consolidated Financial Statements for the fiscal year ended September 30, 2017, describes our significant accounting policies which are reviewed by management on a regular basis.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

Our exposure to market risks is limited to changes in interest rates. We do not use derivative financial instruments as part of an overall strategy to manage market risk. Accordingly, we consider our interest rate risk exposure to be insignificant at this time.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**EL CAPITAN PRECIOUS METALS, INC.**

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SEMPLE, MARCHAL & COOPER, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
2700 NORTH CENTRAL AVENUE, NINTH FLOOR, PHOENIX, ARIZONA 85004-1147

**Report of Independent Registered Public Accounting Firm**

Board of Directors and Shareholders of
El Capitan Precious Metals, Inc.

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheet of El Capitan Precious Metals, Inc. (the "Company") and subsidiaries as of September 30, 2017, the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at September 30, 2017, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Going Concern Uncertainty**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a working capital deficit that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Semple, Marchal & Cooper, LLP
Certified Public Accountants

We have served as the Company's auditor since 2018

Phoenix, Arizona
March 30, 2018

TEL 602-241-1500 • FAX 602-234-1867 • WWW.SEMPLECPA.COM

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
El Capitan Precious Metals, Inc.
Prescott, Arizona

We have audited the accompanying consolidated balance sheet of El Capitan Precious Metals, Inc. and its subsidiaries (collectively, the "Company") as of September 30, 2016, and the related consolidated statement of operations, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of El Capitan Precious Metals, Inc. and its subsidiaries as of September 30, 2016, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has no source of revenue to cover its costs, incurred a net loss for the year ended September 30, 2016 and has a working capital deficit as of September 30, 2016. The Company requires additional funds to meet its obligations and the costs of its operations. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*/s/ MaloneBailey, LLP*
www.malonebailey.com
Houston, Texas
January 13, 2017

**EL CAPITAN PRECIOUS METALS, INC.**

**CONSOLIDATED BALANCE SHEETS**

| | September 30, 2017 | September 30, 2016 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 80,416 | $ 296,619 |
| Prepaid expense and other current assets | 36,596 | 135,196 |
| Inventory | 165,040 | 252,466 |
| Total Current Assets | 282,052 | 684,281 |
| | | |
| Property and equipment, net of accumulated depreciation of $212,989 and $128,748, respectively | 572,711 | 577,883 |
| Exploration property | 257,000 | 1,864,608 |
| Restricted cash | 79,861 | 74,504 |
| Deposits | 22,440 | 22,440 |
| Total Assets | $ 1,214,064 | $ 3,223,716 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)** | | |
| | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 228,922 | $ 224,079 |
| Current portion of long-term debt | 8,520 | — |
| Notes payable, net of unamortized discounts of $0 and $1,769, respectively | 452,261 | 857,219 |
| Convertible note payable, net of unamortized discount of $73,246 and $0, respectively | 23,438 | — |
| Note payable, related party | 30,000 | 30,000 |
| Derivative instruments liability | 606,330 | — |
| Accrued compensation - related parties | 72,700 | 500,000 |
| Accrued liabilities | 130,716 | 407,332 |
| Total Current Liabilities | 1,552,887 | 2,018,630 |
| | | |
| LONG-TERM LIABILITY: | | |
| Note payable, net of current portion | 12,805 | — |
| Total Liabilities | 1,565,692 | 2,018,630 |
| | | |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, $0.001 par value; 5,000,000 shares authorized; 51 and 51 shares issued and outstanding, respectively | — | — |
| Common stock, $0.001 par value; 500,000,000 shares authorized; 430,433,547 and 366,254,777 shares issued and outstanding, respectively | 430,434 | 366,255 |
| Additional paid-in capital | 216,463,060 | 212,865,439 |
| Accumulated deficit | (217,245,122) | (212,026,608) |
| Total Stockholders' Equity (Deficit) | (351,628) | 1,205,086 |
| Total Liabilities and Stockholders' Equity (Deficit) | $ 1,214,064 | $ 3,223,716 |

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

**EL CAPITAN PRECIOUS METALS, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | Years Ended September 30, | |
|---|---|---|
| | **2017** | **2016** |
| OPERATING EXPENSES: | | |
| Mine, exploration and pilot plant costs | 1,796,246 | 2,232,191 |
| Impairment of exploration property | 1,607,608 | — |
| Professional fees | 16,597 | 210,896 |
| Administrative consulting fees | 350,000 | 240,000 |
| Legal and accounting fees | 139,486 | 216,028 |
| Other general and administrative | 151,132 | 260,337 |
| Total Operating Expenses | 4,061,069 | 3,159,452 |
| LOSS FROM OPERATIONS | (4,061,069) | (3,159,452) |
| OTHER INCOME (EXPENSE): | | |
| Interest income | 27 | 20 |
| Net miscellaneous income (expense) | 12,745 | (350) |
| Loss on derivative instruments | (314,751) | (767,940) |
| Loss on debt extinguishment | (660,376) | (80,396) |
| Interest expense – related party | (5,400) | (4,438) |
| Interest expense | (189,690) | (495,181) |
| Total Other Income (Expense), Net | (1,157,445) | (1,348,285) |
| LOSS BEFORE PROVISION FOR INCOME TAXES | (5,218,514) | (4,507,737) |
| PROVISION FOR INCOME TAXES | — | — |
| NET LOSS | $ (5,218,514) | $ (4,507,737) |
| Basic and Diluted Per Share Data: | | |
| Net Loss Per Share - basic and diluted | $ (0.01) | $ (0.01) |
| Weighted Average Common Shares Outstanding: | | |
| Basic and diluted | 398,910,972 | 318,237,726 |

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

**EL CAPITAN PRECIOUS METALS, INC.**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)**
**YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

| | Common Stock | | Preferred Stock | | Additional Paid-In | Accumulated | |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Capital | Deficit | Total |
| **Balances at September 30, 2015** | **285,398,000** | **$ 285,398** | **51** | **$ —** | **$207,701,091** | **$(207,518,871)** | **$ 467,618** |
| Common stock issued for services and to contract miners | 38,026,842 | 38,027 | — | — | 2,232,629 | — | 2,270,656 |
| Options expense | — | — | — | — | 31,206 | — | 31,206 |
| Sales of common stock for cash | 13,072,636 | 13,073 | — | — | 858,606 | — | 871,679 |
| Stock placement fees | — | — | — | — | (25,000) | — | (25,000) |
| Common stock issued for conversion of notes payable and accrued interest | 23,120,702 | 23,121 | — | — | 686,430 | — | 709,551 |
| Common stock issued for accrued compensation and payable | 4,339,324 | 4,339 | — | — | 219,497 | — | 223,836 |
| Common stock issued for accrued liability | 2,147,273 | 2,147 | — | — | 111,659 | — | 113,806 |
| Warrants issued with debt extinguishment | — | — | — | — | 16,775 | — | 16,775 |
| Financial derivatives associated with convertible notes | — | — | — | — | 1,027,838 | — | 1,027,838 |
| Common stock issued as deferred financing cost | 150,000 | 150 | — | — | 4,708 | — | 4,858 |
| Net loss | — | — | — | — | — | (4,507,737) | (4,507,737) |
| **Balances at September 30, 2016** | **366,254,777** | **$ 366,255** | **51** | **$ —** | **$212,865,439** | **$(212,026,608)** | **$ 1,205,086** |
| Common stock issued for services to pilot plant operator | 14,500,000 | 14,500 | — | — | 887,300 | — | 901,800 |
| Options expense | — | — | — | — | 5,388 | — | 5,388 |
| Sales of common stock for cash | 21,924,992 | 21,925 | — | — | 883,086 | — | 905,011 |
| Common stock issued for conversion of notes payable and accrued interest | 7,001,597 | 7,002 | — | — | 387,267 | — | 394,269 |
| Common stock issued for accrued compensation and payable | 13,595,124 | 13,595 | — | — | 951,314 | — | 964,909 |
| Common stock issued for accrued liability | 7,157,057 | 7,157 | — | — | 558,585 | — | 565,742 |
| Warrants issued with debt extinguishment | — | — | — | — | 16,260 | — | 16,260 |
| Financial derivatives associated with convertible notes | — | — | — | — | (91,579) | — | (91,579) |
| Net loss | — | — | — | — | — | (5,218,514) | (5,218,514) |
| **Balances at September 30, 2017** | **430,433,547** | **$ 430,434** | **51** | **$ —** | **$216,463,060** | **$(217,245,122)** | **$ (351,628)** |

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

**EL CAPITAN PRECIOUS METALS, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Years Ended September 30, | |
|---|---|---|
| | **2017** | **2016** |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $ (5,218,514) | $ (4,507,737) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Warrant and option expense | 5,388 | 31,206 |
| Stock-based compensation | 940,992 | 1,884,102 |
| Amortization of debt discounts | 148,523 | 407,182 |
| Non-cash financing costs | 375 | — |
| Depreciation | 86,101 | 66,596 |
| Impairment of exploration property | 1,607,608 | — |
| Loss on debt extinguishment | 660,376 | 80,396 |
| Loss on derivative instruments | 314,751 | 767,940 |
| Gain on disposition of fixed asset | — | (352) |
| Net change in operating assets and liabilities: | | |
| Prepaid expenses and other current assets | 151,052 | 9,200 |
| Inventory | 119,519 | — |
| Accounts payable | 4,843 | (14,305) |
| Accrued compensation - related parties | 72,700 | 380,000 |
| Accrued liabilities | 51,072 | 191,425 |
| Net Cash Used in Operating Activities | (1,055,214) | (704,347) |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of equipment | (46,718) | (2,385) |
| Proceeds from asset disposition | — | 6,937 |
| Restricted cash | (5,357) | (5) |
| Net Cash Provided by (Used in) Investing Activities | (52,075) | 4,547 |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from sale of common stock | 905,011 | 871,679 |
| Proceeds from convertible notes payable, net of original issue discounts (2016) | 200,000 | 321,800 |
| Payments on notes payable | (150,000) | (215,000) |
| Payments on finance contracts | (63,925) | (53,453) |
| Net Cash Provided by Financing Activities | 891,086 | 925,026 |
| | | |
| NET INCREASE/(DECREASE) IN CASH | (216,203) | 225,226 |
| CASH, BEGINNING OF YEAR | 296,619 | 71,393 |
| CASH, END OF YEAR | $ 80,416 | $ 296,619 |

**(Continued)**

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

**EL CAPITAN PRECIOUS METALS, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Continued)**

| | Years Ended September 30, | |
|---|---|---|
| | **2017** | **2016** |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Cash paid for interest | $ 8,705 | $ 57,145 |
| Cash paid for income taxes | — | — |
| | | |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Common stock issued with debt modification | — | 4,858 |
| Common stock issued on settlement of debt and accrued interest | $ 256,028 | $ 307,982 |
| Common stock issued for related party payables | 500,000 | 151,161 |
| Common stock issued for third party payables | 316,943 | 321,178 |
| Common stock issued for operation costs to pilot plant vendor | 861,192 | — |
| Common stock issued for inventory to pilot plant vendor | 32,093 | 241,393 |
| Common stock issued for fixed asset to pilot plant vendor | 8,515 | — |
| Common stock issued for prepayment of services | — | 41,535 |
| Common stock issued on conversion of notes payable and accrued interest | 128,033 | 306,878 |
| Purchase of fixed asset through finance contract | 26,071 | — |
| Purchase of insurance through financing contracts | 52,452 | 61,157 |
| Debt discount from derivative liabilities | 200,000 | 259,898 |
| Derivative allocation between liability and equity | (91,579) | 1,027,838 |
| Reclassification of accrued interest to note principal balance outstanding | — | 5,940 |
| Convertible debt issued for stock issuance cost | — | 25,000 |
| Fixed assets purchased on accounts payable | — | 60,612 |

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

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## NOTE 1 – BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

### Business, Operations and Organization

On July 26, 2002, El Capitan Precious Metals, Inc. was incorporated as a Delaware corporation to engage in the business of acquiring properties containing precious metals, principally gold, silver, and platinum ("El Capitan Delaware"). On March 18, 2003, El Capitan Delaware entered into a share exchange agreement with DML Services, Inc. ("DML"), a Nevada corporation, and became the wholly owned subsidiary of DML. On April 11, 2003, DML changed its name to El Capitan Precious Metals, Inc. The results of El Capitan Precious Metals, Inc., a Nevada corporation (formerly DML Services, Inc.), and its wholly owned Delaware subsidiary of the same name are presented on a consolidated basis.

The Company is an exploration stage company as defined by the SEC's Industry Guide 7 as the Company has no established reserves as required under Industry Guide 7. We have owned interests in several properties located in the southwestern United States in the past. We are principally engaged in the exploration of precious metals and other minerals on the El Capitan property located near Capitan, New Mexico (the "El Capitan Property"). We recorded nominal miscellaneous income in the fiscal years ended September 30, 2016 and 2017, resulting from the sale of test loads of iron ore to a construction contractor in fiscal 2016 and the sale of two test smelts on concentrates processed at a pilot plant located in Phoenix, Arizona in fiscal 2017.

We commenced mineral exploration activity in the quarter ended December 2015 under our modified mining permit. In November 2016 we completed certain mining activity at the El Capitan Property and developed a plan for a pilot plant in Phoenix, Arizona to work on concentrating the processed head ore produced in our fiscal year 2016. However, we have not yet demonstrated the existence of proven or probable reserves at our El Capitan Property. As a result, and in accordance with accounting principles generally accepted in the United States for exploration stage companies, all expenditures for exploration and evaluation of our property are expensed as incurred.

The quarter ended March 31, 2017 marked the beginning of operations at the pilot plant established in Phoenix, Arizona by a Company vendor to house equipment that processes concentrates recovered at the El Capitan Property. Although the pilot plant, including the equipment, are owned by its operator and not by the Company, its establishment brought the Company a significant step closer to recognizing revenue from the sale of concentrates.

El Capitan Precious Metals, Inc., a Nevada corporation, is based in Prescott, Arizona. Together with its consolidated subsidiaries (collectively referred to as the "Company," "our" or "we"), the Company is an exploration stage company as defined by the Securities and Exchange Commission's ("SEC") Industry Guide 7, as the Company has no established reserves as required under the Industry Guide 7. We are principally engaged in the exploration of precious metals and other minerals. Our primary asset is the 100% equity interest in El Capitan, Ltd., an Arizona corporation ("ECL"), which holds an interest in the El Capitan property located near Capitan, New Mexico (the "El Capitan Property"). Our ultimate objective is to market and sell the El Capitan Property to a major mining company or enter into a joint venture arrangement with a major mining company to conduct mining operations. We have completed research and confirmation procedures on the recovery process for the El Capitan Property mineralized material and our evaluation as to the economic and legal feasibility of the property. We have not yet demonstrated the existence of proven or probable reserves at the El Capitan Property. To date, we have not had any material revenue producing operations. There is no assurance that a commercially viable mineral deposit exists on our property.

The Company owns 100% of the outstanding common stock of El Capitan Delaware. Prior to January 19, 2011, El Capitan Delaware owned a 40% interest in El Capitan, Ltd., an Arizona corporation ("ECL"). On January 19, 2011, we acquired the remaining 60% interest in ECL from Gold and Minerals Company, Inc. ("G&M") by merging an acquisition subsidiary created by the Company with and into G&M. In connection with the merger, each share of G&M common and preferred stock outstanding was exchanged for approximately 1.414156 shares of the Company's common stock, resulting in the issuance of an aggregate of 148,127,043 shares of the Company's common stock to former G&M stockholders. Upon closing of the merger, G&M became a wholly-owned subsidiary of the Company and our consolidated Company acquired 100% of ECL. As a result, we now own 100% of the El Capitan Property site.

### Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries El Capitan Precious Metals, Inc., a Delaware corporation; Gold and Minerals Company, Inc., a Nevada corporation; and El Capitan, Ltd., an Arizona corporation. All significant inter-company accounts and transactions have been eliminated in consolidation.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation. This had no effect on net loss or net loss per share.

**Basis of Presentation and Going Concern**

The Company's consolidated financial statements are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company currently has no established source of revenue to cover its costs. The Company has incurred recurring losses from operations and has a working capital deficit as of September 30, 2017. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

To continue as a going concern, the Company is dependent on achievement of cash flow and potential cash flow from entering a limited production stage of operations at the pilot plant in Phoenix, Arizona. The Company does not have adequate liquidity to fund its current operations, meet its obligations and continue as a going concern. The Company currently has an "equity line" financing arrangement under a Purchase Agreement with L2 Capital, LLC. In the past the Company has secured working capital loans to assist in financing its activities for the near term. The Company may also pursue other financing alternatives from time to time, including short-term operational strategic financing or equity financing, to fund its activities until it can achieve cash flow and profits from limited operations and develop a strategic plan for operations at the El Capitan Property through purchase of the property or joint a venture with a company that would include operating at the mine site. The Company's consolidated financial statements do not include any adjustment relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

**Fair Value of Financial Instruments**

The fair values of the Company's financial instruments, which include cash, restricted cash, accounts payable, accrued liabilities and notes payable, approximate their carrying amounts because of the short maturities of these instruments or for restricted cash and long-term portions of notes payable, based on interest rates currently available to us for instruments with similar maturities, which represent Level 3 fair value inputs. Refer to Note 7, Fair Value Measurements, for discussion of the derivative instruments liability.

**Management Estimates and Assumptions**

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Management makes these estimates using the best information available at the time the estimates are made; however, actual results could differ materially from these estimates. We used significant estimates when accounting for the carrying value of inventory, property and equipment, and exploration property, and the valuation of stock-based compensation and derivative instrument liabilities.

**Cash and Cash Equivalents**

The Company considers those short-term, highly liquid investments with maturities of three months or less as cash and cash equivalents. At times, cash in banks may be in excess of the FDIC limits.

**Pilot Plant Expenditures**

The Company has made expenditures to the operator of a pilot plant which has been established to house equipment obtained from China that processes concentrates recovered at the El Capitan Property. The pilot plant, including the equipment, is owned by the operator of the pilot plant and not by the Company. The expenditures made by the Company are for site improvements, equipment and ancillary equipment required to attain the through put goal of management. The Company has expensed all costs associated with the pilot plant operation in the current fiscal year.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Pilot Plant Expenditures (Continued)**

The arrangements for repayment are included in the operating agreement with the operator ("Agreement"). From proceeds of precious metal concentrates sales, all costs incurred by each party for the period are reimbursed to the parties to the Agreement. Any remaining proceeds from the concentrate revenue will be divided equally.

**Inventory**

Inventories include mineralized material stockpile, concentrate, iron ore inventories and road base. Inventories are carried at the lower of average cost or estimated net realizable value.

**Property and Equipment**

Property and equipment are recorded at cost less accumulated depreciation. Upon retirement or sale, the cost of the assets disposed of and the related accumulated depreciation are removed from the accounts, with any resultant gain or loss being recognized as a component of operating income or expense. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Maintenance and repairs are charged to operations as incurred. Betterments or renewals are capitalized, when applicable.

**Restricted Cash**

Restricted cash consists of two certificates of deposits in favor of the New Mexico Minerals and Mining Division for a total of $79,861. As of September 30, 2016, the restricted cash was $74,504. The amount was increased by $5,357 during the fiscal year ended September 30, 2017 with the issuance of an additional bond for road remediation.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Exploration Property Costs**

Exploration property costs are expensed as incurred until such time as economic reserves are quantified. To date the Company has not established any proven or probable reserves on the El Capitan Property. The Company has capitalized $1,864,608 of exploration property acquisition costs reflecting its investment in the El Capitan Property as of September 30, 2016. The Company has recorded an impairment loss on the exploration property of $1,607,608 at September 30, 2017. See ***"Impairment of Long-Lived Assets,"*** below.

**Net Income (Loss) Per Share**

The Company calculates net income (loss) per share as required by Accounting Standards Codification subtopic 260-10, Earnings per Share (ASC 260-10"). Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings per share is calculated by dividing net income (loss) by the weighted average number of common shares and dilutive common stock equivalents outstanding. During the periods when they are anti-dilutive, common stock equivalents, if any, are not considered in the computation. For the fiscal years ended September 30, 2017 and 2016, the impact of outstanding stock equivalents has not been included as they would be anti-dilutive. As a result, 11,262,500 and 11,137,500 options and 9,181,526 and 5,332,773 warrants were excluded during the fiscal years ended September 30, 2017 and 2016, respectively.

**Stock-Based Compensation**

The Company accounts for share-based payments in accordance with ASC 718, *Compensation - Stock Compensation*, which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on the grant date fair value of the award. The Company estimates the fair value of the award using the Black-Scholes option pricing model for valuation of the share-based payments. The Company believes this model provides the best estimate of fair value due to its ability to incorporate inputs that change over time, such as volatility and interest rates, and to allow for actual exercise behavior of option holders. The simplified method is used to determine compensation expense since historical option exercise experience is limited relative to the number of options issued. The compensation cost is recognized ratably using the straight-line method over the expected vesting period.

The Company accounts for stock-based compensation to other than employees in accordance with FASB ASC 505-50. Equity instruments issued to other than employees are valued at the earlier of a commitment date or upon completion of the services, based on the fair value of the equity instruments and is recognized as expense over the service period.

During the fiscal years ended September 30, 2017 and 2016, the Company recognized aggregate stock-based administrative compensation of $85,188 and $31,206, respectively, in connection with the issuance of common stock options and common stock to administrative personnel, directors and consultants.

During the fiscal years ended September 30, 2017 and 2016, the Company recognized stock-based compensation of $861,192 and $1,884,102, respectively, in connection with the issuance of common stock to our mine contractor. These costs incurred were attributable to the pilot plant operation, mining operations and Mine Safety and Health Administration ("MSHA") mine regulation consulting.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Impairment of Long-Lived Assets**

The Company reviews and evaluates long-lived assets for impairment when events or changes in circumstances indicate the related carrying amounts may not be recoverable. The assets are subject to impairment consideration under ASC 360-10-35-17, Measurement of an Impairment Loss, if events or circumstances indicate that their carrying amount might not be recoverable.

An impairment loss is recognized when estimated future cash flows expected to result from the asset and its eventual disposition is less than its carrying amount. When impairment is identified, the carrying amount of the asset is reduced to its estimated fair value. Assets to be disposed of are recorded at the lower of net book value or fair market value less cost to sell at the date management commits to a plan of disposal.

As of September 30, 2017, the exploration property was deemed to be impaired and written down to the estimated fair value. The estimated fair value was determined by the estimated current market value of a similar exploration property in the county and the lack of information at the time of this report as to the present value of the estimated future cash inflows on the exploration property. The estimated carrying value exceeded our estimated fair value by $1,607,608 as of September 30, 2017. An impairment loss of that amount has been charged to operations in our fiscal year ended September 30, 2017. There was no impairment to long-lived assets for the Company’s fiscal year ended September 30, 2016.

**Income Taxes**

The Company computes deferred income taxes under the asset and liability method prescribed by FASB ASC 740. Under this method, deferred tax assets and liabilities are recognized for temporary differences between the financial statement amounts and the tax basis of certain assets and liabilities by applying statutory rates in effect when the temporary differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized. While the Company has not incurred penalties and interest, any such amounts would be included in income tax expense in the accompanying consolidated statements of operations.

**Revenue Recognition**

When revenue is generated from operations, it will be recognized in accordance with FASB ASC 605. In general, the Company will recognize revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the fee is fixed or determinable, and (iv) collectability is reasonably assured. Revenue generated and costs incurred under this agreement will be reported on a net basis in accordance with FASB ASC 605-45. There was minimal revenue generated for the Company’s fiscal years ended September 30, 2016 and 2017. This revenue has been recorded in net miscellaneous income for accounting purposes.

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred physically, the price is fixed or determinable, no related obligations remain and collectability is probable.

Sales of all metals products sold directly to the Company’s metals buyers, including by-product metals, are recorded as revenues upon the buyer receiving all required documentation necessary to take physical delivery of the metals product as in the case of concentrate.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Loss on Debt Extinguishment**

During the fiscal years ended September 30, 2017 and 2016, the Company recorded loss on debt extinguishment of $660,376 and $80,396, respectively.

**Derivative Financial Instruments**

The Company does not use derivative instruments to hedge exposures to cash flow or market risks. The Company reviews the terms of convertible debt, equity instruments and other financing arrangements to determine whether there are embedded derivative instruments, including embedded conversion options that are required to be bifurcated and accounted for separately as a derivative financial instrument. Also, in connection with the issuance of financing instruments, the Company may issue freestanding options or warrants that may, depending on their terms, be accounted for as derivative instrument liabilities, rather than as equity. The Company may also issue options or warrants to non-employees in connection with consulting or other services.

Derivative financial instruments are initially measured at their fair value. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value of the financial instrument reported as charges or credits to income. To the extent that the initial fair values of the freestanding and/or bifurcated derivative instrument liabilities exceed the total proceeds received, an immediate charge to income is recognized as a one day derivative loss, in order to initially record the derivative instrument liabilities at their fair value.

The discount from the face value of the convertible debt or equity instruments resulting from allocating some or all of the proceeds to the derivative instruments, together with the stated interest on the instrument, is amortized over the life of the instrument through periodic charges to income, using the effective interest method.

When required to arrive at the fair value of derivatives associated with the Note and warrants, a Monte Carlo model was utilized that values the Note and warrants based on average discounted cash flow factoring in the various potential outcomes by a contracted Chartered Financial Analyst (“CFA”). In determining the fair value of the derivatives the CFA assumed that the Company’s business would be conducted as a going concern.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is reassessed at the end of each reporting period. If reclassification is required, the fair value of the derivative instrument, as of the determination date, is reclassified. Any previous charges or credits to income for changes in the fair value of the derivative instrument are not reversed. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within twelve months of the balance sheet date.

**Recently Issued Accounting Pronouncements**

Other than as set forth below, management does not believe that any recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Recently Issued Accounting Pronouncements (Continued)**

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-01, *"Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)."* The amendments require all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee). The amendments also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition, the amendments eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities and the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company does not expect to early adopt this guidance and does not believe that the adoption of this guidance will have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *"Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting."* ASU 2016-09 amends several aspects of the accounting for share-based payment transactions including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted any interim or annual period. If early adopted, an entity must adopt all of the amendments in the same period. The Company is currently evaluating the potential impact of the adoption of ASU 2016-09 on the Company's consolidated financial statements.

