

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For The Quarterly Period Ended December 31, 2015

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  
(State or other jurisdiction of  
incorporation or organization)

88-0482413  
(I.R.S. Employer  
Identification No.)

8390 Via de Ventura, Suite F-110, #215  
Scottsdale, AZ  
(Address of principal executive offices)

85258  
(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 307,681,187 shares of common stock par value \$0.001, of the issuer were issued and outstanding as of February 16, 2016.

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 no longer report inception to date results of operations, cash flows and other financial information, 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.

<i>Exploration State</i>	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.
<i>Development Stage</i>	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.
<i>Mineralized Material</i>	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.
<i>Probable (Indicated) Reserve</i>	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.
<i>Production Stage</i>	The term “production stage” includes all issuers engaged in the exploitation of a mineral deposit (reserve).
<i>Proven (Measured) Reserve</i>	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.
<i>Reserve</i>	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 Quarterly Report on Form 10-Q 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. 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 identified in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2015, filed with the U.S. Securities and Exchange Commission on January 11, 2016, or discussed herein or in the Company’s other filings with the Securities and Exchange Commission. The Company does not intend or undertake to update the information in this Form 10-Q if any forward-looking statement later turns out to be inaccurate.*

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**EL CAPITAN PRECIOUS METALS, INC.**

**CONSOLIDATED BALANCE SHEETS  
(Unaudited)**

	<u>December 31,</u> <u>2015</u>	<u>September 30,</u> <u>2015</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 34,223	\$ 71,393
Prepaid expense and other current assets	212,007	61,654
Inventory	<u>502,276</u>	<u>52,279</u>
Total Current Assets	<u>748,506</u>	<u>185,326</u>
Property and equipment, net of accumulated depreciation of \$79,940 and \$63,470, respectively	572,384	588,067
Exploration property	1,864,608	1,864,608
Restricted cash	74,500	74,499
Deposits	<u>22,440</u>	<u>22,440</u>
Total Assets	<u>\$ 3,282,438</u>	<u>\$ 2,734,940</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 269,103	\$ 251,834
Notes payable, net of unamortized discounts of \$1,369 and \$77,157, respectively	971,534	1,168,187
Note payable, related party net of unamortized discounts of \$1,354 and \$4,438, respectively	28,646	25,562
Derivative instrument liability	293,833	—
Accrued compensation - related parties	230,000	228,975
Accrued liabilities	<u>434,352</u>	<u>592,764</u>
Total Current Liabilities	<u>2,227,468</u>	<u>2,267,322</u>
LONG-TERM DEBT:		
Convertible note payable, net of unamortized discounts of \$113,018 and \$0, respectively	<u>1,382</u>	<u>—</u>
Total Liabilities	<u>2,228,850</u>	<u>2,267,322</u>
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; 400,000,000 shares authorized; 307,681,187 and 285,398,000 shares issued and outstanding, respectively	307,681	285,398
Additional paid-in capital	208,819,576	207,701,091
Accumulated deficit	<u>(208,073,669)</u>	<u>(207,518,871)</u>
Total Stockholders' Equity	<u>1,053,588</u>	<u>467,618</u>
Total Liabilities and Stockholders' Equity	<u>\$ 3,282,438</u>	<u>\$ 2,734,940</u>

