



## Business Updates | 2018

October 8, 2018

*The El Capitan Board of Directors reports the following updates on the state of the Company:*

### ***Operational Projections***

There are potentially two streams of revenue available to ECPN, consisting of the precious metals and the iron ore. Our most recent testing indicated that roughly 50% of the head ore is magnetic and the remainder is non-magnetic. The head ore would be crushed via three separate crushers to a consistency of talcum powder and then processed through the AuraSource 1 machine, which is a magnetic separator. The magnetic material would be sold as a high-grade iron ore and the non-magnetic material would be concentrated using vat leaching and sold as concentrates to refineries.

### ***Testing and Development***

**Amenability Testing** – We have determined that there are precious metals on the property. The challenge has been to determine the percentage of the precious metals that can be recovered. These tests consist of grinding the material to a near talcum powder form, separating the magnetic material from the non-magnetic, using three chemical extraction methods on the non-magnetic material, and determining what percentage of the extracted material can be concentrated for recovery. When further information is available, we will release it to shareholders.

**Bench Scale Testing** – We anticipate this test to begin this coming week. This is a small scale test using the most promising extraction method from the amenability test and will indicate how long the chemical vat leaching recovery will take. A few pounds of material will go thru the entire process to create a concentrate and we estimate this can be completed by the end of October 2018.

**Bulk Scale Testing** – Plans have already been developed for this test. Three batches of material, with each batch consisting of one ton of head ore, will be extracted from the mine site by an independent third party and transported under chain of custody protocol to the processing facility. This test will provide the concentrations levels and the estimated operating costs to achieve those levels. We are hopeful this test can be completed by the end of this year.

**Pilot Plant** – Upon successful completion of the Bulk Scale Testing, management intends to move forward with the construction of a Pilot Plant at the mine site. The planning for the plant is already underway. It is expected that the Company will engage a contract miner to extract and crush the material to the size required for separation. Using the pilot plant, the material will then be separated, with the iron ore to be sold into the secondary market, while the precious metals will be further concentrated and sent to a smelter for processing. Dependent upon financing and successful testing, the Company believes that the mine site pilot plant could be fully operational by the end of the second quarter of calendar year 2019.

### ***Concentrates***

We have recovered the four barrels of super concentrated material from Canada and initial testing by our metallurgist and mineralogist indicates that the material within these particular barrels is of no value. This is inconsistent with the testing that occurred prior to shipment to Canada, and Management is working diligently to investigate the reason for this anomaly and will update shareholders on the results of this investigation when appropriate.

### ***Marketing and Sales***

The two streams of revenue are very interesting to management. We are working diligently to bring these streams to reality. We are in the very early stages of developing relationships to sell the iron ore. We hope to have more information relative to these efforts. The precious metals will be a longer development, processing, and marketing cycle but have the potential to generate significant revenue.

### ***Legal***

ECPN is engaged as a defendant in two law suits. We are negotiating with the counterparties in both cases and hope to reach an amicable resolution of both in the near future.

Due to limited resources, the Company is late on filing its filing obligations with the SEC, but management recognizes the importance of regaining compliance with its filing obligations and will do so as soon as practicable.

### ***Financial***

The Company is very thankful to the shareholders who have stepped to the table and provided working capital to keep the Company in business.

### ***Capital Requirements***

Management and the Board of Directors are currently working to raise additional capital to accomplish the previously mentioned tasks.

#### Forward-Looking Safe Harbor Statement:

The statements included in this press release concerning predictions of economic performance and management's plans and objectives constitute forward-looking statements made pursuant to the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Forward-looking statements are statements that are not historical facts. Words such as "expect(s)," "feel(s)," "believe(s)," "will," "may," "anticipate(s)" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to, statements regarding the expected completion, timing and results of metallurgical testing, interpretation of drill results, the geology, grade and continuity of mineral deposits, results of initial feasibility, pre-feasibility and feasibility studies and expectations with respect to the engaging in strategic transactions. All of such statements are subject to risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Specifically, there can be no assurance regarding the timing and terms of any transaction involving the Company or its El Capitan property, or that such a transaction will be completed at all. In addition, there can be no assurance that periodic updates to the Company's geological technical reports will support the Company's prior claims regarding the metallurgical value and make-up of the ore on the New Mexico property. Additional risks and uncertainties affecting the Company include, but are not limited to, the possibility that future exploration, development, testing or mining results will not be consistent with past results and/or the Company's expectations; discrepancies between different types of testing methods, some of all of which may not be industry standard; the ability to mine precious and other minerals on a cost effective basis; the Company's ability to successfully complete contracts for the sale of its products; fluctuations in world market prices for the Company's products; the Company's ability to obtain and maintain regulatory approvals; the Company's ability to obtain financing for continued operations and/or the commencement of mining activities on satisfactory terms; the Company's ability to enter into and meet all the conditions to consummate contracts to sell its mining properties that it chooses to list for sale; and other risks and uncertainties described in the Company's filings from time to time with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof, and we do not undertake any obligation to revise and disseminate forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of or non-occurrence of any events.