In August, 2016, the FASB issued ASU No. 2016-15, "*Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments"* (a consensus of the Emerging Issues Task Force) effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The Company is currently evaluating the potential impact of the adoption of ASU No. 2016-15 on the Company's consolidated financial statements.

In May 2017 the FASB issued ASU No. 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting (ASU 2017-09)*. This new accounting guidance provides information about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 is effective for financial statements issued for annual reporting periods beginning after December 15, 2017 and interim periods within those years. Earlier application is permitted. We do not expect that the adoption of this new guidance will have a material impact on our consolidated financial statements as we historically have not made changes to the terms or conditions of an outstanding share-based payment award.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Recently Issued Accounting Pronouncements (Continued)**

In July 2017, the FASB issued Accounting Standards Update ("ASU") 2017-11, "*Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception.*" Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating *Topic 480, Distinguishing Liabilities from Equity*, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable non-controlling interests. The amendments in Part II of this update do not have an accounting effect. ASU 2017-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company is considering the impact of ASU No. 2017-11. Upon adoption, the conversion features of certain of its convertible notes payable and equity instruments that contain "down round" provisions will not be bifurcated and will not be recorded as a derivative liability.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC during the current reporting period did not, or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

**NOTE 2 – RELATED PARTY TRANSACTIONS**

**Consulting Agreements**

Effective May 1, 2009, the Company commenced informal arrangements with an individual, who is currently an officer, pursuant to which such individual serves as support staff for the functioning of the home office and all related corporate activities and projects. The aggregate monthly payments under the informal arrangements are $6,667. There is no written agreement with this individual. At September 30, 2017 and 2016, this individual had accrued and unpaid compensation of $10,000 and $40,000, respectively, recorded in accrued compensation – related parties. During the year ended September 30, 2017, the Company issued 487,806 shares of restricted common stock and 487,806 shares of S-8 common stock to this individual for payment of accrued compensation of $40,000. The fair value of the stock was $86,732 and the Company recorded a loss on extinguishment of debt of $46,732.

On January 18, 2016, the Board of Directors of the Company appointed Stephan J. Antol as the Company's Chief Financial Officer, replacing Mr. Stapleton in such capacity. Mr. Stapleton continued to serve as a director of the Company and as Chairman of the Board. Effective August 4, 2016, the Board of Directors of the Company appointed Mr. Stapleton to replace Charles C. Mottley as President and Chief Executive Officer of the Company. The change in senior management was proposed by Mr. Mottley, who continues to serve as a member of the Company's Board of Directors and as President Emeritus.

During the fiscal year ended September 30, 2017, the Company awarded the retired president and a director $90,000 in back pay. At September 30, 2017 and 2016, this individual had accrued and unpaid compensation and expenses of $40,200 and $145,000, respectively, recorded in accrued compensation – related parties. During the year ended September 30, 2017, the Company issued 1,768,293 shares of restricted common stock and 2,768,293 shares of S-8 common stock to this individual as payment of accrued compensation of $194,800. The fair value of the stock was $248,910 and the Company recorded a loss on extinguishment of debt of $54,110.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 – RELATED PARTY TRANSACTIONS (Continued)**

**Consulting Agreements (Continued)**

In January 2012, the Company retained the consulting services of Management Resource Initiatives, Inc. ("MRI"), a company controlled by John F. Stapleton who served as the Chief Financial Officer and a director of the Company at that time and who currently serves as President and Chief Executive Officer and a director of the Company. The current monthly consulting fee for such services is $15,000. Total consulting fees expensed to MRI for the fiscal years ended September 30, 2017 and 2016 was $180,000 and $180,000, respectively. At September 30, 2017 and 2016, MRI had accrued and unpaid compensation of $22,500 and $315,000, respectively, recorded in accrued compensation – related parties. During the fiscal year ended September 30, 2017, the Company issued 3,841,463 shares of restricted common stock and 3,841,463 shares of S-8 common stock to the individual controlling MRI as payment of the 2016 accrued compensation of $315,000. The fair value of the stock was $599,267 and the Company recorded a loss on extinguishment of debt of $284,268.

Total administrative consulting fees expensed under these informal arrangements for both the fiscal years ended September 30, 2017 and 2016 was $350,000 and $240,000, respectively. In the fiscal year ended September 30, 2016, $170,000 of the MRI compensation was recorded as consulting fees.

On February 4, 2015, the Company signed a $30,000 promissory note payable to MRI, at 18% interest per annum, due and payable on February 4, 2016. As an inducement for the loan represented by the note, the Company issued 200,000 shares of restricted common stock of the Company to MRI. The Company approved amending the note to extend the maturity date from February 4, 2016 to February 4, 2017 under the original terms of the Agreement. On March 29, 2017, the Company extended the note for six months to August 4, 2017, and agreed to grant 200,000 shares to MRI as compensation for the extension and the shares were issued at a market value of $12,000 on the date of issuance. As of September 30, 2017, the loan is in default and currently due. See ***Note 6 – Notes Payable, February 4, 2015 Unsecured Promissory Notes.***

Effective September 5, 2017, the Board of Directors of the Company increased the size of the Board from five to seven members and elected John Balding and Bob Shirk as directors of the Company filling the two vacancies resulting from such increase. Upon the acceptance of their election, the term of their service as directors began on September 12, 2017.

**NOTE 3 – INVENTORY**

The following table provides the components of inventory as of September 30, 2017 and 2016:

| | September 30, 2017 | September 30, 2016 |
|---|---|---|
| Mineralized material stockpile | $ 66,863 | $ 87,840 |
| Concentrate | 81,718 | 146,738 |
| Iron ore | 16,459 | 17,888 |
| Total | $ 165,040 | $ 252,466 |

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## NOTE 4 – PROPERTY AND EQUIPMENT

Major classes of property and equipment together with their estimated useful lives, consisted of the following at September 30, 2017 and 2016:

| | Useful Lives | September 30, 2017 | September 30, 2016 |
|---|---|---|---|
| Computers and office equipment | 3 years | $ 6,626 | $ 8,486 |
| Automotive equipment | 5 years | 58,852 | 15,042 |
| Mine equipment | 3-10 years | 532,285 | 532,285 |
| Equipment structures and other | 7-10 years | 102,583 | 73,979 |
| Lab and equipment | 5 years | 69,127 | 60,612 |
| Permits | 15 years | 16,227 | 16,227 |
| | | 785,700 | 706,631 |
| Less: accumulated depreciation | | (212,989) | (128,748) |
| Net property and equipment | | $ 572,711 | $ 577,883 |

Depreciation expense during the fiscal years ended September 30, 2017 and 2016 totaled $86,101 and $66,596, respectively.

## NOTE 5 – ACCRUED LIABILITIES

Accrued liabilities consisted of the following at September 30, 2017 and 2016:

| | September 30, 2017 | September 30, 2016 |
|---|---|---|
| Accounting and legal | $ 35,500 | $ 285,025 |
| Mining costs | — | 60,613 |
| Miscellaneous | 6,510 | — |
| Interest | 88,706 | 61,694 |
| | $ 130,716 | $ 407,332 |

## NOTE 6 – NOTES PAYABLE

***Agreements with Logistica U.S. Terminals, LLC***

Under an agreement with Logistica U.S. Terminals, LLC (“Logistica”) dated February 28, 2014, Logistica agreed to remit a $400,000 payment on the Company’s behalf that represented the remaining balance of the Company’s purchase price for a heavy ore trailing separation line to be used for processing of mineralized material at the El Capitan Property mine site. The Company previously remitted $100,000 toward the purchase of such equipment. In consideration for Logistica remitting such payment, the Company agreed to deliver a $400,000 promissory note to Logistica and issued 2,500,000 shares of common stock to a designee of Logistica under the Company’s 2005 Stock Incentive Plan. The promissory note accrues interest at 4.5%, with principal and accrued interest payments to be made out of the Company’s proceeds from sale of iron extracted from mineralized material as part of the Company’s exploration activities, with no stated maturity date. The promissory note is secured by the purchased equipment. As of September 30, 2017, the outstanding balance under this note payable was $400,000 and accrued interest on the note was $64,603.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 – NOTES PAYABLE (Continued)**

***Agreements with Logistica U.S. Terminals, LLC* (Continued)**

On January 5, 2016, we entered into our current agreement with Logistica U.S. Terminals, LLC ("Logistica"). Under the agreement we will provide to Logistica concentrated ore to their specifications at the mine site. Logistica will transport, process, and refine the precious metals concentrates to sell to precious metals buyers. The terms of the agreement provide for the recovery of hard costs related to the concentrates by both parties prior to the distribution of profits. The agreement also provided for the issuance of 10,000,000 shares of our restricted common stock and the elimination of a $100,000 accrued liability to Logistica for prior services rendered. When certain terms and conditions are met, the Agreement calls for Logistica to arrange for a letter of credit for working capital for the mining, processing and sale activities under the Agreement. The letter of credit was never put in place. The shares were issued in August 2016. The agreement superseded previous agreements between the Company and Logistica.

***October 17, 2014 Note and Warrant Purchase Agreement***

On October 17, 2014, we entered into a private Note and Warrant Purchase Agreement with an accredited investor pursuant to which we borrowed $500,000 against delivery of a promissory note (the "2014 Note") in such amount and issued warrants to purchase 882,352 shares of our common stock. The 2014 Note carries an interest rate of 8% per annum, was initially due on July 17, 2015 and was secured by a first priority security interest in all right, title and interest of the Company in and to the net proceeds received by the Company from its sale of tailings separated from iron recovered by the Company at the El Capitan Property. On August 24, 2015, the maturity date of the 2014 Note was mutually extended to January 17, 2016. In consideration of the extension, the Company issued a common stock purchase warrant to purchase 4,714,286 shares (subject to adjustment) of our common stock at an exercise price of $0.07 per share. The warrant previously issued on October 17, 2014 for 882,352 shares was cancelled. On January 19, 2016, the maturity date of the 2014 Note was further extended to September 19, 2016. The 2014 Note was in default. In consideration of the extension, we issued to the investor a fully vested three year common stock purchase warrant to purchase 471,429 shares (subject to adjustment) of common stock of the Company at an exercise price of $0.051 per share, the closing price on the date of the agreed extension agreement. The fair value of the warrants was determined to be $16,775 using Black-Scholes option price model and was expensed during the three months ended March 31, 2016. The 2014 Note was delinquent and principal payments of $100,000 were made on the 2014 Note. During the six months ended March 31, 2017, the outstanding principal balance of the amended 2014 Note was reduced $150,000 and related accrued interest payments of $6,115 was made. On March 29, 2017, the Company authorized outstanding principal and accrued interest under the 2014 Note as of March 29, 2017 to be converted into common stock at the conversion price of $0.08126 per share. The parties entered into an agreement of exchange dated March 30, 2017. The outstanding principal balance and accrued interest under the 2014 Note at the time of conversion were $250,000 and $6,027, respectively. The principal and accrued interest was converted into 3,150,719 shares of common stock at a fair market value of $266,236 and the Company recorded a loss on extinguishment of debt of $10,209. In connection with the conversion of the note payable on March 30, 2017, the Company issued a fully vested three year warrant to purchase 250,000 shares of common stock of the Company at an exercise price of $0.08126 per share. The fair value of the warrants was determined to be $16,258 using the Black-Scholes option pricing model and was recorded as a loss on extinguishment of debt.

***December 2, 2015 Securities Purchase Agreement***

On December 2, 2015, we entered into a Securities Purchase Agreement for two $114,400 convertible notes with an accredited investor for an aggregate principal amount of $228,800 with an annual interest rate of 9%. Each note contains an original issue discount ("OID") of $10,400 and related legal and due diligence costs of $12,000. The Company received net proceeds of $92,000 from the first note received by the Company. The second note was cancelled. The maturity date on the first note is December 2, 2017. An amendment to the note on January 12, 2016, allows us to prepay in full the unpaid principal and interest on the note, upon notice, any time prior to June 3, 2016. Any prepayment is at 140% face amount outstanding and accrued interest. The redemption must be closed and paid for within three business days of the Company sending the redemption demand. The note may not be prepaid after June 2, 2016. The note is convertible into shares of the Company's common stock at any time beginning on May 30, 2016. The conversion price is equal to 55% of the lowest trading price of our common stock as reported on the QTCQB for the 10 prior trading days (and may include the day of the Notice of Conversion under certain circumstances). We agreed to reserve an initial 5,033,000 shares of common stock for conversions under the note. We also agreed to adjust the share reserve to ensure that it equals at least four times the total number of shares of common stock issuable upon conversion of the note from time to time. We recognized the fair value of the embedded conversion feature as a derivative liability on June 9, 2016 of $136,276.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 – NOTES PAYABLE (Continued)**

***December 2, 2015 Securities Purchase Agreement* (Continued)**

The note contained an embedded conversion option and was separated from the note and accounted for as a derivative instrument at fair value and discount to the note and is expensed over the life of the note under the effective interest method. The initial carrying value of the embedded conversion option exceeded the net proceeds received and created a derivative loss of $132,068. The Company recorded a loan discount of $114,400 and the discount included OID interest of $10,400 and related loan costs of $12,000. For the year ended September 30, 2016, the discount amortization was $114,400 and during the period of conversion we issued 6,341,355 shares of restricted common stock in satisfaction of $114,400 principal and accrued interest of $5,816.

***January 26, 2016 Securities Purchase Agreement***

On January 26, 2016 (the "Effective Date"), we entered into a Securities Purchase Agreement (the "SPA") for an $180,000 convertible note with an accredited investor, with an annual interest rate of 7%. The note contains an OID of $18,000 and related legal costs of $6,000. The net proceeds received by the Company were $156,000. The maturity date of the note is January 26, 2017. Interest is due on or before the maturity date. We may redeem the note by prepaying the unpaid principal and interest on the note, upon notice, any time prior to 180 days after the Effective Date. If redemption is (i) prior to the 30th day the note is in effect (including the 30th day), the redemption will be 105% of the unpaid principal amount and accrued interest; (ii) if the redemption is on the 31st day up to and including the 60th day the note is in effect, the redemption price will be 115% of the unpaid principal amount of the note along with any accrued interest; (iii) if the redemption is on the 61st day up to and including the 120th day the note is in effect, the redemption price will be 135% of the unpaid principal amount of the note along with any accrued interest; if the redemption is on the 121st day up to and including the 180th day the note is in effect, the redemption price will be 150% of the unpaid principal amount of the note along with any accrued interest. The redemption must be closed and paid for within three business days of the Company sending the redemption demand. The note may not be prepaid and redeemed after the 180th day. The note is convertible into shares of the Company's common stock at any time beginning on the date which is 181 days following the Effective Date. The conversion price is equal to 55% of the lowest trading price of our common stock as reported on the QTCQB for the 10 prior trading days and may include the day of the Notice of Conversion under certain circumstances. The Company agreed to reserve an initial 10,800,000 shares of common stock for conversions under the note (the "Share Reserve"). We also agreed to adjust the Share Reserve to ensure that it always equals at least three times the total number of shares of common stock that is actually issuable if the entire note were to be converted. The OID interest of $18,000 and related loan costs of $6,000 was recorded as a discount to the note and was being amortized over the life of the loan as interest expense.

The note contained an embedded conversion option which qualifies for derivative accounting and bifurcation under ASC 815-15 *Derivatives and Hedging*. Pursuant to ASC 815, the Company recognized the fair value of the embedded conversion feature as a derivative liability on July 25, 2016 of $238,479 with $167,898 recorded as a discount to the note and $70,581 recorded as a day one derivative loss. On August 8, 2016, the investor converted the principal balance of $180,000 and accrued interest of $6,662 into 9,506,619 shares of restricted common stock. For the year ended September 30, 2016, the discount amortization was $191,898.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 – NOTES PAYABLE (Continued)**

***February 4, 2015 Unsecured Promissory Notes***

On February 4, 2015, we issued unsecured promissory notes in the aggregate principal amount of $63,000, of which a $30,000 note was issued to MRI, a company controlled by John F. Stapleton, who served as the Chief Financial Officer and a director of the Company at that time and who currently serves as President and Chief Executive Officer and a director of the Company. Outstanding amounts under these notes accrue interest at 18% per year, with all principal and accrued interest being due and payable on February 4, 2016. As additional consideration for the loans, we issued 200,000 shares of our restricted common stock for each note for a total of 400,000 shares to the lenders. The relative fair value of the common stock was determined to be $21,211 and was recorded as discounts to the promissory notes and was amortized to interest expense over the life of the notes. On February 4, 2016, one of the promissory notes was amended to extend the maturity date from February 4, 2016 to February 4, 2017 and reduce the interest rate to 10% per year. The Company also agreed to capitalize the $5,940 of accrued interest on the note at February 4, 2016 and add it to principal. In consideration of the amendment, the Company agreed to issue 150,000 shares of restricted common stock of the Company to the noteholders, the issuance of which was approved by the Board of Directors on April 22, 2016. MRI, the holder of the other note, agreed to extend its maturity date to February 4, 2017 at the same rate of interest and in consideration for the issuance of 200,000 shares of our restricted common stock; and the shares were issued in April 2017 at a market value on the date of issuance of $12,000. On March 29, 2017, both noteholders agreed to extend the maturity date of the notes for six months, to August 4, 2017. Our obligations under both notes are personally guaranteed by a Company's director and who was the Chief Executive Officer at the time the notes were issued.

As of September 30, 2017, the aggregate outstanding balance under these notes was $68,940, the aggregate accrued interest was $21,267 and the unamortized discount on the notes payable was $0. During the fiscal years ended September 30, 2017 and 2016, amortization expense of $1,769 and $19,442, respectively, was recognized. As of September 30, 2017, both notes are in default and currently due.

***April 16, 2015 Installment Loan***

On April 16, 2015, we entered into an agreement with a third party financing source pursuant to which the lender committed to loan the Company a total of $200,000 in installments, all of which were advanced.

The loan accrued interest at 10% per year, with all principal and accrued interest being due and payable on April 17, 2016. To secure the loan, we granted the lender a security interest in the AuraSource heavy metals separation system located on the El Capitan Property. As additional consideration for the loan, the Company issued 3,000,000 shares of our restricted common stock to the note holder. The note, including a portion of accrued interest of $7,500, was satisfied in its entirety in December 2015 in exchange for 3,772,728 restricted shares of our restricted common stock. The note and accrued interest retired aggregated $207,500 and the fair value of the stock was $215,423. The Company recorded a loss on extinguishment of debt of $7,923. At September 30, 2017 and 2016, unpaid accrued interest remained of $2,466.

***Financing of Insurance Premiums and Truck Purchase***

On August 15, 2016, we entered into an agreement to finance a portion of our liability insurance premiums in the amount of $28,384 at an interest rate of 7.25% with equal payments of $2,934, including interest, due monthly beginning July 14, 2016 and continuing through April 14, 2017. As of September 30, 2017, the outstanding balance under this note payable was $0.

On November 14, 2016, we entered into an agreement to finance director and officer insurance premiums in the amount of $25,224 at an interest rate of 5% with equal payments of $2,581, including interest, due monthly beginning December 21, 2016 and continuing through September 21, 2017. As of September 30, 2017, the outstanding balance under this note payable was $0.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 – NOTES PAYABLE (Continued)**

***Financing of Insurance Premiums and Truck Purchase* (Continued)**

On February 23, 2017, we entered into an agreement to finance a Ford F-450 truck for transporting mineralized ore in the amount of $26,071 at an interest rate of 4.99% and 36 monthly payments of $781, due monthly beginning March 25, 2017, and continuing through February 25, 2020. As of September 30, 2017, the outstanding balance under this note payable was $21,325. The Chief Financial Officer co-signed on behalf of the Company on the finance contract.

On June 13, 2017, we entered into an agreement to finance our liability insurance premiums in the amount of $22,277, with a down payment of $3,342 and $18,935 financed at an interest rate of 4.0% with equal payments of $1,928, including interest, due monthly beginning July 14, 2017 and continuing through April 14, 2018. As of September 30, 2017, the outstanding balance under this note payable was $13,320.

***Convertible Note and Warrant Financing Transaction***

On February 21, 2017, we entered into a Securities Purchase Agreement (the "Investor Agreement") pursuant to which the Company issued a convertible note (the "Note") to an accredited investor in the aggregate principal amount of $550,000, or such lesser amounts based on actual advances thereunder. In order to reflect an agreed upon original issue discount, the outstanding principal amount of the Note attributable to each advance is 110% of the amount of the corresponding advance (i.e., a $100,000 advance results in outstanding principal attributable to the advance of $110,000). Upon issuance of the Note, the investor made a $100,000 initial advance. The Company recognized a debt discount from deferred financing costs of $11,671 at the inception of the note. The Company and the investor must mutually agree upon any future advances under the Note. Amounts advanced under the Note will accrue interest at 7% per annum. Except to the extent converted into common stock of the Company, as discussed below, outstanding principal and interest will become due and payable on August 21, 2017. Amounts outstanding under the Note are convertible at the election of the investor into common stock of the Company at a conversion price equal to $0.0913 (the volume weighted average price of the Company's common stock on the day prior to the issuance date). The Note provides for various events of default upon which amounts outstanding under the Note will immediately increase by 140% and the conversion price will be permanently redefined to equal 60% of the average of the three lowest traded prices during the 14 consecutive trading days preceding the conversion date. As additional consideration for the initial advance, the Company issued the investor a three year warrant to purchase up to 602,406 shares of the Company's common stock at an exercise price equal to $0.3652 per share (which price is subject to anti-dilution adjustment in the event the Company issues additional convertible securities with lower conversion prices). In conjunction with any future advances under the Note, the Company will issue additional three year warrants to purchase a number of shares equal to 50% of the conversion shares issuable upon conversion of the amount advanced. As of June 30, 2017, the conversion and warrant price were reset to $0.08126 and the number of warrants increased to 2,707,343.

With the conversion amendment described below with the new advance and extension of the original advance, the new conversion price was changed to 75% of the average of the two lowest daily trades in the five day period prior to the noteholder's delivery of a conversion notice.

During the quarter ended September 30, 2017, the accredited investor converted the first advance and accrued interest aggregating $113,768 into 3,403,890 shares of common stock. During the year ended September 30, 2017, the Company expensed the note discount of $110,000. At September 30, 2017, the first advance note balance, accrued interest and unamortized note discount were all $0.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 – NOTES PAYABLE (Continued)**

***Note Amendment, New Funding and Conversion***

On July 24, 2017, the Company amended the maturity date of the $100,000 initial advance under the Securities Purchase Agreement and the corresponding Note dated February 21, 2017. The maturity date for first advance was extended to November 15, 2017 and the conversion price of each advance under the Note was changed to equal the lesser of (a) the volume weighted average price of the Company's common stock on the trading day prior to such advance or (b) 75% of the average of the two lowest daily trades in the five day period prior to the noteholder's delivery of a conversion notice. All other terms and conditions of the Note remain in full force and effect.

On July 28, 2017, the Company received a second $100,000 advance under the Investor Agreement and the corresponding Note, resulting in additional outstanding principal of $110,000 after taking into account the original issue discount. The second advance is subject to the terms and conditions under the Promissory Note and interest and principal are due January 28, 2018. Outstanding amounts under this advance are convertible at the election of the noteholder at a conversion price of the lower of $0.0617 or 75% of the average of the two lowest daily trades in the five-day period prior to the noteholder's delivery of a conversion notice. The Company also issued a three year warrant to purchase up to 891,410 shares of the Company's common stock at a per share exercise price of $0.2468. The warrant provides for cashless exercise at the election of the holder if, on the date on which the warrant is exercised, the warrant is in-the-money and a registration statement registering the issuance of the underlying warrant shares is not effective. As part of the second advance, the Company initially reserved 7,000,000 shares of common stock for issuance upon possible conversion of the advance and exercise of the warrant.

As set forth in the Statement of Financial Accounting Standard No. 820-10-35-37, as further described in Note 7 below, a fair value hierarchy was developed to rank the reliability of inputs that reflect assumptions used as a basis for determining fair value. ASC 820 emphasizes that valuation techniques (income, market, and cost) used to measure the fair value of an asset or liability should maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. The ASC 820 accounting standard requires companies use actual market data, when available or models, when unavailable. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available, except when it might not represent fair value at the measurement date. When using models, ASC 820 provides guidance on appropriate valuation techniques and addresses the inherent valuation issue of risk. A fair value measurement should include an adjustment for risk if market participants would include one in pricing the related asset or liability, even if the adjustment is difficult to determine.

The Note and warrants were analyzed in accordance with ASC 815. The objective of ASC 815 is to provide guidance for determining whether an equity-linked financial instrument is indexed to an entity's own stock. This determination is needed for a scope exception under Paragraph 11(a) of ASC 815 which would enable a derivative instrument to be accounted for under the accrual method. The classification of a non-derivative instrument that falls within the scope of ASC 815 also hinges on whether the instrument is indexed to an entity's own stock. A non-derivative instrument that is not indexed to an entity's own stock cannot be classified as equity and must be accounted for as a liability.

To arrive at the fair value of derivatives associated with the Note and warrants, a Monte Carlo model was utilized that values the Note and warrants based on average discounted cash flow of 500,000 iterations factoring in the various potential outcomes by a Chartered Financial Analyst ("CFA"). In determining the fair value of the derivatives the CFA assumed that the Company's business would be conducted as a going concern.

The fair value of the embedded derivatives on the first note advance at inception was $71,635 and the derivative associated with the warrants at inception was $256,028. Derivatives aggregating at inception of $88,329 were allocated to loan discount and $239,334 was expensed as a one day derivative loss.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 – NOTES PAYABLE (Continued)**

***Note Amendment, New Funding and Conversion* (Continued)**

The fair value of the embedded derivatives on the second note advance at inception was $105,918 and the derivative associated with the warrants at inception was $217,442. Derivatives aggregating at inception of $100,000 were allocated to loan discount and $223,360 was expensed as a one day derivative loss.

During the quarter ended September 30, 2017, the accredited investor converted a portion of the second advance and accrued interest aggregating $14,265 into 446,988 shares of common stock. During the year ended September 30, 2017, the Company on this advance expensed note discount of $36,754. As of September 30, 2017, the outstanding principal balance under the second advance was $96,684, accrued interest was $371 and the unamortized discount on the note was $73,246.

