

# Magellan Minerals Enters Into Debt Settlement Agreement With Management

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VANCOUVER, Dec. 3, 2015 - [Magellan Minerals Limited](#) (TSX VENTURE:MNM) ("Magellan") is pleased to announce that it has entered into a comprehensive debt settlement agreement with its management group.

Extensive funding has been provided to the company from 2013 through to the current date by management in the form of non-interest bearing and unsecured advances, unpaid remuneration and unreimbursed expenditures incurred by management on behalf of the company. Liabilities totaling approximately \$2.4M were due to management as at September 30, 2015. In addition to the foregoing, members of Magellan's management team have participated in private placements together with other investors over the past two years. Also, significant reductions in management remuneration levels were introduced in both 2013 and 2015 in order to preserve cash.

The principal terms of the proposed debt restructuring plans addressing the entire debt of approximately \$2.4M due to management as at September 30, 2015 are as follows:

&#8226; Up to \$763,520 to be paid through the issuance of up to 15,270,400 \$0.05 units. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant is exercisable into one additional common share at a price of \$0.10 per common share for a period of 18 months following issuance. The terms of these units are identical to those recently issued as a private placement (see the Company's news release dated November 25, 2015)

&#8226; Up to \$835,213 to be paid through the issuance of up to 8,352,130 \$0.10 units. Each unit consists of one common share and one-half of a non-transferable share purchase warrant. Each full warrant is exercisable into one additional common share at a price of \$0.18 per common share for a period of 18 months following issuance. The terms of these units are identical to those issued as a private placement in late 2014 (see the Company's news release dated December 2, 2014)

&#8226; \$500,000 to be exchanged for Magellan's interest in a Brazilian subsidiary (see further discussion below)

&#8226; Up to \$254,507 to be forgiven by management

&#8226; Up to \$51,000 to be paid by Magellan in cash.

The foregoing will result in the full satisfaction of the total amount owing to management as at September 30, 2015 of approximately \$2.4M.

In anticipation of proposed restructuring transactions involving amounts due to management, an independent committee (the "Independent Committee") comprising two independent directors was established in June 2015 to consider debt restructuring transactions involving liabilities due to related parties. The foregoing plans were approved by the Independent Committee.

## **Proposed exchange of \$500,000 of management debts for Magellan Brazil**

A motion that was placed before the 2015 annual general meeting of shareholders of the Company on December 2, 2015 seeking disinterested shareholder approval for the exchange of \$500,000 of liabilities due to certain members of management for the company's interest in its Brazilian subsidiary, Magellan Minerais Prospecção Geológica Ltda. ("Magellan Brazil") was approved by a majority of disinterested shareholders. The proposed exchange was approved by the Independent Committee.

The most advanced property held by Magellan Brazil is Cuiú Cuiú. Other properties held by Magellan Brazil include Bom Jardim, Uniao and the Company's interests in the Poconé properties; the Company's interests in most of the Poconé properties were written off in full in 2013 and 2014. In addition, Magellan Brazil holds the Company's 35% interest in Poconé Gold Mineração Ltda.; this interest was written off in 2013 and 2014.

The total liabilities of Magellan Brazil as at September 30, 2015 amounted to approximately \$415,000.

Magellan's primary property, Coringa, is held by its subsidiary, Chapleau Exploração Mineral Ltda. ("Chapleau Brazil") and is therefore not affected by the proposed transaction.

The proposed transaction will take place effective 31 December 2015. Prior to this date, it is anticipated that Magellan Brazil will be subject to certain restructuring activities at an estimated cost of approximately \$265,000; this cost will be borne by Magellan. Magellan will also be responsible for Q4 2015 operating costs of Magellan Brazil which are estimated at \$120,000. Otherwise, the Company will have no further responsibility for funding liabilities or commitments of Magellan Brazil subsequent to December 31, 2015.

In September 2015, the Independent Committee retained Ross Glanville & Associates Ltd. and Bruce McKnight Minerals Advisor Services to determine the value of Magellan Brazil and the fairness to the shareholders of the Company of the proposed transaction.

In October 2015, Glanville and McKnight issued their report entitled "Valuation of Magellan Brazil and Fairness Opinion Regarding the Proposal to Exchange Magellan Canada's Interest in the Magellan Brazil for Debts Owed to some of its Management Employees". The executive summary of this report includes the following passage: *"Based upon and subject to the limitations in this Valuation and Fairness Opinion, and such other matters as McKnight and Glanville have considered relevant, it is their opinion that, as of the date hereof, the value of Magellan Brazil is \$300,000, and the terms of the Proposed Transaction are fair from a financial point of view to the [Magellan Minerals Ltd.](#) shareholders."*

A complete description of the proposed transaction is presented in the company's management information circular dated October 28, 2015 and is available on SEDAR.

### **Impact of proposed debt restructuring plans on corporate debt**

Once completed, the debt restructuring plan will result in a reduction of approximately \$2.7M in corporate debt (being approximately 60% of total consolidated liabilities of \$4.6M outstanding as at September 30, 2015).

Ian Carter, President and CEO of Magellan commented "this debt restructuring transaction will enable the Company to cut its liabilities by 60%. I am very grateful to our management team all of whom participated in the restructuring. The team has demonstrated an enormous commitment to the Company and its flagship Coringa project in recent years during very challenging times and continues to do so. The Company is continuing to explore ways in which certain of its remaining debts can be restructured."

The proposed transactions will be subject to TSX Venture Exchange approval. In addition, the Magellan Brazil exchange is subject to shareholder approval.

All shares issued will be subject to a four month hold period.

John Kiernan P.Eng, Magellan's VP Project Development and a "qualified person" within the definition of that term in NI 43-101, has reviewed the technical information contained in this news release.

[Magellan Minerals](#) (TSX VENTURE:MNM) is a TSX Venture Exchange listed exploration and development company with two advanced gold properties in the Tapajos Province of northern Brazil. The Coringa project contains underground Measured resources of 110,000oz of gold (0.27Mt @ 12.8g/t gold) and underground Indicated resources of 443,000oz of gold (1.91Mt @ 7.2g/t gold) as well as Inferred resources of 360,000oz of gold (2.0Mt @ 5.4g/t gold) at a cut-off of 2.5g/t gold. (See the Company's news release dated April 8, 2015). The Cuiu Cuiu project contains 100,000oz of gold in the Indicated category (3.4Mt @ 1.0g/t gold) and 1,200,000oz of gold in the Inferred category (31Mt @ 1.2g/t gold). (See the report entitled "Resource Estimate and Technical Report for the Cuiu Cuiu Project, Tapajos Region, North Central Brazil" dated April 19, 2011 and filed on SEDAR on April 21, 2011, and the Company's news release dated March 8, 2011).

*Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

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