**August 9, 2018**

***The El Capitan Board of Directors reports the following updates on the state of the Company:***

### **Canadian Concentrates**

The Canadian concentrates have been returned to ECPN and are currently being stored in a secure warehouse in Phoenix, under 24-hour video and audio surveillance, can only be observed with an independent observer and Board member present, and were sealed prior to shipment and have not been opened. Access to the concentrates is very limited. The concentrates prior to leaving Canada were under strict chain of custody protocol. An independent third party sampled the barrels taking three identical samples with the third party maintained a sample, the company whom ECPN contracted with to monetize the concentrates, and the last sample was forwarded via overnight shipment to ECPN's metallurgical laboratory. After the concentrates were assayed the data was sent to Highlands Geoscience an independent mining consulting company operated by Dr. Clyde Smith and David Smith. Below is the report generated by David Smith regarding these concentrates.

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### **RESULTS OF RECENT CONCENTRATE SAMPLE ANALYSES EL CAPITAN PROJECT, NEW MEXICO**

To: Chuck Mottley, El Capitan Precious Metals Inc.  
From: David Smith  
Date: July 20, 2018

Chuck Mottley of El Capitan Precious Metals recently forwarded to me two sets of analytical results from Metallurgical Labs. The results were from testing of five samples that reportedly were derived from mineral processing work conducted by David Davidson for the company in 2017 on material from the El Capitan project in New Mexico. Details of Davidson's work are unknown, including the concentration methods.

All five samples are reported to be concentrates from the Davidson work. One sample was taken by El Capitan employee Randy Bouldin as he observed the concentration work by Davidson at a pilot plant in Phoenix in 2017. Four samples were from barrels of concentrate reportedly shipped from the Davidson plant to Process Research Ortech in Mississauga, Canada, and then to Metallurgical Labs.

Auric noticed a wide variation in some elements between the Bouldin sample (Randy 2) and the concentrates (Canada Con A – D). This memo summarizes the variations in composition between these samples. I also include comparisons with two other sets of samples from the project analyzed previously: 1) 10 surface samples collected by myself from the project in 2009 (D. Smith, 2009), and 2) two gravity concentrates produced by Research Development Lab from composite drill-core samples in 2012 (C. Smith, 2012). Table 1 lists details of the samples compared.

It is important to note that I have no first-hand knowledge of the origin of the five "concentrate" samples (Randy 2, Canada Con A – D) and cannot verify chain of custody: all information about those samples has been reported to me by Chuck Mottley. The two other sample sets discussed in this memo were conveyed under intact chain of custody under my supervision in 2009 and 2012.

### **Table 1. Sample details**

Sample ID	Other Sample ID	Source and Notes	Lab	Lab Cert
Canada Con A-D		Samples shipped from Ortech to Auric, 2018	Auric	07/09/18
Randy 2		Randy Bouldin sample of Davidson concentrate in Phoenix, 2017	Auric	07/12/18
EC5Concentrates	Concentrate EC-GC-1	Gravity concentrate of hematite-rich material from drill core, 2012	ActLabs	A12-01943
EC6Concentrates	Concentrate EC-GC-2	Gravity concentrate of high fold grades from drill core, 2012	ActLabs	A12-01943
29 – 40	EC-1 – EC-24	Surface samples by David Smith, 2009	American Assay	SP086421

### Major Elements

Table 2 lists analytical results of the major elements in the samples compared in this memo. The elements Fe, Mn, and P show large variations between the samples: in the Canada Con samples, Fe is lower and Mn and P are higher than in Randy 2, the average of the 2012 gravity concentrates, and the average of the 2009 surface samples. As well, Ca in the Canada Cons is considerably higher than Randy 2 and the 2012 concentrates, although similar to the 2009 surface sample average.

These variations could possibly be caused by a gravity concentration method, with the Canada Cons being the lighter fraction; this would account for the lower Fe (carried in dense magnetite into a heavier fraction) and higher Ca (carbonate minerals carried to the lighter fraction). But this would not explain the extremely high level of Mn in the Canada Cons compared to the other samples, including Randy 2, which is reported to be the same material. There are no Mn-bearing minerals (rhodocrosite, rhodonite, pyrolusite, manganite, psilomelane) reported in the El Capitan deposit to explain such a high Mn result. Results of the major elements indicate that the Canada Cons are chemically distinct from the Randy 2 sample and the other samples known to be from the El Capitan property.