At September 30, 2017, the fair value of the embedded derivative on the second advance was $58,662 and the derivative on the warrants was $547,668. During the fiscal year ended September 30, 2017, a net gain of $95,147 was recognized on the change in the fair value of the derivatives and loan discounts expensed to interest was $148,523.

The Investor Agreement contains covenants, representations and warranties of the Company and the investor that are typical for transactions of this type.

The foregoing description of the terms of the Investor Agreement, Note and the warrants does not purport to be complete and is subject to and qualified in its entirety by reference to the agreements and instruments themselves. The benefits and representations and warranties set forth in such agreements and instruments are not intended to and do not constitute continuing representations and warranties of the Company or any other party to persons not a party thereto.

The components of the notes payable, including the note payable to related party, at September 30, 2017 are as follows:

| | Principal Amount | Unamortized Discount | Net |
|---|---|---|---|
| **Current:** | | | |
| Notes payable and current portion of long-term debt | $ 460,781 | $ — | $ 460,781 |
| Convertible note payable | 96,684 | (73,246) | 23,438 |
| Notes payable – related party | 30,000 | — | 30,000 |
| | $ 587,465 | $ (73,246) | $ 514,219 |
| **Long-Term:** | | | |
| Note payable, net of current portion | $ 12,805 | $ — | $ 12,805 |

The components of the notes payable, including the note payable to related party, at September 30, 2016 are as follows:

| | Principal Amount | Unamortized Discount | Net |
|---|---|---|---|
| **Current:** | | | |
| Notes payable | $ 858,988 | $ (1,769) | $ 857,219 |
| Notes payable – related party | 30,000 | — | 30,000 |
| | $ 888,988 | $ (1,769) | $ 887,219 |

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 7 – FAIR VALUE MEASUREMENTS**

To measure the fair value of its financial instruments, the Company follows generally accepted accounting principles ("GAAP"). GAAP establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy are described below:

Level 1 Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2 Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3 Pricing inputs that are generally unobservable inputs and not corroborated by market data.

Fair value measurements are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The following table sets forth by level within the fair value hierarchy the Company's assets and liabilities measured at fair value on September 30, 2017 and 2016:

| **September 30, 2017:** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Assets | | | | |
| Exploration property | $ — | $ — | $ 257,000 | $ 257,000 |
| Liabilities | | | | |
| Derivative instruments liabilities | $ — | $ — | $ 606,330 | $ 606,330 |

| **September 30, 2016:** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Assets | | | | |
| Exploration property | $ — | $ — | $ 1,864,608 | $ 1,864,608 |
| Liabilities | | | | |
| None | $ — | $ — | $ — | $ — |

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 7 – FAIR VALUE MEASUREMENTS (Continued)**

**Exploration Property**

The carrying value of the exploration property as of September 30, 2016 was determined based upon the cost basis of the of the Company's investment in the exploration property under U.S. GAAP. At September 30, 2017, the Company utilized Level 3 inputs for the fair value measurement of the exploration property and the exploration property was deemed to be impaired and written down to the estimated fair value. The fair value was determined by the estimated current market value of a similar exploration property in the county and the lack of information at the time of this report as to the present value of the estimated future cash inflows on the exploration property. The carrying value exceeded our estimated fair value by $1,607,608 as of September 30, 2017. An impairment loss of that amount has been charged to operations in our fiscal year ended September 30, 2017.

**Derivative Liabilities**

Complex derivative instrument liabilities utilize a Monte Carlo model to estimate their fair value. As set forth above, pursuant to Paragraph 820-10-35-37, a fair value hierarchy was developed to rank the reliability of inputs that reflect assumptions used as a basis for determining fair value. The ASC 820 accounting standard requires companies use actual market data, when available or models, when unavailable. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available. When using models, ASC 820 provides guidance on appropriate valuation techniques and addresses the inherent valuation issue of risk. A two-step approach is used in determining whether an instrument or embedded feature is indexed to an entity's own stock. First, the instrument's contingent exercise provisions, if any, must be evaluated, followed by an evaluation of the instrument's settlement provisions. Fair value relied on a "value in use" or "going concern" premise. To properly apply this fair value standard, we gave consideration to the holder's intentions regarding whether or not the securities purchased were to be held, sold, or abandoned. Our analysis also reflects assumptions that would be made by market participants if these market participants were to buy or sell each identified asset on an individual basis. The Monte Carlo model that values the Note and warrants based on average discounted cash flow of 500,000 iterations factoring in the various potential outcomes. The derivative instrument liabilities on the convertible note and warrants at September 30, 2017 were $58,662 and $547,668, respectively.

During the quarter ended September 30, 2017, a total of 5,707,773 warrants became tainted due to the convertible note issued in July 2017 and were reclassified from equity to derivative liabilities with a fair value of $100,894. The note contained an embedded conversion option and was separated from the note and accounted for as a derivative instrument at fair value and discount to the note and is expensed over the life of the note under the effective interest method. The initial fair value of the of the embedded conversion option of $224,068 exceeded the net proceeds received and created a derivative loss of $132,068.

On January 12, 2016, an amendment to the convertible note was made and under GAAP, the derivative liability had to be revalued on this date and eliminated. The fair value of the warrants on January 12, 2016 of $142,803 was reclassified to equity.

On June 9, 2016, the convertible note issued in December 2015 became convertible and a total of 5,332,773 warrants were tainted due to the convertible note and were reclassified from equity to derivative liabilities with a fair value of $149,600. We recognized the fair value of the embedded conversion feature as a derivative liability and derivative loss on June 9, 2016 of $136,276.

On July 25, 2016, the convertible note issued in January 2016 became convertible and the Company recognized the fair value of the embedded conversion feature as a derivative liability of $238,479 with $167,898 recorded as a discount to the note and $70,581 recorded as a day one derivative loss.

During the quarter ended September 30, 2017, the first convertible note was fully converted to common stock, the second convertible note was partially converted to common stock and the derivative liabilities associated with the embedded conversion options and the tainted warrants were reclassified to equity at their fair value of $9,315.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 7 – FAIR VALUE MEASUREMENTS (Continued)**

**Derivative Liabilities (Continued)**

The following tables summarize the change in the fair value of derivative liabilities during the years ended September 30, 2017 and 2016:

| | Change in Fair Value for Year Ended September 30, 2017 |
|---|---|
| Fair value as of September 30, 2016 | $ — |
| Additions recognized as note discounts at inception | 200,000 |
| Additions recognized as derivative loss at inception | 409,898 |
| Amount reclassified from equity at inception | 100,894 |
| Amount reclassified to equity upon resolution | (9,315) |
| Change in fair value | (95,147) |
| Fair value as of September 30, 2017 | $ 606,330 |

| | Change in Fair Value for Year Ended September 30, 2016 |
|---|---|
| Fair value as of September 30, 2015 | $ — |
| Additions recognized as note discounts at inception | 259,898 |
| Additions recognized as derivative loss at inception | 338,925 |
| Amount reclassified from equity at inception | 355,126 |
| Amount reclassified to equity upon resolution | (1,382,964) |
| Change in fair value | 429,015 |
| Fair value as of September 30, 2016 | $ — |

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

**Related Party**

In January 2012, the Company retained the consulting services of Management Resource Initiatives, Inc. ("MRI"), a company controlled by John F. Stapleton who served as the Chief Financial Officer and a director of the Company at that time and who currently serves as President and Chief Executive Officer and a director of the Company. The current monthly consulting fee for such services is $15,000. Total consulting fees expensed to MRI for the fiscal years ended September 30, 2017 and 2016 was $180,000 and $180,000, respectively. At September 30, 2017 and 2016, MRI had accrued and unpaid compensation of $22,500 and $315,000, respectively, recorded in accrued compensation – related parties. During the fiscal year ended September 30, 2017, the Company issued 3,841,463 shares of restricted common stock and 3,841,463 shares of S-8 common stock to the individual controlling MRI as payment of the 2016 accrued compensation of $315,000. The fair value of the stock was $599,268 and the Company recorded a loss on extinguishment of debt of $284,268.

On January 18, 2016, the Board of Directors of the Company appointed Stephan J. Antol as the Company's Chief Financial Officer, replacing Mr. Stapleton in such capacity. Mr. Stapleton continued to serve as a director of the Company and as Chairman of the Board. Effective August 4, 2016, the Board of Directors of the Company appointed Mr. Stapleton to replace Charles C. Mottley as President and Chief Executive Officer of the Company. The change in senior management was proposed by Mr. Mottley, who continues to serve as a member of the Company's Board of Directors and as President Emeritus.

During the fiscal year ended September 30, 2017, the Company awarded the retired president and a director $90,000 in back pay. At September 30, 2017 and 2016, this individual had accrued and unpaid compensation and expenses of $40,200 and $145,000, respectively, recorded in accrued compensation – related parties. During the year ended September 30, 2017, the Company issued 1,768,293 shares of restricted common stock and 2,768,293 shares of S-8 common stock to this individual as payment of accrued compensation of $194,800. The fair value of the stock was $248,910 and the Company recorded a loss on extinguishment of debt of $54,110.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)**

**Related Party (Continued)**

On February 4, 2015, the Company signed a $30,000 promissory note payable to MRI, at 18% interest per annum, due and payable on February 4, 2016. As an inducement for the loan represented by the note, the Company issued 200,000 shares of restricted common stock of the Company to MRI. The Company approved amending the note to extend the maturity date from February 4, 2016 to February 4, 2017 under the original terms of the Agreement. On March 29, 2017, the Company extended the note for six months to August 4, 2017, and agreed to grant 200,000 shares to MRI as compensation for the extension and the shares were issued at a market value of $12,000 on the date of issuance. As of September 30, 2017, the loan is in default and currently due. See ***Note 6 – Notes Payable, February 4, 2015 Unsecured Promissory Notes.***

**Purchase Contract with Glencore AG**

On March 10, 2014, the Company entered into a life-of-mine off take agreement with Glencore AG ("Glencore") for the sale of iron extracted from mineralized material at the El Capitan Property (such agreement is referred to herein as the "Glencore Purchase Contract"). Under the terms of the Glencore Purchase Contract, the Company agreed to sell to Glencore, and Glencore agreed to purchase from the Company, iron that meets the applicable specifications from the El Capitan Property mine. Payment for the iron is to be made pursuant to an irrevocable letter of credit in favor of the Company. The purchase price is based on an index price less an applicable discount. Either party may terminate the Glencore Purchase Contract following a breach by the other party that remains uncured for a specified period after receipt of written notice. Because of current market iron ore prices, the contract has not been implemented or terminated.

***Agreements with Logistica U.S. Terminals, LLC***

Under an agreement with Logistica U.S. Terminals, LLC ("Logistica") dated February 28, 2014, Logistica agreed to remit a $400,000 payment on the Company's behalf that represented the remaining balance of the Company's purchase price for a heavy ore trailing separation line to be used for processing of mineralized material at the El Capitan Property mine site. The Company had previously remitted $100,000 toward the purchase of such equipment. In consideration for Logistica remitting such payment, the Company agreed to deliver a $400,000 promissory note to Logistica and issued 2,500,000 shares of common stock to a designee of Logistica under the Company's 2005 Stock Incentive Plan. The promissory note accrues interest at 4.5%, with principal and accrued interest payments to be made out of the Company's proceeds from sale of iron extracted from mineralized material as part of the Company's exploration activities. As of September 30, 2017, the outstanding balance under this note payable was $400,000 and accrued interest on the note was $64,603.

On January 5, 2016, we entered into our current agreement with Logistica. Under the agreement we will provide to Logistica concentrated ore to their specifications at the mine site. Logistica will transport, process, and refine the precious metals concentrates to sell to precious metals buyers. The terms of the new agreement provide for the recovery of hard costs related to the concentrates by both parties prior to the distribution of profits. The agreement also provides for the issuance of 10,000,000 shares of our restricted common stock and the elimination of a $100,000 accrued liability to Logistica for prior services rendered. When certain terms and conditions are met, the agreement calls for Logistica to arrange for a letter of credit to provide working capital for the mining, processing and sale activities under the agreement. No letter of credit has been put in place. The shares were issued in August 2016. The new agreement supersedes the previous agreements with Logistica.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## NOTE 9 – INCOME TAXES

The Company has incurred no income taxes during the period from July 26, 2002 (inception) through September 30, 2017. The calculated tax deferred benefit at September 30, 2017 and 2016 is based on the current Federal statutory income tax rate of 35% applied to the loss before provision for income taxes. The tax years open for Internal Revenue Service review are fiscal years ended September 30, 2012 to 2017.

The following table accounts for the differences between the actual income tax benefit and amounts computed for the fiscal years ended September 30, 2017 or 2016:

| | Years Ended September 30, | |
|---|---|---|
| | 2017 | 2016 |
| Tax benefit at the federal statutory rate | $ 990,951 | $ 984,773 |
| State tax benefit | 197,341 | 196,110 |
| Cumulative effect of true up | 4,623 | 42,041 |
| Expiration of state operating losses | (110,411) | (138,659) |
| Increase in valuation allowance | (1,082,504) | (1,084,265) |
| Income tax expense | $ — | $ — |

The components of the deferred tax asset and deferred tax liability at September 30, 2017 or 2016 are as follows:

| | Years Ended September 30, | |
|---|---|---|
| | 2017 | 2016 |
| Deferred tax assets - NOLS and other | $ 10,818,000 | $ 9,735,496 |
| Valuation allowance | (10,818,000) | (9,735,496) |
| Net deferred tax asset after valuation allowance | $ — | $ — |

A valuation allowance has been provided to reduce the net deferred tax asset, as management determined that it is more likely than not that the deferred tax assets will not be realized.

At September 30, 2017, the Company has net operating loss carry forwards for financial statement purposes for Federal income tax approximating $28,680,000. These losses expire in varying amounts between September 30, 2022 and September 30, 2037.

At September 30, 2017, the Company has net operating loss carry forwards for financial statement purposes for State income tax approximating $11,180,000. These losses expire in varying years through September 30, 2037.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## NOTE 10 – 2015 EQUITY INCENTIVE PLAN

On October 8, 2015, the Board of Directors of the Company approved the El Capitan Precious Metals, Inc. 2015 Equity Incentive Plan (the "2015 Plan"). The 2015 Plan enables the Board of Directors to grant to employees, directors, and consultants of the Company and its subsidiaries a variety of forms of equity-based compensation, including grants of options to purchase shares of common stock, shares of restricted common stock, restricted stock units, stock appreciation rights, other stock-based awards and performance-based awards. At the time it was adopted, the maximum number of shares of common stock of the Company that could be issued or awarded under the 2015 Plan was 15,000,000 shares. On October 14, 2015, the Company filed Form S-8 Registration Statement No. 333-207399 with the SEC registering the 15,000,000 shares of common stock authorized for issuance pursuant to the 2015 Plan. On December 15, 2015, the Board of Directors of the Company adopted Amendment No. 1 to the 2015 Plan, pursuant to which the number of shares of common stock issuable under the 2015 Plan was increased from 15,000,000 to 23,000,000. On January 14, 2016, the Company filed Form S-8 Registration Statement No. 333-208991 with the SEC registering the additional 8,000,000 shares of common stock authorized for issuance pursuant to the 2015 Plan. Effective April 22, 2016, the Board of Directors of the Company adopted Amendment No. 2 to the 2015 Plan pursuant to which the number of shares of the common stock issuable under the 2015 Plan was increased from 23,000,000 to 28,000,000. On April 27, 2016, the Company filed Form S-8 Registration Statement No. 333-210942 with the SEC registering the additional 5,000,000 shares of common stock authorized for issuance pursuant to the 2015 Plan. Effective August 4, 2016, the Board of Directors of the Company adopted Amendment No. 3 to the 2015 Plan pursuant to which the number of shares of the common stock issuable under the 2015 Plan was increased from 28,000,000 to 50,000,000. On August 8, 2016, the Company filed Form S-8 Registration Statement No. 333-212972 with the SEC registering the additional 22,000,000 shares of common stock authorized for issuance pursuant to the 2015 Plan. Effective October 31, 2016, the Board of Directors of the Company adopted Amendment No. 4 to the Company's 2015 Plan pursuant to which the number of shares of the common stock issuable under the 2015 Plan was increased from 50,000,000 to 75,000,000. On November 4, 2016, the Company filed Form S-8 Registration Statement No. 333- 214442 with the SEC registering the additional 25,000,000 shares of common stock authorized for issuance pursuant to the 2015 Plan.

## NOTE 11 – STOCKHOLDERS' EQUITY

### Authorized Common Shares

Effective October 4, 2016, the Company amended its Articles of Incorporation to increase the number of authorized shares of the Company's common stock from 400,000,000 to 500,000,000 shares.

### Series B Preferred Stock

Pursuant to resolutions adopted by the Board, on August 1, 2014, the Company filed a Certificate of Designation (the "Certificate of Designation") with the Nevada Secretary of State creating a series of Preferred Stock by and designating fifty-one (51) shares of previously undesignated preferred stock as Series B Convertible Preferred Stock (the "Series B Preferred Stock").

*Liquidation*. The Series B Preferred Stock, with respect to rights on liquidation, dissolution and winding-up of the Corporation, ranks on parity with each other class or series of capital stock of the Company the terms of which do not expressly provide that such class or series shall rank senior or junior to the Series B Preferred Stock. Except for distributions in the event of a liquidation, dissolution or winding-up of the Company (whether voluntary or involuntary), or a merger or consolidation by the Corporation with another corporation or other entity (in each case, other than where the Company is the surviving entity) (a "Liquidation"), holders of Series B Preferred Stock are not be entitled to receive dividends on the Series B Preferred Stock. In the event of a Liquidation, the holders of Series B Preferred Stock are to be entitled to receive out of the assets of the Company, an amount equal to the $1.00 per share of Series B Preferred Stock (subject to adjustment), after any distribution or payment with respect to such Liquidation is made to the holders of any senior securities and prior to any distribution or payment with respect to such Liquidation shall be made to the holders of any junior securities.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 11 – STOCKHOLDERS' EQUITY (Continued)**

**Series B Preferred Stock (Continued)**

*Voting Rights*. Solely with respect to matters upon which stockholders are entitled to vote or to which stockholders are entitled to give consent and relate to Company capitalization (including, without limitation, increasing and/or decreasing the number of authorized shares of common stock and/or preferred stock, and implementing forward and/or reverse stock splits) and changes in the Company's name, the holders of the outstanding shares of Series B Preferred Stock vote together with the holders of common stock without regard to class, except as to those matters on which separate class voting is required by applicable law or the Company's articles of incorporation or bylaws. The holders of the outstanding shares of Series B Preferred Stock do not otherwise have the right to vote on matters brought before the Company's stockholders. In matters on which holders of shares of Series B Preferred Stock are entitled to vote, each share of the Series B Preferred Stock has voting rights equal to (x) (i) 0.019607 multiplied by the total of (A) the issued and outstanding shares of Common Stock eligible to vote at the time of the respective vote, plus (B) the number of votes which all other series or classes of securities other than this Series B Preferred Stock are entitled to cast together with the holders of the Company's common stock at the time of the relevant vote (the amount determined by this clause (i), the "Numerator"), divided by (ii) 0.49, minus (y) the Numerator.

*Conversion*. Shares of Series B Preferred Stock may, at the option of the holder, be converted into one share of common stock (subject to adjustment, the "Conversion Ratio"). In the event of any Transfer (as defined in the Certificate of Designation) of any share of Series B Preferred Stock, such share will automatically convert into common stock based upon the Conversion Ratio applicable at the time of such Transfer. If, at any time while any shares of Series B Preferred Stock remain outstanding, the Company effectuates a stock split or reverse stock split of its common stock or issues a dividend on its common stock consisting of shares of common stock, the Conversion Ratio and any other amounts calculated as contemplated by the Certificate of Designation shall be equitably adjusted to reflect such action.

**Equity Purchase Agreement**

***Termination of River North Purchase Agreement; Entry into L2 Purchase Agreement***

The Company and River North Equity, LLC ("River North") were parties to an Equity Purchase Agreement dated March 16, 2016, as amended by Amendment No. 1 dated December 9, 2016 (as so amended, the "River North Purchase Agreement"). Under the River North Purchase Agreement, the Company had the right from time to time, in its discretion, to sell shares of its common stock to River North for aggregate gross proceeds of up to $5,000,000.

On February 21, 2017, the Company and River North terminated the River North Purchase Agreement and a related registration rights agreement and the Company entered into a new Equity Purchase Agreement (the "L2 Purchase Agreement") with L2 Capital, LLC ("L2 Capital"), an affiliate of River North. Under the L2 Purchase Agreement, the Company may from time to time, in its discretion, sell shares of its common stock to L2 Capital for aggregate gross proceeds of up to $5,000,000. Unless terminated earlier, L2 Capital's purchase commitment will automatically terminate on the earlier of the date on which L2 Capital shall have purchased Company shares pursuant to the Purchase Agreement for an aggregate purchase price of $5,000,000, or February 21, 2020. The Company has no obligation to sell any shares under the L2 Purchase Agreement.

As provided in the L2 Purchase Agreement, the Company may require L2 Capital to purchase shares of common stock from time to time by delivering a put notice to L2 Capital specifying the total number of shares to be purchased (such number of shares multiplied by the purchase price described below, the "Investment Amount"); provided there must be a minimum of 10 trading days between delivery of each put notice. The Company may determine the Investment Amount, provided that such amount may not be more than the average daily trading volume in dollar amount for the Company's common stock during the 10 trading days preceding the date on which the Company delivers the applicable put notice. Additionally, such amount may not be lower than $5,000 or higher than $150,000. L2 Capital will have no obligation to purchase shares under the L2 Purchase Agreement to the extent that such purchase would cause L2 Capital to own more than 9.99% of the Company's common stock.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 11 – STOCKHOLDERS' EQUITY (Continued)**

**Equity Purchase Agreement (continued)**

For each share of the Company's common stock purchased under the L2 Purchase Agreement, L2 Capital will pay a purchase price equal to 85% of the Market Price, which is defined as the average of the two lowest closing bid prices on the OTCQB Marketplace, as reported by Bloomberg Finance L.P., during the five consecutive Trading Days including and immediately prior to the settlement date of the sale, which in most circumstances will be the trading day immediately following the "Put Date," or the date that a put notice is delivered to L2 Capital (the "Pricing Period"). The purchase price will be adjusted as follows: (i) an additional 10% discount to the Market Price will be applied if either (A) the Closing Price of the Common Stock on the Put Date is less than $0.10 per share, or (B) the average daily trading volume in dollar amount for the Common Stock during the 10 trading days including and immediately preceding the Put Date is less than $50,000; (ii) an additional 5% discount to the Market Price will be applied if the Company is not deposit/withdrawal at custodian ("DWAC") eligible; and (iii) an additional 10% discount to the Marker Price will be applied if the Company is under DTC "chill" status. L2 Capital's obligation to purchase shares on any settlement date is subject to customary closing conditions, including without limitation a requirement that a registration statement remain effective registering the resale by L2 Capital of the shares to be issued. The L2 Purchase Agreement is not transferable and any benefits attached thereto may not be assigned.

The L2 Purchase Agreement contains covenants, representations and warranties of the Company and L2 Capital that are typical for transactions of this type. In addition, the Company and L2 Capital have granted each other customary indemnification rights in connection with the L2 Purchase Agreement. The L2 Purchase Agreement may be terminated by the Company at any time.

In connection with the L2 Purchase Agreement, the Company also entered into Registration Rights Agreement with L2 Capital requiring the Company to prepare and file, within 45 days, a registration statement registering the resale by L2 Capital of shares to be issued under the L2 Purchase Agreement, to use commercially reasonable efforts to cause such registration statement to become effective, and to keep such registration statement effective until (i) three months after the last closing of a sale of shares under the L2 Purchase Agreement, (ii) the date when L2 Capital may sell all the shares under Rule 144 without volume limitations, or (iii) the date L2 Capital no longer owns any of the shares. The registration statement was filed on February 28, 2017 and declared effective on March 10, 2017.

The foregoing description of the terms of the Termination with River North and the L2 Purchase Agreement and corresponding Registration Rights Agreement does not purport to be complete and is subject to and qualified in its entirety by reference to the agreements themselves, copies of which are filed as Exhibits 10.4, 10.5 and 10.6, respectively, to our Current Report on Form 8-K filed with the SEC on February 23, 2017, and the terms of which are incorporated herein by reference. The benefits and representations and warranties set forth in such documents (if any) are not intended to and do not constitute continuing representations and warranties of the Company or any other party to persons not a party thereto.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 11 – STOCKHOLDERS' EQUITY (Continued)**

**Equity Purchase Agreement (continued)**

***Likelihood of Accessing the Full Amount of the Equity Line***

Our arrangement with L2 Capital is sometimes referred to herein as the "Equity Line." Notwithstanding that the Equity Line is in an amount of $5,000,000, we anticipate that the actual likelihood that we will be able access the full $5,000,000 may be low due to several factors, including that our ability to access the Equity Line is impacted by our average daily trading volume, the average computed sale price of the shares for each put, which may limit the maximum dollar amount of each put we deliver to L2 Capital. Our use of the Equity Line will continue to be limited and restricted if our share trading volume or market price of our stock continue at their current levels or decrease further in the future from the volume and stock prices reported over the past year.

Further, our ability to issue shares in excess of the 25,000,000 shares covered by the registration statement will be subject to our filing a subsequent registration statement with the SEC and the SEC declaring it effective.

**Preferred Stock Issuances**

On August 1, 2014, the Company issued fifty-one (51) shares of Series B Preferred Stock to John F. Stapleton (the "Series B Stockholder") for a purchase price equal to $1.00 per share. The offer and sale of such shares were not registered under the Securities Act of 1933, as amended (the "Securities Act") at the time of sale, and therefore may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. For this issuance, the Company relied on the exemption from federal registration under Section 4(2) of the Securities Act and/or Rule 506 promulgated thereunder, based on the Company's belief that the offer and sale of the shares has not and will not involve a public offering as the Series B Stockholder is an "accredited investor" as defined under Section 501 promulgated under the Securities Act and no general solicitation has been involved in the offering.

As a result of the voting rights of the Series B Preferred Stock, the Series B Stockholder holds in the aggregate approximately 51% of the total voting power of all issued and outstanding voting capital of the Company solely with respect to matters upon which stockholders are entitled to vote or to which stockholders are entitled to give consent and relate to the Company's capitalization (including, without limitation, increasing and/or decreasing the number of authorized shares of common stock and/or preferred stock, and implementing forward and/or reverse stock splits) and changes in the Company's name. The Series B Stockholder does not otherwise have the right under the Certificate of Designation to vote on matters brought before the Company's stockholders. The Company's Board of Directors believes that the issuance of the Series B Preferred Stock to the Series B Stockholder will facilitate the Company's ability to manage its affairs with respect to the limited matters on which the Series B Stockholder is entitled to vote.

During the fiscal year ended September 30, 2017, the Company did not issue any shares of preferred stock.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 11 – STOCKHOLDERS' EQUITY (Continued)**

**Common Stock Issuances**

During the fiscal year ended September 30, 2017, the Company:

(i) Issued 1,000,0000 shares of S-8 common stock for accrued compensation payable to a retired officer and director valued at $49,800 on the date of issuance;

(ii) Issued 6,097,562 shares of restricted common stock and 6,097,562 shares of S-8 common stock for accrued compensation payable to three officers valued at $885,110 on the date of issuances and recorded a loss on debt extinguishment of $385,110;

(iii) Issued 3,000,000 shares of S-8 common stock and 2,774,513 shares of restricted common stock for accrued legal services at a market value of $485,554 and recorded a loss on debt extinguishment of $248,799;

(iv) Issued 1,382,544 S-8 common shares to our corporate attorney to retire our current obligations for services aggregating $80,187. The shares were issued at the closing market price on July 13, 2017 at $0.058.

(v) Issued 14,500,000 shares of S-8 common stock to our contract miners at a market value of $901,800, including payment of $32,093 for inventory, payment of $8,515 for lab equipment, an advance of $456,313 for pilot plant equipment costs and $404,879 for pilot plant operating costs and MSHA consulting;

(vi) Issued 7,684,671 shares of common stock under the 2016 Purchase Agreement with River North for aggregate cash proceeds of $344,575;

(vii) Issued 14,240,321 shares of common stock under the 2017 Purchase Agreement with L2 Capital for aggregate cash proceeds of $560,436;

(viii) Issued 200,000 shares of S-8 common stock to a mine consultant at a market value of $18,000 on the date of issuance;

(ix) Issued 3,403,890 shares of common stock for the conversion of a note payable and accrued interest at a market value of $113,768;

(x) Issued 446,988 shares of common stock for the partial conversion of a note payable and accrued interest at a market value $14,265;

(xi) Issued 3,150,719 shares of common stock for the conversion of a note payable and accrued interest at a market value of $266,236 and recorded a debt extinguishment of $10,209; and

(xii) Issued 200,000 shares of restricted common stock for loan fees to an officer and director at a market value of $12,000 on the date of issuance.

The issuance of the restricted common shares during our fiscal year 2017, were exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof because such issuance did not involve a public offering.

During the fiscal year ended September 30, 2016, the Company:

(i) Issued 7,272,728 shares of restricted common stock with a fair value of $402,673, in settlement of two notes payable and accrued interest valued of $307,982, resulting in a loss of $94,691;

(ii) Issued an aggregate of 26,826,842 shares of restricted stock and S-8 common stock to our contract miners at a fair value of $1,508,556, recognized as a payment of $103,626 for accrued mining cost, $177,999 for services, $1,185,396 for the mining of inventory, and a prepayment of $41,534 for services and issued an aggregate of 700,000 shares of restricted stock and S-8 common stock for mining services valued at $37,100;

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 11 – STOCKHOLDERS' EQUITY (Continued)**

**Common Stock Issuances (Continued)**

(iii) Issued 15,847,974 shares of restricted common stock for the conversion of two convertible notes and accrued interest of $306,878;

(iv) Issued to two lenders in connection with a loan extension, 75,000 shares each of restricted common stock with an aggregate value of $4,858 on the date of issuance;

(v) Issued 10,000,000 shares of S-8 common stock pursuant to the terms of the January 5, 2016 agreement with Logistica and valued at $689,000;

(vi) Issued 600,000 shares of restricted common stock and 3,391,820 shares of S-8 stock in connection with a value of $186,480 for the conversion accrued expenses of $217,550, resulting in a gain of $31,070;

(vii) Issued 700,000 shares of restricted common stock and 1,794,777 shares of S-8 stock in connection with a value of $135,614 for the conversion of accrued compensation of $151,161 resulting in a gain of $15,547 that was recognized in equity;

(viii) Issued 500,000 shares of restricted common stock to a creditor for carrying a significant balance. The market value of the shares issued was $36,000 and was classified as non-cash financing costs in the fiscal year ended September 30, 2017; and

(ix) Issued 13,072,636 shares of common stock under the 2016 Purchase Agreement with River North for aggregate cash proceeds of $871,679.

The issuance of the restricted common shares during our fiscal year 2016, were exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof because such issuance did not involve a public offering.

**Warrants**

During the fiscal year ended September 30, 2017, the Company:

(i) In connection with the conversion of a note payable on March 30, 2017, the Company issued a fully vested three year warrant to purchase 250,000 shares of common stock of the Company at an exercise price of $0.08126 per share. The fair value of the warrants was determined to be $16,258 using the Black-Scholes option pricing model and was expensed to a loss on extinguishment of debt.

(ii) Pursuant to the February 21, 2017 Securities Purchase Agreement with an accredited investor, the Company issued to the investor a three year warrant to purchase up to 602,406 shares of the Company's common stock at an exercise price equal to $0.3652 per share (which price is subject to anti-dilution adjustment in the event the Company issues additional convertible securities with lower conversion prices). As of June 30, 2017, the warrant price was reset to $0.08126 and the number of warrants increased to 2,707,343.

(iii) Pursuant to the February 21, 2017 Securities Purchase Agreement with an accredited investor, the Company issued to the investor a three year warrant to purchase up to 891,410 shares of the Company's common stock at an exercise price equal to $0.2468 per share (which price is subject to anti-dilution adjustment in the event the Company issues additional convertible securities with lower conversion prices).

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 11 – STOCKHOLDERS' EQUITY (Continued)**

**Warrants (Continued)**

During the fiscal year ended September 30, 2016, the Company:

(i) Issued to an investor in consideration of the extension of the 2014 note, the Company amended the common stock purchase warrant to purchase 4,714,286 shares (subject to adjustment) of our common stock at an exercise price of $0.07 per share. The warrant is a fully vested three-year warrant. The note was mutually extended from July 17, 2015 to January 17, 2016. The warrant dated October 17, 2014 was cancelled. On January 19, 2016, the amended 2014 Note was extended from January 17, 2016 to September 19, 2016. In consideration of the extension, we issued to the investor a fully vested three year common stock purchase warrant to purchase 471,429 shares (subject to adjustment) of common stock of the Company at an exercise price of $0.051 per share, the closing price on the date of the agreed extension agreement. . The fair value of the warrants was determined to be $16,775 using Black-Scholes option price model and was expensed during the three months ended March 31, 2016.

**Options**

During the fiscal year ended September 30, 2017, the Company:

(i) The Company granted to former director, a 125,000 five-year fully vested stock option. The aggregate relative fair value of the options was determined to be $5,388 using the Black-Scholes option pricing model on the date of grant and was expensed in the current fiscal year.

During the fiscal year ended September 30, 2016, the Company:

(i) The Company granted to three new directors, each 250,000 ten-year fully vested stock options. The aggregate relative fair value of the options was determined to be $31,206 using the Black-Scholes option pricing model on the dates of grant and was expensed in the current fiscal year.

Aggregate options expense recognized was $5,388 and $31,206 for the fiscal years ended September 30, 2017 and 2016, respectively, related to the option grants described above. As of September 30, 2017 there was no unamortized option expense.

The Company utilizes the Black-Scholes option pricing model to estimate the fair value of its option awards and warrants. The following table summarizes the significant assumptions used in the model during the years ended September 30, 2017 and 2016:

| | |
|---|---|
| **Year Ended September 30, 2017:** | |
| Exercise prices | $0.0498 |
| Expected volatilities | 131.97% |
| Risk free interest rates | 1.65% |
| Expected terms | 5.0 years |
| Expected dividends | — |
| | |
| **Year Ended September 30, 2016:** | |
| Exercise prices | $0.02 – $0.17 |
| Expected volatilities | 105.11% – 139.77% |
| Risk free interest rates | 10.51% – 1.68% |
| Expected terms | 1.3 – 5.0 years |
| Expected dividends | — |

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 11 – STOCKHOLDERS' EQUITY (Continued)**

**Options (Continued)**

Stock option activity, both within and outside the 2005 Stock Incentive Plan and warrant activity, for the fiscal years ended September 30, 2017 or 2016, are as follows:

| | Stock Options | | Stock Warrants | |
|---|---|---|---|---|
| | Shares | Weighted Average Price | Shares | Weighted Exercise Price |
| Outstanding at September 30, 2015 | 10,387,500 | $ 0.30 | 4,861,344 | $ 0.07 |
| Granted | 750,000 | 0.051 | 471,429 | 0.051 |
| Canceled | — | — | — | — |
| Expired | — | — | — | — |
| Exercised | — | — | — | — |
| Outstanding at September 30, 2016 | 11,137,500 | $ 0.264 | 5,332,773 | $ 0.071 |
| Granted | 125,000 | 0.05 | 4,451,159 | 0.153 |
| Canceled | — | — | (602,406) | 0.365 |
| Expired | — | — | — | — |
| Exercised | — | — | — | — |
| Outstanding at September 30, 2017 | 11,262,500 | $ 0.262 | 9,181,526 | $ 0.091 |
| Exercisable at September 30, 2017 | 11,262,500 | $ 0.262 | 9,181,526 | $ 0.091 |

The range of exercise prices and remaining weighted average life of the options outstanding at September 30, 2017 were $0.042 to $1.02 and 3.88 years, respectively. The aggregate intrinsic value of the outstanding options at September 30, 2017 was $50.

The range of exercise prices and remaining weighted average life of the warrants outstanding at September 30, 2017 were $0.051 to $0.247 and 1.57 years, respectively. The aggregate intrinsic value of the outstanding warrants at September 30, 2017 was $4,149.

During the fiscal year 2015 our 2005 Plan expired. On October 8, 2015, the Board of Directors of the Company approved the El Capitan Precious Metals, Inc. 2015 Equity Incentive Plan (the "2015 Plan"). As of September 30, 2017, 75,000,000 shares of the Company's Common Stock were authorized for issuance under the 2015 Plan. See ***Note 10 – 2015 Equity Incentive Plan***.

**NOTE 12 - SUBSEQUENT EVENTS**

***Subsequent Issuances of Common Stock***

Subsequent to September 30, 2017, the Company issued 6,076,413 shares of common stock under the L2 Purchase Agreement to L2 Capital for aggregate cash proceeds of $161,130 and issued 1,250,000 shares of restricted common stock for loan commitment fees at a market value of $41,625 on the date of issuance.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 12 - SUBSEQUENT EVENTS (Continued)**

***Securities Purchase Agreement with L2 Capital, LLC and Promissory Note***

On December 18, 2017, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with L2 Capital, LLC ("L2 Capital") pursuant to which the Company issued a convertible promissory note (the "Note") to L2 Capital, in the original principal amount of $99,000, in consideration of the payment by L2 Capital of a purchase price equal to $90,000, with $9,000 retained by L2 capital as original issue discount. As additional consideration for the loan, the Company issued 1,250,000 shares of its common stock to L2 Capital as a commitment fee. The Securities Purchase Agreement contains covenants, representations and warranties of the Company and L2 Capital that are typical for transactions of this type.

The Note accrues interest at a rate of 7% per annum (with six months of interest guaranteed), with principal and interest payable on June 18, 2018 unless earlier accelerated. The Company may prepay the Note prior to maturity only by paying 120% of the prepayment amount.

Upon the occurrence of an Event of Default (as defined in the Note), the Note may be converted into shares of the Company's common stock at the election of L2 Capital at a per share conversion price equal to the lesser of $0.07 or 60% of the average of the three lowest trading prices of the Company's common stock during the 14 days prior to conversion. Each time an Event of Default occurs while the Note remains outstanding, an additional discount of 5% will be factored into the conversion price. Among other adjustments, the conversion price is also subject to a full ratchet adjustment if the Company issues or sells common stock while the Note remains outstanding for consideration per share less than the conversion price then in effect.

Upon the occurrence of an Event of Default other than failure to pay principal and interest when due or failure to timely issue shares of common stock upon conversion of the Note, the Note will become immediately due and payable and the Company will be obligated to pay L2 Capital 140% of amounts due under the Note in full satisfaction of the Company's obligations, plus an additional 5% per each additional Event of Default that occurs under the Note (such amount, the "Default Sum"). If the Company fails to timely deliver shares upon a Note conversion, the Note will become immediately due and payable and the Company will be obligated be pay L2 Capital twice the amount of the Default Sum. In lieu of requiring the Company to pay the Default Sum, L2 Capital may instead elect to convert such amount into common stock at the applicable conversion price. In addition, failure to timely deliver shares of common stock upon conversion of the Note will result in cash penalties and a "buy-in" obligation that is often seen in convertible security financings of this type.

Among other provisions of the Note, while the Note remains outstanding:

- The Note prohibits the Company, without L2 Capital's consent, from issuing any Variable Rate Security without simultaneously satisfying all payment obligations under the Note. A "Variable Rate Security" is any security of the Company that has conversion rights in which the number of shares that may be issued upon conversion varies with the market price of the common stock.

- The Note prohibits the Company from entering into a transaction with any party other than L2 Capital that is structured in accordance with, based on, or related or pursuant to Section 3(a)(9) of the Securities Act of 1933, as amended (the "Securities Act"), without prior consent of L2 Capital, and any Section 3(a)(9) transaction that does occur will result in a liquidated damage charge to the Company equal to 25% of the outstanding principal balance of the Note (but not less than $15,000).

- A "most favored nations" clause will apply, pursuant to which, if the Company issues securities with any term more favorable to the holder thereof than the terms of the Note, L2 Capital may require that such term become a part of the Securities Purchase Agreement and the Note. Types of terms to which the "most favored nations" clause may apply include without limitation terms addressing conversion discounts, prepayment rate, conversion look-back periods, interest rates, original issue discounts, stock sale price, private placement price per share and warrant coverage.

- L2 Capital has a right of first refusal with respect to any bona fide capital or financing from any other third party.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 12 - SUBSEQUENT EVENTS (Continued)**

***Securities Purchase Agreement with L2 Capital, LLC and Promissory Note* (Continued)**

The foregoing description of the terms of the Securities Purchase Agreement and the Note does not purport to be complete and is subject to and qualified in its entirety by reference to the agreement and instruments themselves, copies of which are filed as Exhibits 10.1 and 10.2, respectively, to the Company's Current Report on Form 8-K filed with the SEC on January 8, 2018. The benefits and representations and warranties set forth in such agreements and instruments are not intended to and do not constitute continuing representations and warranties of the Company or any other party to persons not a party thereto.

The issuance of the shares, the Note and the shares issuable upon any conversion of the Note were not registered under the Securities Act, and therefore may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. For these issuances, the Company relied on the exemption from federal registration under Section 4(2) of the Securities Act and/or Rule 506 promulgated thereunder, based on the Company's belief that the offer and sale of such securities did not involve a public offering.

***Changes in Directors***

On February 7, 2018, Clyde L. Smith, Ph.D., P.Eng., resigned as a member of the Board of Directors of the Company.

Effective February 20, 2018, the Board of Directors elected Douglas R. Sanders to serve as a director of the Company to fill the open vacancy on the Board. Upon the acceptance of his election, the term of his service as director began on February 20, 2018.

***Note Purchase and Assignment Agreement; Replacement Convertible Promissory Note***

On January 3, 2018, the Company entered into a Note Purchase and Assignment Agreement (the "Assignment Agreement") with L2 Capital, LLC ("L2 Capital") and the holder (the "Seller") of an outstanding promissory note of the Company (the "Original Note") pursuant to which the Seller agreed to sell and assign to L2 Capital, and L2 Capital agreed to purchase from the Seller, the Original Note. The Original Note, which became due and payable on February 4, 2016, had outstanding principal and accrued interest of $47,118 as of January 3, 2018.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 12 – SUBSEQUENT EVENTS (Continued)**

***Note Purchase and Assignment Agreement; Replacement Convertible Promissory Note*** **(Continued)**

Pursuant to the Assignment Agreement, the Company issued a new promissory note dated January 3, 2018 (the "Issue Date") to L2 Capital to replace the Original Note (the "Replacement Note"). The Replacement Note, which has an original principal balance of $47,118, accrues interest at a rate of 7% per annum (with twelve months of interest guaranteed), with principal and interest payable on June 3, 2018 (the "Maturity Date") unless earlier accelerated. Principal and interest not paid at maturity will accrue interest at 24% per annum ("Default Interest"). The Company may prepay the Note during the 180 days following the Issue Date only by paying 150% of the prepayment amount.

The Holder shall have the right at any time on or after the 40th calendar date after the Issue Date, to convert all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of the Note into fully paid and non-assessable shares of Common Stock of the Company. The conversion price per share shall be the lesser of (i) $0.07 and (ii) 75% of the average of the two (2) lowest trading Prices for the Common Stock during the five (5) trading day period prior to the Conversion Date (the "Conversion Price"). Among other adjustments, the Conversion Price is also subject to a full ratchet adjustment if the Company issues or sells common stock while the Replacement Note remains outstanding for consideration per share less than the Conversion Price then in effect.

Upon the occurrence of an Event of Default (as defined in the Replacement Note) other than failure to timely issue shares of common stock upon conversion of the Replacement Note, the Replacement Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to 140% (plus an additional 5% per each additional Event of Default that occurs thereunder) multiplied by the then outstanding entire balance of the Replacement Note (including principal and accrued and unpaid interest), plus Default Interest, if any, (collectively, in the aggregate of all of the above, the "Default Sum"). If the Company fails to timely deliver shares upon a Replacement Note conversion, the Replacement Note will become immediately due and payable and the Company will be obligated be pay L2 Capital twice the amount of the Default Sum. Each time an Event of Default occurs while this Note is outstanding, an additional discount of five percent (5%) shall be factored into the Conversion Price. In addition, failure to timely delivery shares of common stock upon conversion of the Note will result in cash penalties.

Among other provisions of the Replacement Note, while the Replacement Note remains outstanding:

- The Replacement Note prohibits the Company, without L2 Capital's consent, repurchasing or otherwise acquiring any shares of its capital stock or any warrants, rights or options to purchase of acquire any such shares.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 12 – SUBSEQUENT EVENTS (Continued)**

***Note Purchase and Assignment Agreement; Replacement Convertible Promissory Note* (Continued)**

- The Replacement Note prohibits the Company, without L2 Capital's consent, from issuing any Variable Rate Security without simultaneously satisfying all payment obligations under the Replacement Note. A "Variable Rate Security" is any security of the Company that has conversion rights in which the number of shares that may be issued upon conversion varies with the market price of the common stock.

- The Replacement Note prohibits the Company from entering into a transaction structured in accordance with, based upon, or related or pursuant to, in whole or in part, Section 3(a)(10) of the Securities Act of 1933, as amended (the "Securities Act") (a "3(a)(10) Transaction"). If a 3(a)(10) Transaction does occur, then a liquidated damages charge of 100% of the outstanding principal balance of the Replacement Note at that time will be assessed and will become immediately due and payable to L2 Capital, either in the form of cash payment, an addition to the balance of the Replacement Note, or a combination of both forms of payment, as determined by L2 Capital.

- If the Company effectuates a reverse split with respect to its Common Stock, then a liquidated damages charge of 30% of the outstanding principal balance of the Replacement Note at that time will be assessed and will become immediately due and payable to L2 Capital, either in the form of cash payment, an addition to the balance of the Replacement Note, or a combination of both forms of payment, as determined by L2 Capital.

- The Replacement Note prohibits the Company from entering into a transaction with any party other than L2 Capital that is structured in accordance with, based on, or related or pursuant to Section 3(a)(9) of the Securities Act without prior consent of L2 Capital, and any Section 3(a)(9) transaction that does occur will result in a liquidated damage charge to the Company equal to 25% of the outstanding principal balance of the Note (but not less than $15,000).

- A "most favored nations" clause will apply, pursuant to which, if the Company issues securities with any term more favorable to the holder thereof than the terms of the Replacement Note, L2 Capital may require that such term become a part of the transactions contemplated by the Assignment Agreement and Replacement Note. Types of terms to which the "most favored nations" clause may apply include without limitation terms addressing conversion discounts, prepayment rate, conversion look-back periods, interest rates, original issue discounts, stock sale price, private placement price per share and warrant coverage.

- L2 Capital has a right of first refusal with respect to any bona fide capital or financing from any other third party.

The foregoing description of the terms of the Assignment Agreement and the Replacement Note does not purport to be complete and is subject to and qualified in its entirety by reference to the agreement and instruments themselves, copies of which are filed as Exhibits 10.8b and 10.8c, respectively, to this report, and the terms of which are incorporated herein by reference. The benefits and representations and warranties set forth in such agreements and instruments are not intended to and do not constitute continuing representations and warranties of the Company or any other party to persons not a party thereto.

***February 12, 2018 Promissory Note***

On February 12, 2018, the Company signed a promissory note for $25,000 with a revocable trust of Robert W. Shirk, one of the Company's directors. The note has an interest rate of 5% per annum. Principal and accrued interest thereon are due and payable on the six month anniversary of the note.

***Cash Advances***

On February 28, 2018, two officers of the Company advanced a total of $20,000 to the Company for working capital use. Reimbursement of the advances is anticipated to be made within 30 days of the advances and there are no penalty or interest factors attached to such advances.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On February 5, 2018, MaloneBailey LLP ("MaloneBailey") resigned as the independent registered public accounting firm of El Capitan Precious Metals, Inc. During the Company's two most recent fiscal years ended September 30, 2015 and September 30, 2016 and through February 5, 2018, the date of MaloneBailey's resignation, the Company had no disagreements with MaloneBailey on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to MaloneBailey's satisfaction, would have caused it to make reference to the subject matter of the disagreements in connection with its report.

On February 9, 2018, we filed a Current Report on Form 8-K regarding the resignation of MaloneBailey as our independent registered public accounting firm. The Audit Committee of our Board of Directors discussed with MaloneBailey the reasons for its resignation, and we have authorized MaloneBailey to respond fully to the inquiries of our successor independent registered public accounting firm. The Audit Committee did not recommend or approve the resignation of MaloneBailey.

On February 7, 2018 (the "Engagement Date"), we engaged Semple, Marchal & Cooper, LLP ("SM&C") as our independent registered public accounting firm for the Company's fiscal year ended September 30, 2017. The engagement of SM&C as our independent registered public accounting firm was approved by the Audit Committee of our Board of Directors. During the two most recent fiscal years and through the Engagement Date, we have not consulted with SM&C regarding either (i) the application of accounting principles to any specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, and neither a written report was provided to us nor oral advice was provided that SM&C concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement (as defined in paragraph (a)(1)(iv) of Item 304 of Regulation S-K and the related instructions thereto) or a reportable event (as described in paragraph (a)(1)(v) of Item 304 of Regulation S-K).

## ITEM 9A. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

We conducted an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2017, our disclosure controls and procedures were not effective due to a material weakness identified which is described below.

**Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of Company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis.

Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness, as of September 30, 2017, of our internal control over financial reporting based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the Company's internal control over financial reporting was ineffective as of September 30, 2017 due to the following: During fiscal 2017 the Company had a material weakness in internal control regarding the classification of certain contract expenditures that were not clearly specified in the contract. They were initially treated as a reimbursable expenditure, but were subsequently reclassified to expense under the SEC Industry Guide 7. The Company in future contracts will include specific language for the handling of any contract expenditures included therein.

The Company during the fiscal year 2017 has retained the services of a qualified Chartered Financial Analyst with the background in the application of generally accepted accounting principles commensurate with the complexity of our equity financial derivative instruments issued with debt transactions.

**Changes in Internal Control Over Financial Reporting**

During the fiscal quarter ended September 30, 2017, there was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Attestation Report of the Registered Public Accounting Firm**

The Company's independent registered public accounting firm is not required to issue, and has not issued, an attestation report on the Company's internal control over financial reporting as of September 30, 2017.

**ITEM 9B. OTHER INFORMATION**

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

**Identification of Directors and Executive Officers**

The following table sets forth the name, age, position and office term of each executive officer and directors of the Company as of March 30, 2018.

| Name | Age | Position | Director Since |
|---|---|---|---|
| John F. Stapleton | 74 | President, Chief Executive Officer, Director, Chairman of the Board, Secretary | April 21, 2009 |
| Charles C. Mottley | 83 | Director, President Emeritus | April 21, 2009 |
| Stephen J. Antol | 75 | Chief Financial Officer | |
| Timothy J. Gay | 73 | Director | December 4, 2015 |
| Daniel G. Martinez | 73 | Director | July 7, 2016 |
| John R. Balding | 75 | Director | September 12, 2017 |
| Robert W. Shirk | 68 | Director | September 12, 2017 |
| Douglas R. Sanders | 69 | Director | February 20, 2018 |

**John F. Stapleton** – Mr. Stapleton has been a Company director and Chairman of the Company's Board of Directors since April 2009, and served as Chief Financial Officer from February 2012 to January 2016. On August 4, 2016, the Board of Directors of the Company appointed Mr. Stapleton to replace Mr. Mottley as President and Chief Executive Officer of the Company. Mr. Stapleton has extensive experience with early-stage development companies and contributes a unique set of skills needed to achieve a focused strategy, early-stage funding, basic infrastructure and business model, all of which are central to creating a solid business platform to launch and scale a successful venture. Mr. Stapleton has a history of founding and supporting more than 25 emerging technology companies. As a senior officer and investor, Mr. Stapleton has been instrumental in the development and financing of several companies. Mr. Stapleton is the sole owner of Management Resource Initiatives, Inc., a corporation that, since January 2012, has been managing and overseeing the process of operating and marketing the El Capitan Property and performing other services aimed at furthering the Company's strategic goals.