**Table 2. Major-element results**

Sample ID	Al %	Ca %	Fe %	K %	Mg %	Mn %	Na %	P %	S %	Ti %
Canada Con average	0.56	4.5	8.71	0.22	0.48	8.04	0.1	0.21	0.11	0.02
Randy 2	0.61	1.91	25.5	0.26	0.7	0.2	0.32	0.04	0.17	0
2012 gravity con (average)	0.11	0.75	70.7	0.05	0.34	0.27	0.05	0.02	0.05	0.04
2012 gravity con tails (average)	1.31	10.63	26.28	0.54	2.87	0.28	0.58	0.03	0.06	0.09
2009 surface sample average	0.19	6.89	30.86	0.23	0.93	0.12	0.08	0.04	0.1	0.02

### Precious Metals and Trace Elements

Table 3 shows results for Au, Ag, and the trace elements that showed wide variations among the samples compared. The Canada Cons showed lower Au than Randy 2 but Au in the range of the 2012 gravity concentrate. Ag was slightly elevated in the Canada Cons average compared to the other samples. The Canada Cons showed extremely high levels of the trace elements As, Ba, Sb, Sr, and Tl compared to the other samples. Co, Cu, Ni, Pb, and Zn were also elevated in the Canada Cons. These elements all occur in heavy minerals: Ba (barite), As (arsenopyrite), Co (cobaltite), Cu (copper sulfides), Ni (nickel sulfides), Pb (galena), Sb (stibnite), Sr (celestite), Tl (lorandite), and Zn (sphalerite). Thus, gravity methods or densemedia separation could potentially elevate these elements; however, most of these minerals have not been identified in the El Capitan mineralization, and these elements are not elevated in

other gravity concentrates from the project.

Consistent with the major element results, the trace element analyses indicate that the Canada Cons are chemically distinct from the Randy 2 sample and the other El Capitan samples compared.

**Table 3. Selected precious-metals and trace-element results**

Sample ID	Au ppm	Ag ppm	As ppm	Ba ppm	Co ppm	Cu ppm	Ni ppm	Pb ppm	Sb ppm	Sr ppm	Ti ppm	Zn ppm
Canada Con Average	1.4	16.1	779.2	8828.3	42.2	216.6	62.9	742.8	99.5	1374.1	103.9	381.3
Randy 2	3.7	13.6	15.5	180.4	9.9	51.3	ND	399.7	ND	165.3	ND	154.9
2012 Gravity con (average)	1.69	9.22	13.5	15	13.5	21.5	22.9	68.7	0.7	13.4	0.1	123.5
2012 gravity con tails (average)	0.07	0.09	7.5	61.3	8.45	75.38	25.1	57.7	0.7	110.7	0.2	177
2009 surface samples average	<0.03	0.6	37	44	8	23	7	21	3	98	ND	214

### Management Note

As a result of the information gathered from these samples management has initiated testing of the controlled samples of the concentrates selected prior to sealing of the barrels and shipment to Canada. Per the contract with the Canadian processor control samples were maintained by each party. The company received the original geological drilling report on gold and platinum from Dr Clyde Smith on January 31, 2007. There were 39 drill holes averaging 400 feet deep with samples taken every five feet. The samples returned from Canada and tested were a totally different material than the concentrates that were delivered to Canada for precious metal refining. And based upon this information provided by our Geologist and Metallurgist team the company has begun to turn over their information to the ECPN's legal team and wait for their recommendations.

### Moving Forward

With so much focus on the past we fail to recognize the significant progress being accomplished as we attempt to prove out the value of ECPN. We are currently working with the metallurgical laboratory along with the help of Highlands Geoscience of Seattle, Washington, Dr. Clyde Smith and David Smith, in a metallurgical testing program to determine the most efficient method to extract the precious metals from the ore. The first tests, known as an amenability test, will begin to indicate the percentage of recovery using the best extraction method. Based upon the assays previously reported the precious metals concentrations consist mostly of gold, silver, and platinum and occur in the non-magnetic fraction of the ore samples. Some higher-grade samples indicate gold values present as free particles. The ore will be tested for gold and silver using the following methods: Sodium Cyanide Leach, Sodium and/or Ammonium Thiosulfate Leach, and Thiourea Leach. And the testing of potential platinum will consist of Chlorine Leach and Sodium Cyanide leach followed by a Chlorine leach. Based on the results of these tests results and with input from our geological and metallurgical consultants ECPN will either complete amenability tests on additional samples or continue onto the bench scale testing with the most promising process(es). The final step would be Bulk Scale tests performing extractions utilizing the results from the aforementioned tests to develop costs of extraction and potential profitability. The Bulk Scale test will consist of processing approximately 1,000 lbs. of head ore through to creating precious metal concentrates and high-grade iron ore material. Successful results in these test will lay the ground work for a pilot plant.

When the Bulk Scale tests are initiated management will finalize the contract with the contract miner. Upon the agreement for that arrangement a detailed Operating and Financial plan will be published

along with all information regarding the contract miner and other consulting personnel; and there will **not** be a non-disclosure agreement.

Our intermediate goal is to push forward proving out the value of this property by successfully completing the plan developed in conjunction with our geologist and metallurgist and develop a pilot plant. By completing this task the company will be in cash-flow positive structure and will be able to demonstrate to prospective partners and/or buyers that ECPN is a viable property for long term financial rewards. The company is in the process of raising capital to complete this project.

The El Capitan Precious Metals, Inc. Board of Directors is totally committed to the company's shareholders in maximizing the value of this company's property.