**Charles C. Mottley** – Mr. Mottley was Chairman of the Board of Gold and Minerals Company, Inc. from February 2009 until the merger into the Company in 2011; and was on the Board of Trustees at Hampden-Sydney College from 2007 to May 2011. Mr. Mottley was President and a Director of the Company from July 2002 to April 2007, when he resigned as President, but continued to serve as a Director until September 2007. He also provided consulting services to our Company from June 2007 to June 2008. On April 21, 2009, Mr. Mottley was reappointed as a Director of the Company and on April 30, 2009, Mr. Mottley was reappointed as President and as Chief Executive Officer. At the request of Mr. Mottley, on August 4, 2016, the Board of Directors of the Company appointed Mr. Stapleton to replace Mr. Mottley as President and Chief Executive Officer of the Company. Mr. Mottley continues to serve as a member of the Company's Board of Directors and as President Emeritus. Mr. Mottley also served as Chairman and Chief Executive Officer of Gold and Minerals Company, Inc., from 1978 until July 2005, at which time he resigned those positions. He was on the Board of the National Mining Association from 2005 to 2007 and has been employed in the mining industry in various capacities from equipment sales and services to active mining operations for over 54 years. Mr. Mottley is the author of five books and is the founder of the Fatherhood Foundation in Scottsdale, Arizona. Mr. Mottley received a Bachelor of Arts Degree from Hampden-Sydney College in 1958. On January 20, 2012, Mr. Mottley filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code in the Unites States Bankruptcy Court in and for the District of Arizona (Case No. 10-01419 GBN). A plan of reorganization was approved by the Court in June 2013, and has informally completed.

**Stephen J. Antol** – Mr. Antol previously served as the Company's Chief Financial Officer from November 2004 to May 2007, and from April 2009 until present has served as the Company's controller, and has again served as the Company's Chief Financial Officer since January 18, 2016. For the period May 2007 to May 2009, and from late 1992 through November 2004, Mr. Antol rendered services as a consultant chief financial officer for a number of small and medium-size businesses, public and private companies requiring technical expertise on a limited or recurring basis. From 1990 to 1992, Mr. Antol served as Chief Financial Officer of Lou Register Furniture, a fine furniture retailer located in Phoenix, Arizona. From 1987 to 1990, Mr. Antol served as Director of Finance for F.S. Inc. (dba Audio Express and Country House Furniture), a retailer of furniture and stereo equipment in four southwestern states. From 1975 to 1987, Mr. Antol worked for Giant Industries, Inc., an independent refiner and marketer of petroleum products, in such capacities as Corporate Controller and Corporate Treasurer. Mr. Antol also has six years audit and tax experience with two major certified public accounting firms in Phoenix, Arizona. Mr. Antol received a Bachelor of Arts degree from Michigan State University in 1968, and became a licensed Certified Public Accountant in 1970. He no longer practices as a licensed CPA.

**Timothy J. Gay, CPA, CVA** – Mr. Gay has been involved for thirty-five years in management advisory with public companies for SEC-related services and specializes in mergers and acquisitions, bankruptcy reorganizations, expert testimony, and business valuations. He founded, organized, and continues to facilitate the M&A Roundtable and has extensive experience in providing guidance and services for financial institutions related to mergers, acquisitions, and financing alternatives. In addition, Mr. Gay has served on the boards and loan committees of financial institutions. As founder of Tim Gay & Associates, Mr. Gay organized the investment banking firms Cornelius & Gay and Cornelius, Gay & Korte (CG&K). He resigned his positions with CG&K in 2005 when he formed the Sierra Consulting Group, LLC. He has been appointed as an Examiner by the U.S. Department of Justice and as a Chapter 7 and Chapter 11 Trustee by the U.S. Bankruptcy Court. Mr. Gay also serves on various boards of non-profit organizations.

**Daniel G. Martinez** – Mr. Martinez, who joined the Company's Board of Directors on July 7, 2016, graduated with a B.S. degree in Pharmacy from the University of Arizona in 1968. He worked as a pharmacist in San Diego, California before purchasing and operating a pharmacy clinic from 1970 until 1981. From 1981 until 1989, Mr. Martinez was a franchisee of McDonald's Restaurants in California and New Mexico, after which he built low income housing for the Philippine government until 1990. Since 1990, Mr. Martinez has owned and operated a multi-family residential real estate rental and development business in Abilene, Texas and, currently in Las Vegas, Nevada. Mr. Martinez serves as a director of the Paragon Foundation and the Nevada Livestock Association.

**John R. Balding** – Mr. Balding joined the Company's Board of Directors on September 12, 2017. Mr. Balding is a graduate of Southern Oregon University with a degree in mathematics and Arizona State University with a Masters in Business Administration. He is an Air Force veteran serving in military intelligence while in Berlin, Germany. Mr. Balding has background in the Data Processing field working for numerous companies. During that time he served as European Support manager in Paris, France for a Dallas, Texas based computer company. Later he started a computer hardware and software company in the early 1980's which he transitioned from a computer based company to a financed based, and in 1986 phased out the computer business to a commercial lending company, Cee & Gee Funding, Inc. He also has a background and understanding in the structure of sophisticated financial transactions.

**Robert W. Shirk** – Mr. Shirk joined the Company's Board of Directors on September 12, 2017. Mr. Shirk is a graduate of Iowa State University with a business degree. He worked three years as an auditor with a certified public accounting firm and obtained his CPA certificate in 1972. In 1973 he took the position of chief financial officer of a large real estate company involved in land development, residential and commercial construction, real estate sales and property management. Today as chief financial officer of all the entities, with a material ownership in the construction and land development companies, he also has a strong background in governmental processes surrounding real estate.

**Douglas R. Sanders** – Mr. Sanders joined the Company's Board of Directors on February 20, 2018. Mr. Sanders has an extensive background in civil engineering. From 1999 until 2007, Mr. Sanders served as Executive Vice President and General Manager of Spiniello Companies, located in Morristown, New Jersey. During 2007 and 2008, he served as Executive Vice President of Pipeliners of Puerto Rico, Inc. From 2009 through 2010, he served as Division Manager of JF Pacific Liners, Inc., located in Vacaville, California. Since 2011, he has been a self-employed mining industry consultant, including performing consulting services to the Company. Mr. Sanders is a graduate of Iowa State University with a degree in business/economics.

**Audit Committee; Financial Expert**

The Company currently has a standing audit committee comprised of two independent directors, Timothy Gay, Committee Chairman, and Robert Shirk. As set forth in the Company's written audit committee charter, the audit committee assists the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of the Company, and such other duties as directed by the Board. The committee's role includes a particular focus on the qualitative aspects of financial reporting to shareholders, on the Company's processes to manage business and financial risk, and for compliance with significant applicable legal, ethical, and regulatory requirements. The committee is directly responsible for the appointment, compensation, and oversight of the public accounting firm engaged to prepare and issue an audit report on the financial statements of the Company. We have posted our audit committee charter on our website at www.elcapitanpmi.com. Mr. Gay and Mr. Shirk are both considered an "audit committee financial expert" as defined by the rules promulgated by the SEC.

**Code of Ethics for Senior Financial Management**

We have adopted a Code of Ethics that applies to our principal executive, financial and accounting officers (or persons performing similar functions). A copy of the Code of Ethics is filed as Exhibit 14.1 to this report.

**Compensation Committee**

The Compensation Committee of the Company contemplates a minimum of one director. The purpose of the Committee is to carry out the Board of Directors' overall responsibility relating to executive compensation. Members of the Committee are appointed by the Board of Directors and may be removed by the Board of Directors in its discretion. Members of the Compensation Committee are required to be independent directors, and shall satisfy the Company's independence guidelines for members of the Compensation Committee. Prior to September 2017, the Board as a whole has assumed the responsibilities of the Compensation Committee until such time as a new independent director or directors are appointed to the Compensation Committee.

During the current fiscal year Mr. Daniel G. Martinez and Mr. John R. Balding were appointed to the Compensation Committee, with Mr. Martinez as Committee Chairman. Both committee members are independent board members.

We have posted our Compensation Committee Charter on our website at www.elcapitanpmi.com.

**Nominating Committee**

There have been no material changes to the procedures by which security holders may recommend nominees to the Company's Board of Directors.

**Compliance with Section 16(a) of the Exchange Act**

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires officers, directors and persons who beneficially own more than 10% of any class of equity securities registered pursuant to Section 12 of the Exchange Act to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission. The Company does not have a class of equity securities registered pursuant to Section 12 of the Exchange Act.

**ITEM 11. EXECUTIVE COMPENSATION**

This section contains a discussion of the material elements of compensation awarded to, earned by or paid to (i) all individuals serving as our principal executive officers during fiscal 2017, regardless of compensation level, and (ii) our two most highly compensated other executive officers who were serving as executive officers at the end of fiscal 2017 (or such lesser number then serving as an executive officers) and who received in excess of $100,000 in total compensation during such fiscal year. These individuals are referred to in this report as the "named executive officers." The named executive officers were the only individuals who served as executive officers of the Company during fiscal 2017.

The Company's named executive officers include John F. Stapleton, who has served as President and Chief Executive Officer since August 4, 2016 and who also served as Chief Financial Officer until January 18, 2016, Charles C. Mottley, our current President Emeritus who also served as President and Chief Executive Officer until August 4, 2016, and Stephen J. Antol, who has served Chief Financial Officer since January 18, 2016. Messrs. Mottley and Stapleton also serve as members of the Company's Board of Directors and Mr. Stapleton is Chairman of the Board.

The Board believes that equity incentive compensation in the form of stock option grants aligns the interests of the Company's named executive officers with that of the Company's stockholders, namely to maximize stockholder equity returns. In light of the Company's current plan to market the El Capitan Property for sale to a major mining company, the Board believes that stock options provide a meaningful incentive for management to execute on this strategic goal.

***Charles C. Mottley.*** During fiscal year 2016, and prior to his ceasing to serve as President and Chief Executive Officer in August 2016, Mr. Mottley was entitled to receive a salary of $15,000 per month for his service as President and Chief Executive Officer. Due to limited cash availability, Mr. Mottley had accrued unpaid compensation of $145,000, which is recorded in accrued compensation - related parties at September 30, 2016. During the current fiscal year Mr. Mottley converted the amount due into 3,536,586 shares of common stock at a market value of $199,110 on the date of conversion and the Company recorded loss on extinguishment of debt of $54,110. During the fiscal year ended September 30, 2017, the Company awarded the retired president and director $90,000 in back pay of which Mr. Mottley converted a part of this amount into 1,000,000 of S-8 common stock at a market value of $49,800 on the date of issuance and Mr. Mottley had accrued unpaid compensation of $40,200, which is recorded in accrued compensation - related parties at September 30, 2017. See ***"Director Compensation"*** below.

***John F. Stapleton.*** Mr. Stapleton does not receive direct cash compensation for his service to the Company as President and Chief Executive Officer (current) or Chief Financial Officer (former). Instead, since 2012, the Company has retained the consulting services of Management Resource Initiatives, Inc. ("MRI"), a company controlled by Mr. Stapleton, to manage and oversee the process of operating and marketing the El Capitan Property and perform other services aimed at furthering the Company's strategic goals. The monthly consulting fee for such services is $15,000. Total consulting fees and compensation expensed to MRI for each of fiscal 2017 and 2016 was $180,000. At September 30, 2017 and 2016, MRI had accrued and unpaid compensation of $22,500 and $315,000, respectively, recorded in accrued compensation – related parties. At September 30, 2016, MRI had accrued and unpaid compensation of $315,000, recorded in accrued compensation – related parties. During the fiscal year ended September 30, 2017, the Company issued 3,841,463 shares of restricted common stock and 3,841,463 shares of S-8 common stock to the individual controlling MRI as payment of the 2016 accrued compensation of $315,000. The fair value of the stock on the issuance date was $599,268 and the Company recorded a loss on extinguishment of debt of $284,268. See ***"Director Compensation"*** below.

***Stephen J. Antol.*** Mr. Antol is entitled to annual compensation of $80,000. At September 30, 2017 and 2016, Mr. Antol had accrued and unpaid compensation of $10,000 and $40,000, respectively, recorded in accrued compensation – related parties. During the fiscal year ended September 30, 2017, the Company issued 487,806 shares of restricted common stock and 487,806 shares of S-8 common stock to Mr. Antol as payment of the 2016 accrued compensation of $40,000. The fair value of the stock on the issuance date was $86,732 and the Company recorded a loss on extinguishment of debt of $46,732.

Messrs. Stapleton, Antol and Mottley are not parties to a written employment agreement.

**Summary Compensation Table**

The following table sets forth the compensation awarded to, earned by or paid to each named executive officer during each of the fiscal years ended September 30, 2017 or 2016.

| Name and Principal Position | Fiscal Year | Salary | Total Compensation |
|---|---|---|---|
| John F. Stapleton (1)<br>Chief Executive Officer, President<br>Director, Chairman of the Board | 2017<br>2016 | $ 180,000<br>$ 180,000 | $ 180,000<br>$ 180,000 |
| Charles C. Mottley<br>President Emeritus<br>Director | 2017<br>2016 | $ 90,000<br>$ 160,000 | $ 90,000<br>$ 160,000 |
| Stephen J. Antol<br>Chief Financial Officer | 2017<br>2016 | $ 80,000<br>$ 80,000 | $ 80,000<br>$ 80,000 |

(1) Mr. Stapleton has served as Chairman of the Board since April 21, 2009, served as Chief Financial Officer from February 2012 until January 2016, and as Chief Executive Officer and President since August 4, 2016. Mr. Stapleton currently has no written employment contract with the Company and receives compensation from the Company indirectly through the Company's consulting arrangement with MRI of $180,000 annually in 2017 and 2016. See paragraph titled ***"John F. Stapleton"*** above.

**Grants of Plan-Based Awards**

There were no equity awards granted under our 2005 Stock Incentive Plan nor our 2015 Equity Incentive Plan to any named executive officer during the fiscal years ended September 30, 2017 and 2016 as compensation for services provided as executive officers. Equity awards granted as compensation for director services are discussed below under ***"Director Compensation."***

**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth information regarding each unexercised options held by each of the Company's named executive officers as of September 30, 2017:

| Name | Number of Securities Underlying Unexercised Options Exercisable | Number of Securities Underlying Unexercised Options Unexercisable | Option Exercise Price | Option Expiration Date |
|---|---|---|---|---|
| John F. Stapleton | 500,000 | — | $ 1.02 | 2/7/18 |
| | 500,000 | — | $ 0.38 | 1/31/19 |
| | 500,000 | — | $ 0.21 | 7/6/22 |
| | 500,000 | — | $ 0.215 | 1/15/18 |
| | 500,000 | — | $ 0.16 | 12/12/18 |
| | 500,000 | — | $ 0.31 | 3/14/19 |
| | 500,000 | — | $ 0.15 | 11/3/24 |
| Charles C. Mottley | 500,000 | — | $ 1.02 | 2/7/18 |
| | 500,000 | — | $ 0.21 | 7/6/22 |
| | 500,000 | — | $ 0.215 | 1/15/18 |
| | 500,000 | — | $ 0.16 | 12/12/18 |
| | 500,000 | — | $ 0.31 | 3/14/19 |
| | 500,000 | — | $ 0.15 | 11/3/24 |
| Stephen J. Antol | 100,000 | — | $ 0.215 | 1/15/18 |
| | 250,000 | — | $ 0.15 | 11/3/24 |

(1) All option grants reflected in the table above were granted under to the Company's 2005 Stock Incentive Plan, as amended, or the Company's 2015 Equity Incentive Plan, as amended.

**Severance and Change of Control Arrangements**

The Company has no severance or change of control agreements in place with its executive officers. The Company's Board of Directors, or a committee thereof, serving as plan administrator of its 2005 Stock Incentive Plan and 2015 Equity Incentive Plan, has the authority to provide for accelerated vesting of the options granted to its named executive officers and any other person in the event of an acquisition of the Company through the sale of substantially all of the Company's assets or through a merger, exchange, reorganization or liquidation of the Company or a similar event as determined by the Committee. This description constitutes only a summary of the relevant terms of the Company's 2005 Stock Incentive Plan and 2015 Equity Incentive Plan.

**Director Compensation**

On July 21, 2005, based upon recommendations from the Company's compensation committee, the Board of Directors approved a cash compensation plan for the Board of Directors pursuant to which non-employee directors are entitled to receive an annual retainer of $5,000, plus an additional $1,000 for each Board meeting attended by each such director in person and $500 for all Board meetings attended by such director remotely. In addition, non-employee directors serving as chairman of the audit and compensation committee shall receive an additional annual retainer of $4,000. Because Messrs. Mottley and Stapleton were employees of the Company throughout fiscal 2017, neither was eligible to receive cash director compensation. Dr. Clyde L. Smith became a Director on November 23, 2015, Mr. Timothy J. Gay became a Director on December 4, 2015, Mr. Daniel G. Martinez became a Director on July 7, 2016, and Mr. John Balding and Mr. Robert Shirk became Directors on September 12, 2017.

The members of the Board of Directors have agreed not to receive any Board member cash compensation until such time as the Company is in a stronger financial position and, therefore, these expenses have not been incurred or accrued. At such time as the Company's financial position allows, Board member cash compensation will be reinstated.

The Board also approves grants of stock incentive awards to all directors from time to time, which are reflected in the table below, including the footnotes thereto.

The following table shows the compensation earned by each of the Company's Directors for the fiscal year ended September 30, 2017:

| Name | Director Fees Earned or Paid in Cash | Stock Awards | Option Awards (2) | Total |
|---|---|---|---|---|
| Charles C. Mottley (1)(3) | $ — | $ — | $ — | $ — |
| John F. Stapleton (1)(4) | $ — | $ — | $ — | $ — |
| Clyde L. Smith (1)(5) | $ — | $ — | $ — | $ — |
| Timothy J. Gay (1)(6) | $ — | $ — | $ — | $ — |
| Daniel G. Martinez (1)(7) | $ — | $ — | $ — | $ — |
| John R. Balding(1)(8) | $ — | $ — | $ — | $ — |
| Robert W. Shirk (1)(9) | $ — | $ — | $ — | $ — |

(1) Mr. Mottley and Mr. Stapleton were appointed to the Board of Directors and Mr. Stapleton as Chairman of the Board on April 21, 2009; Dr. Clyde L. Smith was appointed to the Board of Directors on November 23, 2015; Mr. Timothy J. Gay was appointed to the Board of Directors on December 4, 2015, Mr. Daniel G. Martinez was appointed to the Board of Directors on July 7, 2016, and Mr. John Balding and Mr. Robert Shirk became Directors on September 12, 2017.

(2) Amounts shown reflect the grant date fair value, computed in accordance with FASB ASC 718, for stock based incentives granted during the fiscal 2016. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For a discussion of the assumptions relating to our valuations of the option awards, see ***Note 1*** to the financial statements included in this Annual Report on Form 10-K. These amounts reflect our accounting expense for these stock options and do not correspond to the actual value that may be recognized by the director.

(3) At September 30, 2017, Mr. Mottley held options to purchase 3,000,000 shares at a weighted average exercise price of approximately $0.34 per share, all of which were fully vested.

(4) At September 30, 2017, Mr. Stapleton held options to purchase 3,500,000 shares at a weighted average exercise price of approximately $0.35 per share, all of which were fully vested.

(5) During fiscal 2015, Dr. Smith was awarded an option to purchase 250,000 shares of our common stock at $0.05 per share, which had a grant date fair value of $9,542. At September 30, 2017, Dr. Smith held options to purchase 250,000 shares at a weighted average exercise price of $0.05 per share, all of which were fully vested.

(6) During fiscal 2015, Mr. Gay was awarded an option to purchase 250,000 shares of our common stock at $0.062 per share, which had a grant date fair value of $12,825. At September 30, 2017, Mr. Gay held options to purchase 250,000 shares at a weighted average exercise price of $0.062 per share, all of which were fully vested.

(7) During fiscal 2016, Mr. Martinez was awarded an option to purchase 250,000 shares of our common stock at $0.042 per share, which had a grant date fair value of $8,839. At September 30, 2017, Mr. Martinez held options to purchase 250,000 shares at a weighted average exercise price of $0.042 per share, all of which were fully vested.

(8) During fiscal 2017, Mr. Balding was not awarded an option to purchase shares of our common stock.

(9) During fiscal 2017, Mr. Shirk was not awarded an option to purchase shares of our common stock.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of March 30, 2018, certain information regarding beneficial ownership of our capital stock according to the information supplied to us, that were beneficially owned by (i) each person known by the Company to be the beneficial owner of more than 5% of each class of the Company's outstanding voting stock, (ii) each director, (iii) each named executive officer identified in the Summary Compensation Table, and (iv) all named executive officers and directors as a group.

Except as otherwise indicated, the persons named in the table have sole voting and dispositive power with respect to all shares beneficially owned, subject to community property laws where applicable.

| | Amount and Nature of Beneficial Ownership | | | |
|---|---|---|---|---|
| | Common Stock | | Series B Convertible Preferred Stock (1) | |
| Name and Address of Beneficial Owner | Shares | % of Class (2) | Shares | % of Class (2) |
| Charles C. Mottley<br>5871 Honeysuckle Road<br>Prescott, Arizona 86305 | 4,218,293(3) | 0.96% | — | — |
| John F. Stapleton<br>5871 Honeysuckle Road<br>Prescott, Arizona 86305 | 10,486,938(4) | 2.40% | 51 | 100.0% |
| Douglas R. Sanders<br>5871 Honeysuckle Road<br>Prescott, Arizona 86305 | 5,462,854(5) | 1.25% | — | — |
| Timothy J. Gay<br>5871 Honeysuckle Road<br>Prescott, Arizona 86305 | 304,990(6) | * | — | — |
| Daniel G. Martinez<br>5871 Honeysuckle Road<br>Prescott, Arizona 86305 | 250,000(7) | * | — | — |
| John R. Balding<br>5871 Honeysuckle Road<br>Prescott, Arizona 86305 | 726,238(8) | * | — | — |
| Robert W. Shirk<br>5871 Honeysuckle Road<br>Prescott, Arizona 86305 | 2,427,028(9) | * | — | — |
| Stephen J. Antol<br>5871 Honeysuckle Road<br>Prescott, Arizona 86305 | 6,648,446(10) | 1.52% | — | — |
| All officers and directors as a group (8 persons) | 30,524,787 | 6.97% | 51 | 100.0% |

* Less than 1%

(1) Each share of Series B Convertible Preferred Stock entitles the holder thereof to 7,835,871 votes solely in respect of matters that relate to Company capitalization (including, without limitation, increasing and/or decreasing the number of authorized shares of common stock and/or preferred stock, and implementing forward and/or reverse stock splits) and changes in the Company's name. Holders of Series B Convertible Preferred Stock do not otherwise have the right to vote such shares on matters brought before the Company's stockholders.

(2) Applicable percentage of ownership is based on 437,759,960 shares of common stock and 51 shares of Series B Convertible Preferred Stock outstanding as of March 30, 2018, together with securities exercisable or convertible into shares of common stock within sixty (60) days of March 30, 2018 for each stockholder. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants exercisable or convertible into shares of common stock that are currently exercisable or exercisable within sixty (60) days of March 30, 2018 are deemed to be beneficially owned by the person holding such options or warrants for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

(3) Mr. Mottley is President Emeritus and a Director of the Company. Includes (i) 2,000,000 shares issuable upon the exercise of outstanding stock options that are currently exercisable or will become exercisable within sixty (60) days following March 30, 2018; and (ii) 10,000 shares of common stock held by Mr. Mottley's spouse.

(4) Mr. Stapleton is the Chairman of the Board, President and Chief Executive Officer of the Company. Includes (i) 2,500,000 shares issuable upon the exercise of outstanding stock options that are currently exercisable or will become exercisable within sixty (60) days following March 30, 2018, (ii) 200,000 shares held indirectly by Management Resource Initiatives, Inc. a corporation wholly-owned by Mr. Stapleton, and (iii) 51 shares of common stock that are issuable upon conversion of Series B Convertible Preferred Stock held by Mr. Stapleton.

(5) Mr. Sanders is a Director of the Company as of February 20, 2018. Includes 4,096,370 shares held indirectly by family members.

(6) Mr. Gay is a Director of the Company as of December 4, 2015. Includes 250,000 shares issuable upon the exercise of outstanding stock options that are currently exercisable or will become exercisable within sixty (60) days following March 30, 2018.

(7) Mr. Martinez is a Director of the Company as of July 7, 2016. Includes 250,000 shares issuable upon the exercise of outstanding stock options that are currently exercisable or will become exercisable within sixty (60) days following March 30, 2018.

(8) Mr. Balding is a Director of the Company as of September 12, 2017.

(9) Mr. Shirk is a Director of the Company as of September 12, 2017.

(10) Mr. Antol is Chief Financial Officer of the Company as of January 18, 2016. Includes (i) 250,000 shares issuable upon the exercise of outstanding stock options that are currently exercisable or will become exercisable within sixty (60) days following March 30, 2018 and (ii) 125,000 shares held indirectly by Mr. Antol's spouse.

**Securities Authorized for Issuance Under Equity Compensation Plans**

On October 8, 2015, the Board of Directors of the Company approved the El Capitan Precious Metals, Inc. 2015 Equity Incentive Plan (the "2015 Plan"). The 2015 Plan enables the Board of Directors to grant to employees, directors, and consultants of the Company and its subsidiaries a variety of forms of equity-based compensation, including grants of options to purchase shares of common stock, shares of restricted common stock, restricted stock units, stock appreciation rights, other stock-based awards and performance-based awards. At the time it was adopted, the maximum number of shares of common stock of the Company that could be issued or awarded under the 2015 Plan was 15,000,000 shares. On December 15, 2015, the Board of Directors of the Company adopted Amendment No. 1 to the 2015 Plan, pursuant to which the number of shares of common stock issuable under the 2015 Plan was increased from 15,000,000 to 23,000,000. Effective April 22, 2016, the Board of Directors of the Company adopted Amendment No. 2 to the 2015 Plan pursuant to which the number of shares of the common stock issuable under the 2015 Plan was increased from 23,000,000 to 28,000,000. Effective August 4, 2016, the Board of Directors of the Company adopted Amendment No. 3 to the 2015 Plan pursuant to which the number of shares of the common stock issuable under the 2015 Plan was increased from 28,000,000 to 50,000,000. On October 31, 2016, the Board of Directors of the Company adopted Amendment No. 4 to the 2015 Plan, pursuant to which the number of shares of the common stock issuable under the 2015 Plan was increased from 50,000,000 to 75,000,000.

We also maintain a 2005 Stock Incentive Plan (the "2005 Plan") which authorized the granting of stock-based awards to purchase up to 30,000,000 shares of our common stock. The 2005 Plan expired during our 2015 fiscal year and prohibits the granting of incentives after such expiration. Nonetheless, the 2005 Plan will remain in effect until all outstanding incentives granted thereunder have either been satisfied or terminated.

The following table sets forth, as of September 30, 2017, (A) the number of securities to be issued upon the exercise of outstanding options, warrants and rights issued under our equity compensation plans, (B) the weighted-average exercise price of such options, warrants and rights, and (C) the number of securities remaining available for future issuance under our equity compensation plans (excluding those securities set forth in Item (A)).

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (A) | Weighted average price of outstanding options, warrants and rights (B) | Number of securities remaining available for future issuance under equity compensation plans (excluding (A)) (C) |
|---|---|---|---|
| Equity compensation plans approved by security holders: | | | |
| 2005 Stock Incentive Plan | 8,387,500 | $ 0.312 | — |
| Equity compensation plans not approved by security holders: | | | |
| 2015 Equity Incentive Plan | 750,000 | 0.05 | 6,356,455 |
| Stock options issued outside the Plans | 2,125,000 | 0.15 | — |
| Total | 11,262,500 | $ 0.263 | 6,356,455 |

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

**Certain Relationships**

In January 2012, the Company retained the consulting services of Management Resource Initiatives, Inc. (“MRI”), a company controlled by John F. Stapleton who served as the Chief Financial Officer and a director of the Company at that time and who currently serves as President and Chief Executive Officer and a director of the Company. The current monthly consulting fee for such services is $15,000. Total consulting fees expensed to MRI for the fiscal years ended September 30, 2017 and 2016 was $180,000 and $180,000, respectively. At September 30, 2017 and 2016, MRI had accrued and unpaid compensation of $22,500 and $315,000, respectively, recorded in accrued compensation – related parties. During the fiscal year ended September 30, 2017, the Company issued 3,841,463 shares of restricted common stock and 3,841,463 shares of S-8 common stock to the individual controlling MRI as payment of the 2016 accrued compensation of $315,000. The fair value of the stock was $599,268 and the Company recorded a loss on extinguishment of debt of $284,268.

On August 1, 2014, Company issued fifty-one (51) shares of Series B Preferred Stock to John F. Stapleton for a purchase price equal to $1.00 per share. As a result of the voting rights of the Series B Preferred Stock, Mr. Stapleton holds in the aggregate approximately 51% of the total voting power of all issued and outstanding voting capital of the Company solely with respect to matters upon which stockholders are entitled to vote or to which stockholders are entitled to give consent and relate to Company capitalization (including, without limitation, increasing and/or decreasing the number of authorized shares of common stock and/or preferred stock, and implementing forward and/or reverse stock splits) and changes in the Company’s name. Mr. Stapleton does not otherwise have the right under the Certificate of Designation to vote the Series B Preferred Stock on matters brought before the Company’s stockholders. The Company’s Board of Directors believes that the issuance of the Series B Preferred Stock to Mr. Stapleton facilitates the Company’s ability to manage its affairs with respect to the limited matters on which the Series B Stockholder is entitled to vote.

On February 4, 2015, the Company signed a $30,000 promissory note payable to MRI, at 18% interest per annum, due and payable on February 4, 2016. As an inducement for the loan represented by the note, the Company issued 200,000 shares of restricted common stock of the Company to MRI. The Company approved amending the note to extend the maturity date from February 4, 2016 to February 4, 2017 under the original terms of the Agreement. On March 29, 2017, the Company extended the note for six months to August 4, 2017, and agreed to grant 200,000 shares to MRI as compensation for the extension and the shares were issued at a market value of $12,000 on the date of issuance. As of September 30, 2017, the loan is in default and currently due. See ***Note 6 – Notes Payable, February 4, 2015 Unsecured Promissory Notes*** to the financial statements included in this Annual Report on Form 10-K.

On February 12, 2018, the Company signed a promissory note for $25,000 with a revocable trust of Robert W. Shirk, one of the Company's directors. The note has an interest rate of 5% per annum. Principal and accrued interest thereon are due and payable on the six month anniversary of the note.

On February 28, 2018, two officers of the Company advanced a total of $20,000 to the Company for working capital use. Reimbursement of the advances is anticipated to be made within 30 days of the advances and there are no penalty or interest factors attached to such advances.

**Director Independence**

Although the Company is not listed on a national securities exchange, in determining whether the members of our Board and its committees are independent, the Company has elected to use the definition of "independence" set forth by the NASDAQ Stock Market ("NASDAQ") and the standards for independence established by NASDAQ. After review of relevant transactions or relationships between each director, or any of his family members, and the Company, its senior management and its independent registered public accounting firm, the Board has determined that John F. Stapleton and, Charles C. Mottley are not independent directors under the NASDAQ standard based in part on their positions as executive officers of the Company. The Company currently has five independent directors.

The director independence rules of NASDAQ require listed companies to have an audit committee of at least three members, each of whom (in addition to satisfying other conditions) is an independent director. The Company's audit committee currently is comprised of Timothy Gay and Robert Shirk, therefore, would not meet this NASDAQ requirement. Both members are independent.

The director independence rules of NASDAQ require that the compensation of the chief executive officer and other officers of a listed company be determined, or recommended to the Board for determination, either by a compensation committee comprised of independent directors or by a majority of the independent directors on its Board of Directors. Since December 24, 2014, the Board as a whole has assumed the responsibilities of the Compensation Committee. In September and November 2017, two independent board members were appointed to the Compensation Committee. The current Compensation Committee is comprised of Daniel Martinez and John Balding.

The director independence rules of the NASDAQ require that Board of Director nominations must be either selected, or recommended for the Board's selection, by either a nominating committee comprised solely of independent directors or by a majority of the independent directors. The Company's Board of Directors as a whole serves as the nominating committee and, therefore, would not meet this NASDAQ requirement.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

On February 5, 2018, MaloneBailey LLP ("MaloneBailey") resigned as the independent registered public accounting firm of the Company. On February 7, 2018, we engaged Semple, Marchal & Cooper, LLP ("SM&C") as our independent registered public accounting firm for the Company's fiscal year ended September 30, 2017. For complete details, see ***Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

The following table summarizes (i) the aggregate fees billed to the Company by MaloneBailey, LLP in relation to the audits and quarterly reviews of the Company for the fiscal year ended September 30, 2016 and quarterly reviews of the Company for fiscal year ended September 30, 2017, and (ii) an estimated fee for the audit by Semple, Marchal & Cooper, LLP for the fiscal year ended September 30, 2017:

| | Semple, Marchal & Cooper, LLP 2017 | MaloneBailey, LLP 2017 | MaloneBailey, LLP 2016 |
|---|---|---|---|
| Audit Fees (1) | $ 60,000 | $ 24,000 | $ 54,750 |
| Audit-Related Fees (2) | $ — | $ — | $ — |
| Tax Fees (3) | $ — | $ — | $ — |
| All Other Fees (4) | $ — | $ — | $ — |

_____

(1) ***Audit Fees.*** Audit fees include fees for professional services performed for the audit of our annual consolidated financial statements, review of quarterly consolidated financial statements included in our SEC filings, and assistance and issuance of consents associated with other SEC filings.

*(2)* ***Audit-Related Fees.*** Audit-related fees are fees for assurance and related services that are reasonably related to the audit. This category includes fees related to assistance consulting on financial accounting/reporting standards.

(3) ***Tax Fees.*** Tax fees primarily include professional services performed with respect to preparation of our federal and state tax returns for our consolidated subsidiaries.

*(4)* ***All Other Fees.*** All other fees include products and services provided, other than the services reported comprising Audit Fees, Audit Related Fees and Tax Fees.

The audit committee of the Board of Directors has reviewed the services provided by MaloneBailey, LLP during the fiscal year ended September 30, 2017 and the amounts billed for such services, and after consideration, has determined that the receipt of these fees by MaloneBailey, LLP is compatible with the provision of independent audit services. The audit committee has discussed these services and fees with MaloneBailey, LLP and Company management to determine that they are appropriate under the rules and regulations concerning auditor independence promulgated by the U.S. Securities and Exchange Commission to implement the Sarbanes-Oxley Act of 2002, as well as under guidelines of the American Institute of Certified Public Accountants.

**Pre-Approval Policy**

The audit committee charter provides that all audit and non-audit accounting services that are permitted to be performed by the Company's independent registered public accounting firm under applicable rules and regulations must be pre-approved by the audit committee or by designated independent members of the audit committee, other than with respect to de minimis exceptions permitted under Section 202 of the Sarbanes-Oxley Act of 2002. All services performed by MaloneBailey during the fiscal year ending September 30, 2016 have been pre-approved in accordance with the charter. Upon the resignation of MaloneBailey as our independent registered public accounting firm, the Audit Committee approved the engagement of Semple, Marchal & Cooper, LLP as the Company's new independent registered public accounting firm.

Prior to or as soon as practicable following the beginning of each fiscal year, a description of audit, audit-related, tax, and other services expected to be performed by the independent registered public accounting firm in the following fiscal year will be presented to the audit committee for approval. Following such approval, any requests for audit, audit-related, tax, and other services not presented and pre-approved must be submitted to the audit committee for specific pre-approval and cannot commence until such approval has been granted. Normally, pre-approval is provided at regularly scheduled meetings. However, the authority to grant specific pre-approval between meetings, as necessary, may be delegated to one or more members of the audit committee who are independent directors. In the event such authority is so delegated, the full audit committee must be updated at the next regularly scheduled meeting with respect to any services that were granted specific pre-approval by delegation. During the fiscal year ending September 30, 2017, the audit committee has functioned in conformance with these procedures.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

| Exhibit Number | Description |
|---|---|
| 2.1 | Agreement and Plan of Merger between the Company, Gold and Minerals Company, Inc. and MergerCo, dated June 28, 2010 *(incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed July 7, 2010).* |
| 3.1 | Articles of Incorporation, as amended *(incorporated by reference to Exhibit 3.1 to the Company's Form S-4 Registration Statement #333-170281 filed on November 2, 2010).* |
| 3.2 | Certificate of Amendment to Articles of Incorporation *(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed October 1, 2014).* |
| 3.3 | Certificate of Amendment to Articles of Incorporation *(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed October 4, 2016).* |
| 3.4 | Certificate of Designation of Series A Junior Participating Preferred Stock *(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed August 31, 2011).* |
| 3.5 | Certificate of Designation of Series B Convertible Preferred Stock *(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed August 1, 2014).* |
| 3.6a | Restated Bylaws *(incorporated by reference to Exhibit 3.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed with the SEC on August 15, 2016).* |
| 4.1 | Rights Agreement dated August 25, 2011 between the Company and OTR, Inc. *(incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on August 31, 2011).* |
| 10.1 | 2005 Stock Incentive Plan, as amended *(incorporated by reference to Exhibit 10.1 to the Company's Form S-8 Registration Statement #333-177417 filed on October 20, 2011).* |
| 10.2 | Form of Stock Option Agreement (Director) *(incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K filed December 14, 2012).* |
| 10.3a | El Capitan Precious Metals, Inc. 2015 Equity Incentive Plan *(incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on October 14, 2015)* |
| 10.3b | Amendment No. 1 to El Capitan Precious Metals, Inc. 2015 Equity Incentive Plan *(incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on December 18, 2015)* |
| 10.3c | Amendment No. 2 to El Capitan Precious Metals, Inc. 2015 Equity Incentive Plan *(incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on April 26, 2016)* |
| 10.3d | Amendment No. 3 to El Capitan Precious Metals, Inc. 2015 Equity Incentive Plan *(incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on August 5, 2016)* |
| 10.3e | Amendment No. 4 to El Capitan Precious Metals, Inc. 2015 Equity Incentive Plan *(incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on November 2, 2016)* |
| 10.4 | Form of Stock Option Agreement (Director) under El Capitan Precious Metals, Inc. 2015 Equity Incentive Plan *(incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K filed January 13, 2017).* |
| 10.5 | Agreement dated March 10, 2014 between the Company and Glencore AG *(incorporated by reference to Exhibit 10.1 to Amendment No. 1 to the Company's Quarterly Report on Form 10-Q filed on July 22, 2014).+* |
| 10.6 | Master Service Agreement dated February 28, 2014 by and between the Company and Logistica, U.S. Terminals, LLC, including the Iron Ore Processing Agreement attached as Appendix A thereto *(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 14, 2014). +* |
| 10.7a | Note and Warrant Purchase Agreement dated October 17, 2014, between the Company and Connelly Land LLC, including the 8% Secured Promissory Note, Common Stock Purchase Warrant and Security Agreement attached as Exhibits A, B and C thereto *(incorporated by referenced to Exhibit 10.8 to the Company's Annual Report on Form 10-K filed on December 29, 2014).* |
| 10.7b | Amended Note dated as of August 24, 2015 and Warrant Purchase Agreement between the Company and Connelly Land LLC *(incorporated by referenced to Exhibit 10.7b to the Company's Annual Report on Form 10-K filed on January 11, 2016).* |
| 10.8a | Promissory Note dated February 4, 2015 between the Company and George Nesemeier and Robert J. Runck*(incorporated by referenced to Exhibit 10.8 to the Company's Annual Report on Form 10-K filed on January 11, 2016).* |
| 10.8b | Note Purchase and Assignment Agreement dated January 3, 2018 by and between George Nesemeier, Robert J. Runck, L2 Capital, LLC and El Capitan Precious Metals, Inc. |
| 10.8c | Replacement Convertible Promissory Note dated January 3, 2018, issued in favor of L2 Capital, LLC |
| 10.9 | Promissory Note dated February 4, 2015 between the Company and Management Resource Initiative, Inc. *(incorporated by referenced to Exhibit 10.9 to the Company's Annual Report on Form 10-K filed on January 11, 2016).* |
| 10.10 | Agreement dated April 16, 2015 between the Company and S&L Energy, LLC *(incorporated by referenced to Exhibit 10.10 to the Company's Annual Report on Form 10-K filed on January 11, 2016).* |

| Exhibit Number | Description |
|---|---|
| 10.11a | Securities Purchase Agreement dated December 2, 2015 between the Company and Union Capital, LLC, including front-end and back-end Notes attached as Exhibits A and B, and Collateralized Secured Promissory Note *(incorporated by referenced to Exhibit 10.12 to the Company's Annual Report on Form 10-K filed on January 11, 2016).* |
| 10.11b | Amendment No. 1 to Convertible Promissory Note dated January 12, 2016 between the Company and Union Capital, LLC *(incorporated by referenced to Exhibit 10.3b to the Company's Quarterly Report on Form 10-Q filed on February 16, 2016).* |
| 10.12 | Agreement dated January 5, 2016 between the Company and Logistica U.S. Terminals, LLC *(incorporated by referenced to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on February 16, 2016).* |
| 10.13 | Securities Purchase Agreement dated January 26, 2016 between the Company and Bay Private Equity Inc., including the $180,000 Convertible Redeemable Note as Exhibit A *(incorporated by referenced to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on February 16, 2016).* |
| 10.14a | Equity Purchase Agreement dated March 16, 2016 by and between the Company and River North Equity, LLC *(incorporated by referenced to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 21, 2016).* |
| 10.14b | Registration Rights Agreement dated March 16, 2016 by and between the Company and River North Equity, LLC *(incorporated by referenced to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 21, 2016).* |
| 10.14c | Commitment Convertible Promissory Note dated March 16, 2016, issued in favor of River North Equity, LLC *(incorporated by referenced to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on March 21, 2016).* |
| 10.14d | Securities Purchase Agreement dated March 16, 2016 by and between the Company and River North Equity, LLC *(incorporated by referenced to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on March 21, 2016).* |
| 10.14e | Bridge Convertible Promissory Note dated March 16, 2016, issued in favor of River North Equity, LLC *(incorporated by referenced to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on March 21, 2016).* |
| 10.14f | Amendment No. 1 dated December 9, 2016 to Equity Purchase Agreement dated March 16, 2016 by and between El Capitan Precious Metals, Inc. and River North Equity, LLC *(incorporated by referenced to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 9, 2016).* |
| 10.14g | Termination dated February 21, 2017 by and between El Capitan Precious Metals, Inc. and River North Equity, LLC *(incorporated by referenced to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on February 23, 2017).* |
| 10.15* | Agreement dated December 6, 2016 by and between HKM Minerals and El Capitan Precious Metals, Inc. |
| 10.16a | Securities Purchase Agreement dated February 21, 2017 by and between El Capitan Precious Metals, Inc. and Lucas Hoppel *(incorporated by referenced to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 23, 2017).* |
| 10.16b | Convertible Note dated February 21, 2017 issued in favor of Lucas Hoppel *(incorporated by referenced to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on February 23, 2017).* |
| 10.16c | Form of Common Stock Purchase Warrant to be issued in connection with advances under the Convertible Note filed as Exhibit 10.16b to this report *(incorporated by referenced to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on February 23, 2017).* |
| 10.16d | Amendment to the Securities Purchase Agreement dated July 24, 2017 between the Company and Lucas Hoppel (*incorporated by referenced to Exhibit 10.1(a) to the Company's Quarterly Report on Form 10-Q filed on August 14, 2017).* |
| 10.16e | Common Stock Purchase Warrant for 891,410 Shares, dated July 28, 2017, issued to Lucas Hoppel (*incorporated by referenced to Exhibit 10(b)1 to the Company's Quarterly Report on Form 10-Q filed on May 18, 2017).* |
| 10.17a | Equity Purchase Agreement dated February 21, 2017 by and between El Capitan Precious Metals, Inc. and L2 Capital, LLC *(incorporated by referenced to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on February 23, 2017).* |
| 10.17b | Registration Rights Agreement dated February 21, 2017 by and between El Capitan Precious Metals, Inc. and L2 Capital, LLC *(incorporated by referenced to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on February 23, 2017).* |
| 10.18 | Agreement of Exchange dated March 30, 2017 between El Capitan Precious Metals, Inc. and Connelly Land LLC *(incorporated by referenced to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 18, 2017).* |
| 10.19a | Securities Purchase Agreement dated December 18, 2017 by and between El Capitan Precious Metals, Inc. and L2 Capital, LLC *(incorporated by referenced to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 8, 2018).* |
| 10.19b | Promissory Note dated December 18, 2017, issued in favor of L2 Capital, LLC *(incorporated by referenced to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 8, 2018).* |
| 10.20 | Promissory Note dated February 12, 2018, between El Capitan Precious Metals, Inc. and the Robert W. Shirk Revocable Trust dated January 2018 |
| 14.1 | Code of Ethics for Senior Financial Management *(incorporated by referenced to Exhibit 14.1 to the Company's Annual Report on Form 10-K filed on January 11, 2016).* |
| 21.1 | Subsidiaries of El Capitan Precious Metals, Inc. *(incorporated by referenced to Exhibit 21.1 to the Company's Annual Report on Form 10-K filed on December 29, 2014).* |

| Exhibit Number | Description |
|---|---|
| 23.1# | Consent of Semple, Marchal & Cooper, LLP |
| 23.2* | Consent of MaloneBailey, LLP |
| 31.1* | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | XBRL Instance Document** |
| 101.SCH* | XBRL Extension Schema Document** |
| 101.CAL* | XBRL Extension Calculation Linkbase Document** |
| 101.DEF* | XBRL Extension Definition Linkbase Document** |
| 101.LAB* | XBRL Extension Labels Linkbase Document** |
| 101.LAB* | XBRL Extension Labels Linkbase Document** |
| 101.PRE* | XBRL Extension Presentation Linkbase Document** |

* Filed herewith.

** In accordance with Rule 406T of Regulation S-T, this information is deemed not “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

\+ Confidential treatment has been granted as to certain portions of this exhibit pursuant to Rule 406 of the Securities Act of 1933, as amended, or Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

\# To be filed by amendment.

**Financial Statement Schedules**

None.

**ITEM 16. FORM 10-K SUMMARY**

Registrants may voluntarily include a summary of information required by Form 10-K under this Item 16. The Company has elected not to include such summary information.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

**EL CAPITAN PRECIOUS METALS, INC.**

Date: March 30, 2018

By: /s/ John F. Stapleton
John F. Stapleton
Chief Executive Officer
(Principal Executive Officer)

Date: March 30, 2018

By: /s/ Stephen J. Antol
Stephen J. Antol
Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Name | Title | Date |
|---|---|---|
| /s/ John F. Stapleton<br>John F. Stapleton | Chief Executive Officer, Director<br>(Principal Executive Officer) | March 30, 2018 |
| /s/ Stephen J. Antol<br>Stephen J. Antol | Chief Financial Officer<br>(Principal Financial Officer) | March 30, 2018 |
| /s/ Charles C. Mottley<br>Charles C. Mottley | Director and President Emeritus | March 30, 2018 |
| /s/ Timothy J. Gay<br>Timothy J. Gay | Director | March 30, 2018 |
| /s/ Daniel G. Martinez<br>Daniel G. Martinez | Director | March 30, 2018 |
| /s/ John R. Balding<br>John R. Balding | Director | March 30, 2018 |
| /s/ Robert W. Shirk<br>Robert W. Shirk | Director | March 30, 2018 |
| /s/ Douglas R. Sanders<br>Douglas R. Sanders | Director | March 30, 2018 |

**SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15(d) OF THE ACT BY REGISTRANTS WHICH HAVE NOT REGISTERED SECURITIES PURSUANT TO SECTION 12 OF THE ACT**

The registrant has not sent to its security holders any annual report covering the registrant's fiscal year ended September 30, 2017.

**EXHIBIT 10.8b**

**NOTE PURCHASE AND ASSIGNMENT AGREEMENT**

This NOTE PURCHASE AND ASSIGNMENT AGREEMENT (the "Agreement") is dated January 3, 2018, by and between George Nesemeier and Robert J. Runck ("Seller"), L2 Capital, LLC ("Buyer"), and El Capitan Precious Metals, Inc. (the "Company").

**WHEREAS**, the Company issued that certain 18% promissory note to the Seller on February 4, 2015, in the principal amount of $33,000.00 (the "Original Note"). A true and correct copy of the Original Note is attached hereto as Exhibit "A"; and

**WHEREAS**, at least $47,118.46 remain outstanding under the Original Note (the "Balance"), consisting of $38,940.00 of principal and $8,178.46 of accrued interest; and

**WHEREAS**, the Balance is currently outstanding; and

**WHEREAS**, Seller has been the sole and continuous owner of the Original Note since the issuance date identified above; and

**WHEREAS**, subject to the terms and conditions set forth in this Agreement, the Seller desires to sell to the Buyer, and the Buyer desires to purchase from Seller, the Balance.

**NOW, THEREFORE**, in consideration of the premises and of the terms and conditions herein contained, as well as other good and valuable consideration, the adequacy of which is hereby acknowledged, the parties mutually agree as follows:

**PURCHASE AND SALE OF THE NOTE**

Subject to the terms and conditions contained in this Agreement, at the Closing, the Seller hereby absolutely and irrevocably sells, assigns, conveys, contributes, and transfers to the Buyer, and the Buyer agrees to purchase from the Seller, the Balance and all Seller's rights thereto, free and clear of all liens, claims, pledges, mortgages, restrictions, obligations, security interests and encumbrances of any kind, nature and description.

1. **CONSIDERATION**

1.1 Purchase Price. The purchase price for the Balance shall be the Buyer's payment of $47,118.46 (the "Purchase Price") to the Seller by wire transfer of immediately available funds, in accordance with the wiring instructions on Exhibit "B" hereto.

2. **CLOSING**

2.1 Closing Date. The closing of the assignment of the Balance contemplated by this Agreement shall take place on or before January 3, 2018 (the "Closing Date"), or at any other mutually agreed upon time by the parties hereto.

2.2 Closing Procedure. The Buyer and the Seller agree that, at or before the Closing Date, they shall perform all such acts and execute and deliver all such documents which are, in the opinion of the Buyer or its counsel, necessary to carry out the terms and conditions of this Agreement, including, but not limited to, the delivery of the Original Note to the Buyer and the payment of the Purchase Price to the Seller, subject to the conditions in this Agreement.

2.3 Conditions to Closing. The closings shall be subject to satisfaction of certain conditions on each respective Closing Date, including but not limited to (i) the representations and warranties of the Seller contained in Section 3 hereof shall then be true in all respects, (ii) the representations and
warranties of the Buyer contained in Section 5 hereof shall then be true in all respects, (iii) the Buyer shall have wired the Purchase Price to the Seller.

3. **REPRESENTATIONS AND WARRANTIES OF SELLER**

The Seller hereby represents and warrants as follows:

3.1 Status of the Seller and the Original Note. The Seller is the beneficial owner of the Original Note, and the Original Note is free and clear of all mortgages, pledges, restrictions, liens, charges, encumbrances, security interests, obligations or other claims. The Original Note is currently outstanding in the amounts described above and the Seller is informed by the Company that the Original Note represents a bona fide debt obligation of the Company.

3.2 Authorization; Enforcement. (i) Seller has all requisite legal right, corporate power, and authority to enter into and perform the Agreement and to consummate the transactions contemplated hereby and to sell the Original Note, in accordance with the terms hereof, (ii) the execution and delivery of this Agreement by the Seller and the consummation by it of the transactions contemplated hereby (including, without limitation, the sale of the Original Note to the Buyer) have been duly authorized by the Seller and no further consent or authorization of the Seller or its members is required, (iii) this Agreement has been duly executed and delivered by the Seller, and (iv) this Agreement constitutes a legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of creditors' rights and remedies or by other equitable principles of general application.

3.3 Original Note; Amount of Indebtedness. The Seller warrants and represents that the Original Note and the amendments attached hereto are true, correct, and complete copies of the Original Note, that the Original Note have not been amended except by the amendments attached hereto, and that balance outstanding under the Original Note is at least $47,118.46 in the aggregate, as of the date hereof, as described above.

3.4 True as of Closing Date. The Seller warrants and represents that the warranties and representations contained in this Section 3 are true and correct in all respects as of the Closing Date.

3.5 No Conflicts. The execution, delivery and performance of this Agreement by the Seller and the consummation by the Seller of the transactions contemplated hereby (including, without limitation, the sale of the Original Note to the Buyer) will not (i) conflict with or result in a violation of any provision of its certificate of formation or other organizational documents, or (ii) violate or conflict with or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, note, bond, indenture or other instrument to which Seller is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which Seller is subject) applicable to Seller or the Original Note is bound or affected. The Seller is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency, regulatory agency, self-regulatory organization or stock market or any third party in order for it to execute, deliver or perform any of its obligations under this Agreement in accordance with the terms hereof.

3.6 Sophisticated Seller. Seller is a sophisticated seller with respect to the Original Note, has adequate information concerning the business and financial condition of the Company to make an informed decision regarding the sale of the Original Note, and has independently and without reliance upon Buyer made its own analysis and decision to enter into this Agreement and sell the Original Note. Seller has been given the opportunity to obtain such information necessary to make an informed decision regarding the sale of the Original Note and for Seller to evaluate the merits and risks of the sale of the Original Note. Seller has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of this sale and make an informed decision to sell the Original Note. Seller is not relying on any representation, warranty, covenant or statement made by the Buyer or the Company in connection with the sale of the Original Note except as contained herein. Seller is not in possession of any material non-public information concerning the Company.

3.7 Title; Rule 144 Matters; Non-Affiliate. Seller has good and marketable title to the Original Note, free and clear of all liens, restrictions, pledges and encumbrances of any kind. The Seller is not now, and has not been during the preceding 90 days, an officer, director, 10% or more shareholder of the Company or in any other way an "affiliate" of Company, as that term is defined in Rule 144(a)(1) adopted pursuant to the Securities Act of 1933, as amended (the "Securities Act").

3.8 Accredited Investor. The Seller warrants and acknowledges that the Seller is an accredited investor within the meaning of Rule 506 of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act.

4. **CONSENT AND ACKNOWLEDGMENT OF THE COMPANY.**

4.1 The Company, as evidenced by its signature at the foot of this Agreement, hereby represents and warrants that, upon delivery to the Company of the Original Note and this Agreement, the Company shall promptly cause to be issued to and in the name of Buyer one of more new executed Notes (the "Note") (in the form attached hereto as Exhibit "C"), if requested by the Buyer, in the aggregate amount of $47,118.46. The Note may contain the same restrictive legend as provided in the Original Note, but no stop transfer order. The Original Note is currently outstanding in the entire amount stated above and represents a bona fide debt obligation of the Company.

4.2 The signature by the Company also represents the Company's agreement to:

(a) treat Buyer as a party to, and having all the rights of the Seller with respect to, the portion of the Original Note acquired by the Buyer pursuant to this Agreement; and

(b) provide the Transfer Agent with an updated share reservation letter which designates Buyer as the beneficial owner of the Note and reserves a sufficient amount of Common Stock with the Transfer Agent under the Buyer's name to satisfy the Company's reserve obligations under the Note, and to provide the Transfer Agent with any other form of confirmation, through electronic mail or otherwise, to approve of the new reserve amount; and

(c) provide the Transfer Agent with a blanket board resolution approving issuances to the Buyer under the Note in accordance with the notice of conversion(s) provided to the Company and Transfer Agent by the Buyer; and

(d) approve, execute any necessary documentation, and send any necessary form of confirmation, through electronic mail or otherwise, to the Transfer Agent, to effectuate the conversion of the Note by Buyer.

4.3 The Company represents and warrants that the Original Note, as issued to Seller, was duly issued as a "restricted security" and in conformity with a claim of exemption to the registration and qualification requirements provided by Section 4(2) of the Securities Act, and one or more other exemptions as provided by the 1933 Act and applicable state securities laws.

5. **REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS OF THE BUYER.**

The Buyer hereby represents warrants and acknowledges as follows:

5.1 Sophisticated Investor. The Buyer has sufficient knowledge and experience of financial and business matters, is able to evaluate the merits and risks of the purchase of the Original Note, has had substantial experience in previous private and public purchases of securities, has the ability to bear the economic risks of the purchase of the Original Note, and can afford a complete loss of such investment. The Buyer has adequate information concerning the business and financial condition of the Company to make an informed decision regarding the purchase of the Original Note, and has independently and without reliance upon the Seller made its own analysis and decision to enter into this Agreement and purchase the Original Note. Buyer has been given the opportunity to obtain such information necessary to make an informed decision regarding the purchase of the Original Note and for Buyer to evaluate the merits and risks of the purchase of the Original Note. Buyer is not relying on any representation, warranty, covenant or statement made by the Seller or the Company in connection with the purchase of the Original Note except as contained herein. Buyer is not in possession of any material non-public information concerning the Company.

5.2 Authorization; Enforcement. (i) Buyer has all requisite legal right, corporate power, and authority to enter into and perform the Agreement and to consummate the transactions contemplated hereby and to purchase the Original Note, in accordance with the terms hereof, (ii) the execution and delivery of this Agreement by the Buyer and the consummation by it of the transactions contemplated hereby (including, without limitation, the purchase of the Original Note by the Buyer) have been duly authorized by the Buyer and no further consent or authorization of the Buyer or its members is required, (iii) this Agreement has been duly executed and delivered by the Buyer, and (iv) this Agreement constitutes a legal, valid and binding obligation of the Buyer enforceable against the Buyer in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of creditors' rights and remedies or by other equitable principles of general application.

5.3 No General Solicitation. The Buyer is not purchasing the Original Note as a result of any advertisement, article, notice, or other communication regarding the Original Note published in any newspaper, magazine, or similar media, or broadcast over the television or radio, or presented at any seminar or any other general solicitation or general advertisement.

5.4 No Conflicts. The execution, delivery and performance of this Agreement by the Buyer and the consummation by the Buyer of the transactions contemplated hereby will not (i) conflict with or result in a violation of any provision of its certificate of formation or other organizational documents, or (ii) violate or conflict with or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, note, bond, indenture or other instrument to which Buyer is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which Buyer is subject) applicable to Seller or the Original Note is bound or affected. The Buyer is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency, regulatory agency, self- regulatory organization or stock market or any third party in order for it to execute, deliver or perform any of its obligations under this Agreement in accordance with the terms hereof.

5.5 Accredited Investor. The Buyer warrants and acknowledges that the Buyer is an accredited investor within the meaning of Rule 506 of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act.

5.6 True as of Closing Date. The Buyer warrants and represents that the warranties and representations contained in this Section 5 are true and correct in all respects as of the Closing Date.

6. **MISCELLANEOUS**

6.1 Binding Effect; Benefits. This Agreement shall inure to the benefit of, and shall be binding upon, the Seller and the Buyer hereto and their respective successors and permitted assigns. Except as otherwise set forth herein, this Agreement may not be assigned by any party hereto without the prior written consent of the other party hereto. Except as otherwise set forth herein, nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto or their respective successors and permitted assigns any rights, remedies, obligations or liabilities under or by any reason of this Agreement.

6.2 Notices. All notices, requests, demands and other communications which are required to be or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when delivered via electronic mail:

(a) If to the Buyer to:

L2 Capital, LLC
8900 State Line Rd., Suite 410
Leawood, KS 66206
E-mail: investments@ltwocapital.com

(b) If to the Seller to:

George Nesemeier and Robert J. Runck

_____

_____

E-mail: _____

6.3 Entire Agreement. This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter hereof.

6.4 Further Assurances. After the Closing, at the request of either party, the other party shall execute, acknowledge and deliver, without further consideration, all such further assignments, conveyances, endorsements, deeds, powers of attorney, consents and other documents and take such other action as may be reasonably requested to consummate the transactions contemplated by this Agreement.

6.5 Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not be deemed to be part of this Agreement or to affect the meaning or interpretation of this Agreement.

6.6 Counterparts. This Agreement may be executed in any number of counterparts and by facsimile, each of which, when executed, shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

6.7 Governing Law. This Agreement shall be construed as to both validity and performance and enforced in accordance with and governed by the laws of the State of Nevada, without giving effect to the conflicts of law principles thereof. Any action brought by either party against the other concerning the transactions contemplated by this Note shall be brought only in the state or federal courts of Johnson County, Kansas. The parties to this Note hereby irrevocably waive
any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*.

6.8 Severability. If any term or provision of this Agreement shall to any extent be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby, and each term and provision of the Agreement shall be valid and enforced to the fullest extent permitted by law.

6.9 Amendments. This Agreement may not be modified or changed except by an instrument or instruments in writing executed by the parties hereto.

6.10 Indemnification. Any party hereto, that breaches the representations and warranties contained in this Agreement that pertain to that party, shall indemnify and hold the non-breaching parties harmless from any and all liabilities, claims, lawsuits or costs associated with such liabilities, claims or lawsuits, including attorneys' fees.

6.11 Costs. Each party will bear the costs and expenses incurred by it in connection with this Agreement and the transaction contemplated thereby, except as provided for herein.

6.12 Additional Assurances. The Seller agrees to furnish to the Buyer, promptly upon the Buyer's written request therefor, such additional documents or instruments, if any, in connection with the sale of the Original Note to the Buyer, the Company or its agent may require that the sale of the Original Note be recorded and recognized as such sale and transfer.

6.13 Attorneys' Fees and Costs. In the event any party to this Agreement shall be required to initiate legal proceedings to enforce performance of any term or condition of this Agreement, including, but not limited to, the interpretation of any term or provision hereof, the payment of moneys or the enjoining of any action prohibited hereunder, the prevailing party shall be entitled to recover such sums in addition to any other damages or compensation received, as will reimburse the prevailing party for reasonable attorneys' fees and court costs incurred on account thereof (including, without limitation, the costs of any appeal) notwithstanding the nature of the claim or cause of action asserted by the prevailing party.

6.14 Survival of Terms. All representations, warranties and covenants contained in this Agreement or in any certificates or other instruments delivered by or on behalf of the parties hereto shall be continuous and survive the execution of this Agreement and the Closing Date.

[Remainder of page intentionally left blank]

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**SELLER:**

**GEORGE NESEMEIER AND ROBERT J. RUNCK**

By: /s/ George Nesemeier
Name: George Nesemeier

By: /s/ Robert J. Runck
Name: Robert J. Runck

**BUYER:**

**L2 CAPITAL, LLC**

By: /s/ Adam Long
Name: Adam Long
Title: Managing Partner

**ACCEPTED AND AGREED**:

**EL CAPITAN PRECIOUS METALS, INC.**

By:/s/ John Stapleton
Name: John Stapleton
Title: Chief Executive Officer

EXHIBIT A

(see attached)

EXHIBIT B

| | |
|---|---|
| Account Name:1 | George Nesemeier |
| ABA Routing Number: | 121000248 |
| Account Number: | 4224401880 |
| Bank Name: | Wells Fargo Bank |

**ACCEPTED AND AGREED:**

**GEORGE NESEMEIER AND ROBERT J. RUNCK**

By: /s/ George Nesemeier
Name: George Nesemeier

By: /s/ Robert J. Runck
Name: Robert J. Runck

**NON-AFFILIATION LETTER**

January 3, 2018

Ladies and Gentlemen:

Please let this letter serve as confirmation that neither George Nesemeier nor Robert J. Runck, is now, or has been during the immediately preceding 90 days, an officer, director, 10% or more shareholder of El Capitan Precious Metals, Inc. (the "Company"), or in any other way an "affiliate" (as that term is defined in Rule 144(a) (1) adopted pursuant to the Securities Act of 1933, as amended) of the Company.

Very truly yours,

**GEORGE NESEMEIER AND ROBERT J. RUNCK**

By:/s/ George Nesemeier
Name: George Nesemeier

By:/s/ Robert J. Runck
Name: Robert J. Runck

**ACCEPTED AND AGREED**:

**EL CAPITAN PRECIOUS METALS, INC.**

By:/s/ John Stapleton
Name: John Stapleton
Title: Chief Executive Officer

**NEITHER THE ISSUANCE NOR SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.**

**Principal Amount: $47,118.46** **Issue Date: January 3, 2018**

**REPLACEMENT CONVERTIBLE PROMISSORY NOTE**

**FOR VALUE RECEIVED**, **EL CAPITAN PRECIOUS METALS, INC.**, a Nevada corporation (hereinafter called the "Borrower"), hereby promises to pay to the order of **L2 CAPITAL, LLC**, a Kansas limited liability company, or registered assigns (the "Holder") the principal sum of $47,118.46 (the "Principal Amount"), together with interest at the rate of seven percent (7%) per annum (with the understanding that the initial twelve months of such interest shall be guaranteed), at maturity or upon acceleration or otherwise, as set forth herein (the "Note"). **This Note is being issued by the Borrower to the Holder to evidence the assignment by George Nesemeier and Robert J. Runck (the "Seller") of $47,118.46 owed under that certain promissory note issued by the Borrower to the Seller on or around February 4, 2015, in the original principal amount of $33,000.00, which was assigned to the Holder on or around the Issue Date.** The maturity date shall be six (6) months from the Issue Date (the "Maturity Date"), and is the date upon which the principal sum, as well as any accrued and unpaid interest and other fees, shall be due and payable. This Note may not be repaid in whole or in part except as otherwise explicitly set forth herein. Any amount of principal or interest on this Note, which is not paid by the Maturity Date, shall bear interest at the rate of the lesser of (i) twenty four percent (24%) per annum or (ii) the maximum amount allowed by law, from the due date thereof until the same is paid ("Default Interest"). Interest shall commence accruing on the date that the Note is fully paid and shall be computed on the basis of a 365-day year and the actual number of days elapsed. All payments due hereunder (to the extent not converted into the Borrower's common stock (the "Common Stock") in accordance with the terms hereof) shall be made in lawful money of the United States of America. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a business day, the same shall instead be due on the next succeeding day which is a business day and, in the case of any interest payment date which is not the date on which this Note is paid in full, the extension of the due date thereof shall not be taken into account for purposes of determining the amount of interest due on such date. As used in this Note, the term "business day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the city of New York, New York are authorized or required by law or executive order to remain closed.

This Note is free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Borrower and will not impose personal liability upon the holder thereof.

The following additional terms shall also apply to this Note:

ARTICLE I. CONVERSION RIGHTS

1.1 Conversion Right. The Holder shall have the right at any time on or after the 40th calendar day after the Issue Date, to convert all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of this Note into fully paid and non-assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price (the "Conversion Price") determined as provided herein (a "Conversion"); provided, however, that in no event shall the Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Notes or the unexercised or unconverted portion of any other security of the Borrower subject to a limitation on conversion or exercise analogous to the limitations contained herein) and (2) the number of shares of Common Stock issuable upon the conversion of the portion of this Note with respect to which the determination of this proviso is being made, would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock. For purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Regulations 13D-G thereunder, except as otherwise provided in clause (1) of such proviso. The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), delivered to the Borrower by the Holder in accordance with Section 1.4 below; provided that the Notice of Conversion is submitted by facsimile or e-mail (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 6:00 p.m., New York, New York time on such conversion date (the "Conversion Date"). The term "Conversion Amount" means, with respect to any conversion of this Note, the sum of (1) the principal amount of this Note to be converted in such conversion plus (2) at the Holder's option, accrued and unpaid interest, if any, on such principal amount at the interest rates provided in this Note to the Conversion Date, plus (3) at the Holder's option, Default Interest, if any, on the amounts referred to in the immediately preceding clauses (1) and/or (2) plus (4) at the Holder's option, any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof.

1.2 Conversion Price.

(a) Calculation of Conversion Price. The Conversion Price per share shall be the lesser of (i) $0.07 and (ii) the Variable Conversion Price (as defined herein) (subject to adjustment as further described herein). The "Variable Conversion Price" shall mean 75% multiplied by the Market Price (as defined herein) (representing a discount rate of 25%). “Market Price” means the average of the two (2) lowest Trading Prices (as defined below) for the Common Stock during the five (5) Trading Day period ending on the last complete Trading Day prior to the Conversion Date. “Trading Price” or “Trading Prices” means, for any security as of any date, the lowest traded price on the Over-the-Counter Pink Marketplace, OTCQB, or applicable trading market (the “OTCQB”) as reported by a reliable reporting service (“Reporting Service”) designated by the Holder (i.e. www.Nasdaq.com) or, if the OTCQB is not the principal trading market for such security, on the principal securities exchange or trading market where such security is listed or traded or, if the lowest intraday trading price of such security is not available in any of the foregoing manners, the lowest intraday price of any market makers for such security that are quoted on the OTC Markets. If the Conversion Price on the date in which the Holder actually receives the Conversion Shares (each a “Share Delivery Date”) is less than the Conversion Price in the respective Notice of Conversion, then the Conversion Price in the respective Notice of Conversion shall be retroactively adjusted downward to equal the Conversion Price on the Share Delivery Date. If the Trading Price cannot be calculated for such security on such date in the manner provided above, the Trading Price shall be the fair market value as mutually determined by the Borrower and the holders of a majority in interest of the Notes being converted for which the calculation of the Trading Price is required in order to determine the Conversion Price of such Notes. “Trading Day” shall mean any day on which the Common Stock is tradable for any period on the OTCQB, or on the principal securities exchange or other securities market on which the Common Stock is then being traded. All expenses incurred by Holder, for the issuance and clearing of the Common Stock into which this Note is convertible into, shall immediately and automatically be added to the balance of the Note at such time as the expenses are incurred by Holder.

Each time, while this Note is outstanding, the Borrower enters into a Section 3(a)(9) Transaction (as defined herein) (including but not limited to the issuance of new promissory notes or of a replacement promissory note), or Section 3(a)(10) Transaction (as defined herein), in which any 3rd party has the right to convert monies owed to that 3rd party (or receive shares pursuant to a settlement or otherwise) at a discount to market greater than the Variable Conversion Price in effect at that time (prior to all other applicable adjustments in the Note), then the Conversion Price may be adjusted at the option of the Holder to such greater discount percentage (prior to all applicable adjustments in this Note) until this Note is no longer outstanding. Each time, while this Note is outstanding, the Borrower enters into a Section 3(a)(9) Transaction (including but not limited to the issuance of new promissory notes or of a replacement promissory note), or Section 3(a)(10) Transaction, in which any 3rd party has a look back period greater than the look back period in effect under the Note at that time, then the Holder's look back period may be adjusted at the option of the Holder to such greater number of days until this Note is no longer outstanding. The Borrower shall give written notice to the Holder, with the adjusted Conversion Price and/or adjusted look back period (each adjustment that is applicable due to the triggering event), within one (1) business day of an event that requires any adjustment described in the two immediately preceding sentences, and the Holder shall have the sole discretion in determining whether to utilize the adjusted term pursuant to this section. So long as this Note is outstanding, if any security of the Borrower contains any term more favorable to the holder of such security or with a term in favor of the holder of such security that was not similarly provided to the Holder in this Note, then the Borrower shall notify the Holder of such additional or more favorable term and such term, at Holder's option, shall become a part of the transaction documents with the Holder.

If at any time the Conversion Price as determined hereunder for any conversion would be less than the par value of the Common Stock, then at the sole discretion of the Holder, the Conversion Price hereunder may equal such par value for such conversion and the Conversion Amount for such conversion may be increased (at the option of the Holder) to include Additional Principal (without a reduction in the amount owed under the Note), where "Additional Principal" means such additional amount to be added to the Conversion Amount to the extent necessary to cause the number of conversion shares issuable upon such conversion to equal the same number of conversion shares as would have been issued had the Conversion Price not been adjusted by the Holder to the par value price.

If, at any time when the Note is issued and outstanding, the Borrower issues or sells, or is deemed to have issued or sold, any shares of Common Stock for a consideration per share less than the Conversion Price in effect on the date of such issuance (or deemed issuance) of such shares of Common Stock (a "Dilutive Issuance"), then the Holder shall have the right, in Holder's sole discretion on each conversion after such Dilutive Issuance, to utilize the price per share of the Dilutive Issuance as the Conversion Price for such conversion.

(b) Authorized Shares. The Borrower covenants that during the period the conversion right exists, the Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of this Note. The Borrower is required at all times to have authorized and reserved three times the number of shares that is actually issuable upon full conversion of the Note (based on the Conversion Price of the Notes in effect from time to time)(the "Reserved Amount"). The Reserved Amount shall be increased from time to time in accordance with the Borrower's obligations hereunder. The Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non- assessable. In addition, if the Borrower shall issue any securities or make any change to its capital structure which would change the number of shares of Common Stock into which the Notes shall be convertible at the then current Conversion Price, the Borrower shall at the same time make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Notes. The Borrower (i) acknowledges that it has irrevocably instructed its transfer agent to issue certificates for the Common Stock issuable upon conversion of this Note, and agrees that its issuance of this Note shall constitute full authority to its officers and agents who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Common Stock in accordance with the terms and conditions of this Note.

If, at any time the Borrower does not maintain the Reserved Amount it will be considered an Event of Default under Section 3.2 of the Note.

1.3 Method of Conversion.

(a) Mechanics of Conversion. Subject to Section 1.1, this Note may be converted by the Holder in whole or in part at any time on or after the 40th calendar day after the Issue Date, by submitting to the Borrower a Notice of Conversion (by facsimile, e-mail or other reasonable means of communication dispatched on the Conversion Date prior to 6:00 p.m., New York, New York time) and (B) subject to Section 1.4(b), surrendering this Note at the principal office of the Borrower.

(b) Surrender of Note Upon Conversion. Notwithstanding anything to the contrary set forth herein, upon conversion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Borrower unless the entire unpaid principal amount of this Note is so converted. The Holder and the Borrower shall maintain records showing the principal amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Borrower, so as not to require physical surrender of this Note upon each such conversion. In the event of any dispute or discrepancy, such records of the Borrower shall, *prima facie,* be controlling and determinative in the absence of manifest error. Notwithstanding the foregoing, if any portion of this Note is converted as aforesaid, the Holder may not transfer this Note unless the Holder first physically surrenders this Note to the Borrower, whereupon the Borrower will forthwith issue and deliver upon the order of the Holder a new Note of like tenor, registered as the Holder (upon payment by the Holder of any applicable transfer taxes) may request, representing in the aggregate the remaining unpaid principal amount of this Note. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note represented by this Note may be less than the amount stated on the face hereof.

(c) Payment of Taxes. The Borrower shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock or other securities or property on conversion of this Note in a name other than that of the Holder (or in street name), and the Borrower shall not be required to issue or deliver any such shares or other securities or property unless and until the person or persons (other than the Holder or the custodian in whose street name such shares are to be held for the Holder's account) requesting the issuance thereof shall have paid to the Borrower the amount of any such tax or shall have established to the satisfaction of the Borrower that such tax has been paid.

(d) Delivery of Common Stock Upon Conversion. Upon receipt by the Borrower from the Holder of a facsimile transmission or e-mail (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 1.4, the Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of the Holder certificates for the Common Stock issuable upon such conversion within two (2) business days after such receipt (the "Deadline") (and, solely in the case of conversion of the entire unpaid principal amount hereof, surrender of this Note) in accordance with the terms hereof.

(e) Obligation of Borrower to Deliver Common Stock. Upon receipt by the Borrower of a Notice of Conversion, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, the outstanding principal amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion, and, unless the Borrower defaults on its obligations under this Article I, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If the Holder shall have given a Notice of Conversion as provided herein, the Borrower's obligation to issue and deliver the certificates for Common Stock shall be absolute and unconditional, irrespective of the absence of any action by the Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of the Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder of any obligation to the Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of the Borrower to the Holder in connection with such conversion. The Conversion Date specified in the Notice of Conversion shall be the Conversion Date so long as the Notice of Conversion is received by the Borrower before 6:00 p.m., New York, New York time, on such date.

(f) Delivery of Common Stock by Electronic Transfer. In lieu of delivering physical certificates representing the Common Stock issuable upon conversion, provided the Borrower is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer ("FAST") program, upon request of the Holder and its compliance with the provisions contained in Section 1.1 and in this Section 1.4, the Borrower shall use its best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to the Holder by crediting the account of Holder's Prime Broker with DTC through its Deposit Withdrawal Agent Commission ("DWAC") system.

(g) Failure to Deliver Common Stock Prior to Deadline. Without in any way limiting the Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Note is not delivered by the Deadline (other than a failure due to the circumstances described in Section 1.3 above, which failure shall be governed by such Section) the Borrower shall pay to the Holder $3,000 per day in cash, for each day beyond the Deadline that the Borrower fails to deliver such Common Stock (unless such failure results from war, acts of terrorism, an epidemic, or natural disaster). Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of the Holder (by written notice to the Borrower by the first day of the month following the month in which it has accrued), shall be added to the principal amount of this Note, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Note. The Borrower agrees that the right to convert is a valuable right to the Holder. The damages resulting from a failure, attempt to frustrate, interference with such conversion right are difficult if not impossible to qualify. Accordingly the parties acknowledge that the liquidated damages provision contained in this Section 1.4(g) are justified.

1.4 Concerning the Shares. The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless (i) such shares are sold pursuant to an effective registration statement under the Act or (ii) the Borrower or its transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration or (iii) such shares are sold or transferred pursuant to Rule 144 under the Act (or a successor rule) ("Rule 144") or (iv) such shares are transferred to an "affiliate" (as defined in Rule 144) of the Borrower who agrees to sell or otherwise transfer the shares only in accordance with this Section 1.5 and who is an Accredited Investor. Except as otherwise provided (and subject to the removal provisions set forth below), until such time as the shares of Common Stock issuable upon conversion of this Note have been registered under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold, each certificate for shares of Common Stock issuable upon conversion of this Note that has not been so included in an effective registration statement or that has not been sold pursuant to an effective registration statement or an exemption that permits removal of the legend, shall bear a legend substantially in the following form, as appropriate:

**"NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES."**

The legend set forth above shall be removed and the Borrower shall issue to the Holder a new certificate therefore free of any transfer legend if (i) the Borrower or its transfer agent shall have received an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Common Stock may be made without registration under the Act, which opinion shall be accepted by the Borrower so that the sale or transfer is effected or (ii) in the case of the Common Stock issuable upon conversion of this Note, such security is registered for sale by the Holder under an effective registration statement filed under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold. In the event that the Borrower does not accept the opinion of counsel provided by the Holder with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

1.5 [Intentionally Omitted].

1.6 Status as Shareholder. Upon submission of a Notice of Conversion by a Holder, (i) the shares covered thereby (other than the shares, if any, which cannot be issued because their issuance would exceed such Holder's allocated portion of the Reserved Amount or Maximum Share Amount) shall be deemed converted into shares of Common Stock and (ii) the Holder's rights as a Holder of such converted portion of this Note shall cease and terminate, excepting only the right to receive certificates for such shares of Common Stock and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Borrower to comply with the terms of this Note. Notwithstanding the foregoing, if a Holder has not received certificates for all shares of Common Stock prior to the tenth (10th) business day after the expiration of the Deadline with respect to a conversion of any portion of this Note for any reason, then (unless the Holder otherwise elects to retain its status as a holder of Common Stock by so notifying the Borrower) the Holder shall regain the rights of a Holder of this Note with respect to such unconverted portions of this Note and the Borrower shall, as soon as practicable, return such unconverted Note to the Holder or, if the Note has not been surrendered, adjust its records to reflect that such portion of this Note has not been converted. In all cases, the Holder shall retain all of its rights and remedies (including, without limitation, (i) the right to receive Conversion Default Payments pursuant to Section 1.3 to the extent required thereby for such Conversion Default and any subsequent Conversion Default and (ii) the right to have the Conversion Price with respect to subsequent conversions determined in accordance with Section 1.3) for the Borrower's failure to convert this Note.

ARTICLE II. CERTAIN COVENANTS

2.1 Distributions on Capital Stock. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent (a) pay, declare or set apart for such payment, any dividend or other distribution (whether in cash, property or other securities) on shares of capital stock other than dividends on shares of Common Stock solely in the form of additional shares of Common Stock or (b) directly or indirectly or through any subsidiary make any other payment or distribution in respect of its capital stock except for distributions pursuant to any shareholders' rights plan which is approved by a majority of the Borrower's disinterested directors.

2.2 Restriction on Stock Repurchases. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent redeem, repurchase or otherwise acquire (whether for cash or in exchange for property or other securities or otherwise) in any one transaction or series of related transactions any shares of capital stock of the Borrower or any warrants, rights or options to purchase or acquire any such shares.

ARTICLE III. EVENTS OF DEFAULT

If any of the following events of default (each, an "Event of Default") shall occur:

3.1 Failure to Pay Principal or Interest. The Borrower fails to pay the principal hereof or interest thereon when due on this Note, which shall be due on the earlier of (i) the Maturity Date and (ii) upon acceleration or otherwise.

3.2 Conversion and the Shares. The Borrower fails to reserve a sufficient amount of shares of common stock as required under the terms of this Note (including Section 1.3 of this Note), fails to issue shares of Common Stock to the Holder (or announces or threatens in writing that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form) shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, the Borrower directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form) shares of Common Stock to be issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for two (2) business days after the Holder shall have delivered a Notice of Conversion. It is an obligation of the Borrower to remain current in its obligations to its transfer agent. It shall be an event of default of this Note, if a conversion of this Note is delayed, hindered or frustrated due to a balance owed by the Borrower to its transfer agent. If at the option of the Holder, the Holder advances any funds to the Borrower's transfer agent in order to process a conversion, such advanced funds shall be paid by the Borrower to the Holder within five (5) business days, either in cash or as an addition to the balance of the Note, and such choice of payment method is at the discretion of the Borrower.

3.3 Breach of Covenants. The Borrower breaches any material covenant or other material term or condition contained in this Note and any collateral documents and such breach continues for a period of three (3) days after written notice thereof to the Borrower from the Holder or after five (5) days after the Borrower should have been aware of the breach.

3.4 Breach of Representations and Warranties. Any representation or warranty of the Borrower made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith, shall be false or misleading in any material respect when made and the breach of which has (or with the passage of time will have) a material adverse effect on the rights of the Holder with respect to this Note.

3.5 Receiver or Trustee. The Borrower or any subsidiary of the Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed.

3.6 Judgments. Any money judgment, writ or similar process shall be entered or filed against the Borrower or any subsidiary of the Borrower or any of its property or other assets for more than $100,000, and shall remain unvacated, unbonded or unstayed for a period of ten (10) days unless otherwise consented to by the Holder, which consent will not be unreasonably withheld.

3.7 Bankruptcy. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings, voluntary or involuntary, for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Borrower or any subsidiary of the Borrower.

3.8 Delisting of Common Stock. The Borrower shall fail to maintain the listing or quotation of the Common Stock on the OTCQB or an equivalent replacement exchange, the Nasdaq Global Market, the Nasdaq Capital Market, the New York Stock Exchange, or the NYSE American.

3.9 Failure to Comply with the Exchange Act. The Borrower shall fail to comply with the reporting requirements of the Exchange Act (including but not limited to becoming delinquent in its filings), and/or the Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

3.10 Liquidation. Any dissolution, liquidation, or winding up of Borrower or any substantial portion of its business.

3.11 Cessation of Operations. Any cessation of operations by Borrower or Borrower admits it is otherwise generally unable to pay its debts as such debts become due, provided, however, that any disclosure of the Borrower's ability to continue as a "going concern" shall not be an admission that the Borrower cannot pay its debts as they become due.

3.12 Financial Statement Restatement. The Borrower replaces its auditor, or any restatement of any financial statements filed by the Borrower with the SEC for any date or period from two years prior to the Issue Date of this Note and until this Note is no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statement, have constituted a material adverse effect on the rights of the Holder with respect to this Note.

3.13 Reverse Splits. The Borrower effectuates a reverse split of its Common Stock without twenty (20) days prior written notice to the Holder.

3.14 Replacement of Transfer Agent. In the event that the Borrower replaces its transfer agent, and the Borrower fails to provide prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower that reserves the greater of the (i) total amount of shares previously held in reserve for the Note with the Borrower's immediately preceding transfer agent and (ii) Reserved Amount

3.15 Cross-Default. Notwithstanding anything to the contrary contained in this Note or the other related or companion documents, a breach or default by the Borrower of any covenant or other term or condition contained in any of the other financial instrument, including but not limited to all convertible promissory notes, currently issued, or hereafter issued, by the Borrower, to the Holder or any 3rd party (the "Other Agreements"), after the passage of all applicable notice and cure or grace periods, shall, at the option of the Holder, be considered a default under this Note, in which event the Holder shall be entitled to apply all rights and remedies of the Holder under the terms of this Note by reason of a default under said Other Agreement or hereunder.

3.16 Inside Information. Any attempt by the Borrower or its officers, directors, and/or affiliates to transmit, convey, disclose, or any actual transmittal, conveyance, or disclosure by the Borrower or its officers, directors, and/or affiliates of, material non-public information concerning the Borrower, to the Holder or its successors and assigns, which is not immediately cured by Borrower's filing of a Form 8-K pursuant to Regulation FD on that same date.

3.17 No bid. At any time while this Note is outstanding, the lowest Trading Price on the OTCQB or other applicable principal trading market for the Common Stock is equal to or less than $0.0001.

3.18 Prohibition on Debt and Variable Securities. So long as the Note is outstanding, the Borrower shall not, without written consent of the Investor, issue any Variable Security (as defined herein), unless (i) the Borrower is permitted to pay off the Note in cash at the time of the issuance of the respective Variable Security and (ii) the Borrower pays off the Note, pursuant to the terms of the Note, in cash at the time of the issuance of the respective Variable Security. A Variable Security shall mean any security issued by the Borrower that (i) has or may have conversion rights of any kind, contingent, conditional or otherwise in which the number of shares that may be issued pursuant to such conversion right varies with the market price of the common stock; (ii) is or may become convertible into common stock (including without limitation convertible debt, warrants or convertible preferred stock), with a conversion or exercise price that varies with the market price of the common stock, even if such security only becomes convertible or exercisable following an event of default, the passage of time, or another trigger event or condition; or (iii) was issued or may be issued in the future in exchange for or in connection with any contract, security, or instrument, whether convertible or not, where the number of shares of common stock issued or to be issued is based upon or related in any way to the market price of the common stock, including, but not limited to, common stock issued in connection with a Section 3(a)(9) exchange, a Section 3(a)(10) settlement, or any other similar settlement or exchange.

3.19 Failure to Repay Upon Qualified Offering. The Borrower fails to (i) repay the Note, in its entirety, pursuant to the terms of the Note, with funds received from its next completed offering of $1,000,000.00 or more (consummated on or after the Issue Date).

UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT SPECIFIED IN SECTION 3.2, THE NOTE SHALL BECOME IMMEDIATELY DUE AND PAYABLE AND THE BORROWER SHALL PAY TO THE HOLDER, IN FULL SATISFACTION OF ITS OBLIGATIONS HEREUNDER, AN AMOUNT EQUAL TO: (Y) THE DEFAULT SUM (AS DEFINED HEREIN); MULTIPLIED BY (Z) TWO (2). Upon the occurrence of any Event of Default specified in Sections 3.1, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, 3.16, 3.17, 3.18, and/or 3.19, the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to 140% (plus an additional 5% per each additional Event of Default that occurs hereunder) multiplied by the then outstanding entire balance of the Note (including principal and accrued and unpaid interest) plus Default Interest, if any, plus any amounts owed to the Holder pursuant to Sections 1.4(g) hereof (collectively, in the aggregate of all of the above, the "Default Sum"), and all other amounts payable hereunder shall immediately become due and payable, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity. Each time an Event of Default occurs while this Note is outstanding, an additional discount of five percent (5%) shall be factored into the Conversion Price.

The Holder shall have the right at any time, to require the Borrower, to immediately issue, in lieu of the Default Amount, the number of shares of Common Stock of the Borrower equal to the Default Amount divided by the Conversion Price then in effect, subject to issuance in tranches due to the beneficial ownership limitations contained in this Note.

ARTICLE IV. MISCELLANEOUS

4.1 Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, facsimile, or electronic mail addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery, upon electronic mail delivery, or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Borrower, to:

EL CAPITAN PRECIOUS METALS, INC.
5871 Honeysuckle Road
Prescott, AZ 86305
e-mail: antolstephen@gmail.com

If to the Holder:

L2 CAPITAL, LLC
8900 State Line Rd., Suite 410
Leawood, KS 66206
e-mail: investments@ltwocapital.com

4.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term “Note” and all reference thereto, as used throughout this instrument, shall mean this instrument as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. Each transferee of this Note must be an "accredited investor" (as defined in Rule 501 (a) of the 1933 Act). Notwithstanding anything in this Note to the contrary, this Note may be pledged as collateral in connection with a bona fide margin account or other lending arrangement. The Borrower shall not assign its obligations under this Note without prior written consent in a signed writing from the Holder.

4.5 Cost of Collection. If default is made in the payment of this Note, the Borrower shall pay the Holder hereof costs of collection, including reasonable attorneys' fees.

4.6 Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Note shall be brought only in the state and/or federal courts of Johnson County, Kansas. The parties to this Note hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. The Borrower and Holder waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Note or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

4.7 Certain Amounts. Whenever pursuant to this Note the Borrower is required to pay an amount in excess of the outstanding principal amount (or the portion thereof required to be paid at that time) plus accrued and unpaid interest plus Default Interest on such interest, the Borrower and the Holder agree that the actual damages to the Holder from the receipt of cash payment on this Note may be difficult to determine and the amount to be so paid by the Borrower represents stipulated damages and not a penalty and is intended to compensate the Holder in part for loss of the opportunity to convert this Note and to earn a return from the sale of shares of Common Stock acquired upon conversion of this Note at a price in excess of the price paid for such shares pursuant to this Note. The Borrower and the Holder hereby agree that such amount of stipulated damages is not plainly disproportionate to the possible loss to the Holder from the receipt of a cash payment without the opportunity to convert this Note into shares of Common Stock.

4.8 Remedies. The Borrower acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder, by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Borrower acknowledges that the remedy at law for a breach of its obligations under this Note will be inadequate and agrees, in the event of a breach or threatened breach by the Borrower of the provisions of this Note, that the Holder shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Note and to enforce specifically the terms and provisions thereof, without the necessity of showing economic loss and without any bond or other security being required.

4.9 Section 3(a)(10) Transactions. If at any time while this Note is outstanding, the Borrower enters into a transaction structured in accordance with, based upon, or related or pursuant to, in whole or in part, Section 3(a)(10) of the Securities Act (a "3(a)(10) Transaction"), then a liquidated damages charge of 100% of the outstanding principal balance of this Note at that time, will be assessed and will become immediately due and payable to the Holder, either in the form of cash payment, an addition to the balance of the Note, or a combination of both forms of payment, as determined by the Holder.

4.10 Reverse Split Penalty. If at any time while this Note is outstanding, the Borrower effectuates a reverse split with respect to the Common Stock, then a liquidated damages charge of 30% of the outstanding principal balance of this Note at that time, will be assessed and will become immediately due and payable to the Holder, either in the form of cash payment, an addition to the balance of the Note, or a combination of both forms of payment, as determined by the Holder.

4.11 Restriction on Section 3(a)(9) Transactions. So long as this Note is outstanding, the Borrower shall not enter into any 3(a)(9) Transaction with any party other than the Holder, without prior written consent of the Holder. In the event that the Borrower does enter into, or makes any issuance of Common Stock related to a 3(a)(9) Transaction while this Note is outstanding, a liquidated damages charge of 25% of the outstanding principal balance of this Note, but not less than $15,000, will be assessed and will become immediately due and payable to the Holder at its election in the form of cash payment or addition to the balance of this Note.

4.12 Repayment. Notwithstanding anything to the contrary contained in this Note, the Borrower may repay any amount outstanding under this Note, during the initial 180 day period after the Issue Date, by making a payment to the Holder of an amount in cash equal to 150% multiplied the total amount owed under the Note. In order to repay this Note, the Borrower shall provide notice to the Holder ten (10) business days prior to such respective repayment date, and the Holder must receive such repayment within twelve (12) business days of the Holder's receipt of the respective repayment notice, but not sooner than ten (10) business days from the date of notice (the "Repayment Period"). The Holder may convert the Note in whole or in part at any time during the Repayment Period, subject to the terms and conditions of this Note.

4.13 Terms of Future Financings. So long as this Note is outstanding, upon any issuance by the Borrower or any of its subsidiaries of any security with any term more favorable to the holder of such security or with a term in favor of the holder of such security that was not similarly provided to the Holder in this Note, then the Borrower shall notify the Holder of such additional or more favorable term and such term, at Holder's option, shall become a part of the transaction documents with the Holder. The types of terms contained in another security that may be more favorable to the holder of such security include, but are not limited to, terms addressing conversion discounts, prepayment rate, conversion look back periods, interest rates, original issue discounts, stock sale price, private placement price per share, and warrant coverage.

4.14 Usury. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law. The Borrower covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Borrower from paying all or any portion of the principal of or interest on this Note as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Note, and the Borrower (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.

4.15 Right of First Refusal. If at any time after the Issue Date and until the Note is satisfied in full, the Borrower has a bona fide offer of capital or financing from any 3rd party, that the Borrower intends to act upon, then the Borrower must first offer such opportunity to the Holder to provide such capital or financing to the Borrower on the same or similar terms as each respective 3rd party's terms, and the Holder may in its sole discretion determine whether the Holder will provide all or a portion of such capital or financing. Except as otherwise provided in this Note, should the Holder be unwilling or unable to provide such capital or financing to the Borrower within 10 trading days from Holder's receipt of written notice of the offer (the "Offer Notice") from the Borrower, then the Borrower may obtain such capital or financing from that respective 3rd party upon the exact same terms and conditions offered by the Borrower to the Holder, which transaction must be completed within 15 days after the date of the Offer Notice. Borrower shall, within two (2) business days of the respective closing, utilize 50% of all proceeds received by Borrower by each respective 3rd party that provides capital or financing to the Borrower, to repay this Note. If the Borrower does not receive the capital or financing from the respective 3rd party within 15 days after the date of the respective Offer Notice, then the Borrower must again offer the capital or financing opportunity to the Holder as described above, and the process detailed above shall be repeated. The Offer Notice must be sent via electronic mail to investments@ltwocapital.com.

*[signature page to follow]*

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer this January 3, 2018.

**EL CAPITAN PRECIOUS METALS, INC.**

By: /s/ John Stapleton
Name: John Stapleton
Title: Chief Executive Officer

**EXHIBIT A -- NOTICE OF CONVERSION**

The undersigned hereby elects to convert $_____ principal amount of the Note (defined below) into that number of shares of Common Stock to be issued pursuant to the conversion of the Note ("Common Stock") as set forth below, of EL CAPITAN PRECIOUS METALS, INC., a Nevada corporation (the "Borrower") according to the conditions of the replacement convertible promissory note of the Borrower dated as of January 3, 2018 (the "Note"), as of the date written below. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

Box Checked as to applicable instructions:

[ ] The Borrower shall electronically transmit the Common Stock issuable pursuant to this Notice of Conversion to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("DWAC Transfer").

Name of DTC Prime Broker:
Account Number:

[ ] The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

L2 CAPITAL, LLC
8900 State Line Rd., Suite 410
Leawood, KS 66206
e-mail: investments@ltwocapital.com

Date of Conversion:
Applicable Conversion Price: $_____
Number of Shares of Common Stock to be Issued Pursuant to Conversion of the Notes: _____
Amount of Principal Balance Due remaining Under the Note after this conversion: _____

L2 CAPITAL, LLC

By: _____
Name: _____
Title: _____
Date _____

**EXHIBIT 10.15**

**AGREEMENT**

This AGREEMENT is made and entered into this 6th day of December, 2016, by and between HKM Minerals ("HKM"), of Scottsdale, Arizona, and El Capitan Precious Metals, Inc. ("ECPN"), of Scottsdale, Arizona.

In consideration of the mutual promises and covenants contained herein, the Parties do hereby agree as follows:

1. The Parties acknowledge that they are entering into this Agreement for the purpose of processing and concentrating of the ore of ECPN by H KM as soon as possible.

2. HKM shall obtain and secure the necessary equipment to begin the processing and concentrating of ECPN ore as soon as possible. In addition, HKM shall provide the necessary manpower to operate the subject equipment and to conduct the processing and concentrating contemplated by this Agreement.

3. HKM shall process and concentrate the subject ore that best suits the purposes of ECPN at the present time. HKM shall make all day-to-day decisions and carry out all the day-to-day activities in regard to processing and concentrating the ECPN ore as contemplated by this Agreement.

4. In carrying out its duties and responsibilities under this Agreement, HKM shall establish a Pilot Plant to process and concentrate the subject ECPN ore. In doing so, HKM shall determine the location, the structure, the necessary equipment, and all such other matters related to these matters. HKM shall also provide its confidential and proprietary technology to do so.

5. ECPN, with the cooperation and assistance of HKM, shall have the necessary ECPN ore transported to the said Pilot Plant. Each of the Parties to this Agreement shall bear their own costs in carrying out their duties and responsibilities under this Agreement. However, ECPN shall advance certain sums of money to HKM to facilitate the activities contemplated by this Agreement. The amount to be advanced shall be mutually agreed upon by the Parties. Such advances shall be repaid by HKM to ECPN from the proceeds of the sale of concentrates generated by the Pilot Plant, as hereafter described.

6. From the proceeds received from the sale of concentrates generated by the Pilot Plant, al I operating and implementation expenses of the Pi lot Plant shall first be reimbursed to the Party that paid such operating expenses. Thereafter, all net proceeds shall be divided equally between the Parties, except for the repayment of advances by ECPN to HKM, which will be mutually agreed upon between the Parties. These disbursements will be made, to the extent possible, on a monthly basis.

7. The subject Pilot Plant, including all equipment and technology, shall be owned exclusively by HKM. The Pilot Plant, however, shall be used exclusively for the production and concentration of ECPN ore, except for testing, demonstrations, or as otherwise mutually agreed upon by the Parties. ECPN will not be required to provide its ore to HKM on an exclusive basis.

8. The term of this Agreement shall be for the period beginning upon execution of this Agreement and continuing so long as the operation of the subject pilot plant primarily continues for the production and concentration of ECPN ore, or as otherwise mutually agreed upon between the Parties.

9. It is the current intent of the Parties to have HKM establish and construct a larger initial production line facility for the concentration of ECPN and other ore as soon as possible after proving the success of the Pilot Plant. Such initial production facility, including all technology used there in shall be owned and operated exclusively by HKM, but HKM shall continue to process and concentrate the ore of ECPN as mutually agreed upon between the Parties. At the time of the establishment of such initial production line plant, the Parties shall enter into .a new agreement governing their relationship at that time, and the Pilot Plant will become the sole property of HKM without restriction.

10. ECPN and HKM shall cooperate with one another in all respects. In doing so, the Parties will undertake joint efforts and meetings as is necessary. The Parties will provide one another with requested non-proprietary and otherwise confidential information as needed and will voluntarily provide status reports to one another. The Parties shall work vigorously for the best interests of each other.

11. The relationship between ECPN and HKM is that of independent contractors. The Parties are not agents, partners, joint venturers, or employees of the other. As such, each Party shall be responsible for the payment of its own taxes and for its other governmental and business obligations. Neither party may in any way bind or obligate the other Party nor suggest or represent that it has the right to do so.

12. Each of the Parties to this Agreement shall hold the other Party harmless and indemnify the other Party for liability or damages caused by the activities of such Party, within the scope of their relationship as independent contractors.

13. This Agreement constitutes the entire agreement between the Parties hereto with respect to the subject matter addressed herein. All prior and contemporaneous agreements, understandings, conditions, warranties, and representations are hereby superseded by this Agreement.

14. Any modification or change in this Agreement must be in writing, executed by an officer of ECPN and HKM. No representative has the right or authority to make any oral or written modifications of this Agreement.

15. Should one of the sections or provisions of this Agreement, or any word, phrase, sentence, clause, or paragraph thereof be declared invalid, illegal, or unenforceable in any respect by any federal, state, county, or municipal government, such validity, legality, and enforceability of the remaining sections and provisions hereof and any other applications thereof shall not in any way be affected or impaired thereby and will remain in full force and effect as if such invalid or illegal sections or provisions were omitted.

16. No waiver of any breach of any condition, covenant, or agreement herein shall constitute a continuing waiver or a waiver of any subsequent breach of the same or any other condition, covenant, or agreement.

17. The Parties agree to negotiate in good faith to resolve any disputes, disagreements, questions, claims, or similar matters in regard to this Agreement or any matter in regard to the relationship between themselves. If such matters cannot be resolved by negotiation between the Parties, such matters shall be resolved by using a single arbitrator and procedures established by such arbitrator. Judgment upon any award may be entered in any court of competent jurisdiction. The prevailing party shall be entitled to recover all expenses of arbitration, including reasonable attorney's fees. Venue of such arbitration shall be in Maricopa County, Arizona. Either Party may make a demand for arbitration by filing the demand in writing with the other Party. This provision for arbitration shall be an absolute bar to any other legal proceedings between the Parties hereto. This Agreement shall be construed in accordance with the laws of the State of Arizona.

IN WI1NESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

HKM MINERALS

By: /s/ David Davidson

EL CAPITAN PRECIOUS METALS, INC.

By: /s/ John Stapleton
CEO and President

*5871 Honeysuckle Road, Prescott, AZ 86305-3764*
*(T): 928.515.1942 (F): 928.515.1943*

**EXHIBIT 10.20**

# PROMISSORY NOTE

$25,000.00 February 12, 2018

**FOR VALUE RECEIVED, El Capitan Precious Metals, Inc. ("MAKER"),** promises to pay to **Robert W. Shirk Revocable Trust Dated January, 2018,** (**LENDER**), THE SUM OF Twenty-Five Thousand Dollars ($25,000.00), with interest thereon at the rate of five percent (5%) per annum from February 12, 2018, on a 365 day basis, interest due at maturity. Payment of this Note, including principal and interest, shall be made by MAKER on or before August 12, 2018 (the DUE DATE). Payments shall first be applied to interest due and then thereafter to principal.

MAKER, agree to pay this Note and accrued interest and waives demand, presentment, protest and notice of dishonor, and agrees that, without notice, any indebtedness represented by this Note may from time to time be renewed or extended by the Parties at the discretion of the LENDER and in such event, the liability shall continue hereunder upon the indebtedness as so renewed or extended and agrees in case of any default under this Note to pay all costs of collections, including reasonable attorney fees.

MAKER, at its option, may make prepayments of principal and interest at time without any penalty.

DATED this 12th day of February, 2018.

EL CAPITAN PRECIOUS METALS, INC.

John F. Stapleton
CEO

**EXHIBIT 23.2**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the following registration statements of our report dated January 13, 2017, relating to the consolidated balance sheet of El Capitan Precious Metals, Inc. and its subsidiaries (collectively, the "Company") as of September 30, 2016, and the related consolidated statements of operations, stockholders' equity, and cash flows for the fiscal year then ended, which appears in the Company's Annual Report on Form 10-K for the period ended September 30, 2017:

(i) Form S-8 Registration Statement No. 333-177417, filed with the Securities and Exchange Commission on October 20, 2011;
(ii) Form S-8 Registration Statement No. 333-161486, filed on August 21, 2009;
(iii) Form S-8 Registration Statement No. 333-146788, filed on October 18, 2007;
(iv) Form S-8 Registration Statement No. 333-126697, filed on July 19, 2005;
(v) Form S-8 Registration Statement No. 333-116484, filed on June 15, 2004;
(vi) Form S-8 Registration Statement No. 333-108819, filed on September 15, 2003;
(vii) Form S-8 Registration Statement No. 333-207399, filed on October 14, 2015;
(viii) Form S-8 Registration Statement No. 333-208991, filed on January 14, 2016;
(ix) Form S-8 Registration Statement No. 333-210942, filed on April 27, 2016;
(x) Form S-8 Registration Statement No. 333-212972, filed on August 8, 2016; and
(xi) Form S-8 Registration Statement No. 333-214442, filed on November 4, 2016.

*/s/ MaloneBailey, LLP*
www.malonebailey.com
Houston, Texas
March 30, 2018

**EXHIBIT 31.1**

**CERTIFICATION PURSUANT TO RULE 13A-14 OR 15D-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John F. Stapleton, certify that:

1. I have reviewed this Annual Report on Form 10-K of El Capitan Precious Metals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2018

/s/ John F. Stapleton
John F. Stapleton
Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION PURSUANT TO RULE 13A-14 OR 15D-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Stephen J. Antol, certify that:

1. I have reviewed this Annual Report on Form 10-K of El Capitan Precious Metals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2018

/s/ Stephen J. Antol
Stephen J. Antol
Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of El Capitan Precious Metals, Inc. (the "Company") on Form 10-K for the fiscal year ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officers of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company, as of, and for the periods presented in the Report.

Date: March 30, 2018

/s/ John F. Stapleton
John F. Stapleton
Chief Executive Officer

/s/ Stephen J. Antol
Stephen J. Antol
Chief Financial Officer