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

**EL CAPITAN PRECIOUS METALS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	<b>Three Months Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
REVENUES	\$ 2,950	\$ —
COSTS ASSOCIATED WITH REVENUES	3,300	—
Gross Loss	(350)	—
OPERATING EXPENSES:		
Mine and exploration costs	102,513	105,317
Professional fees	49,504	51,393
Administrative consulting fees	65,000	65,000
Legal and accounting fees	78,348	28,241
Other general and administrative	75,193	459,978
Total Operating Expenses	370,558	706,929
LOSS FROM OPERATIONS	(370,908)	(706,929)
OTHER INCOME (EXPENSE):		
Interest income	2	15
Gain on derivative instrument	3,693	—
Loss on debt extinguishment	(84,270)	—
Interest expense – related party	(2,456)	—
Interest expense	(100,859)	(73,831)
Total Other Income (Expense)	(183,890)	(73,816)
LOSS BEFORE PROVISION FOR INCOME TAXES	(554,798)	(780,745)
PROVISION FOR INCOME TAXES	—	—
NET LOSS	\$ (554,798)	\$ (780,745)
Basic and Diluted Per Share Data:		
Net Loss Per Share - basic and diluted	\$ (0.00)	\$ (0.00)
Weighted Average Common Shares Outstanding:		
Basic and diluted	296,586,821	278,053,877

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

**EL CAPITAN PRECIOUS METALS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	<b>Three Months Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (554,798)	\$ (780,745)
Adjustments to reconcile net loss to net cash used in operating activities:		
Warrant and option expense	22,367	377,379
Stock-based compensation	102,207	—
Amortization of debt discounts	80,254	55,216
Amortization of deferred financing costs	—	4,701
Depreciation	16,470	10,627
Loss on debt extinguishment	84,270	—
Gain on derivative instrument	(3,693)	—
Net change in operating assets and liabilities:		
Prepaid expenses and other current assets	(30,016)	(24,176)
Inventory	(71,567)	(33,254)
Deposits	—	(19,149)
Accounts payable	135,369	12,446
Accrued compensation – related parties	110,000	—
Accrued liabilities	(59,547)	(3,664)
Interest payable	12,743	25,556
Net Cash Used in Operating Activities	(155,941)	(375,063)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of furniture and equipment	(787)	(40,225)
Restricted cash	(1)	—
Net Cash Used in Investing Activities	(788)	(40,225)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable	92,000	250,000
Increase in finance contracts	32,773	22,968
Payments on finance contracts	(5,214)	(2,221)
Net Cash Provided by Financing Activities	119,559	270,747
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(37,170)</b>	<b>(144,541)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>71,393</b>	<b>218,513</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 34,223</b>	<b>\$ 73,972</b>

**(Continued)**

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

EL CAPITAN PRECIOUS METALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
(Unaudited)

	Three Months Ended December 31,	
	2015	2014
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 10,315	\$ 172
Cash paid for income taxes	—	—
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued for third party payables	217,431	—
Common stock issued for related party payables	102,849	—
Common stock issued on settlement of debt and accrued interest	307,982	—
Common stock issued for inventory	378,430	—
Common stock issued for prepayment of services	120,337	—
Debt discount from derivative liabilities	92,000	—
Reclassification of warrants from equity to derivative liabilities	205,526	—
Warrants issued with debt	—	73,053
Warrants issued for deferred financing costs	—	17,111

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

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**NOTE 1 – BASIS OF PRESENTATION**

**Business, Operations and Organization**

The accompanying unaudited interim financial statements of El Capitan Precious Metals, Inc. (“El Capitan” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, the financial statements do not include all information and footnotes required by generally accepted accounting principles in the United States (“GAAP”) for complete annual financial statements. In the opinion of management, the accompanying unaudited condensed interim financial statements reflect all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation. Interim operating results are not necessarily indicative of results that may be expected for the fiscal year ending September 30, 2016, or for any subsequent period. These interim financial statements should be read in conjunction with the Company’s audited financial statements and notes thereto for the fiscal year ended September 30, 2015, included in the Company’s Annual Report on Form 10-K, filed with the SEC on January 11, 2016 (the “2015 Form 10-K”). The consolidated balance sheet at September 30, 2015, has been derived from the audited financial statements included in the 2015 Form 10-K.

Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for fiscal 2015 as reported in the 2015 Form 10-K have been omitted. Certain prior year amounts have been reclassified to conform to the current year presentation.

El Capitan Precious Metals, Inc., a Nevada corporation, together with its consolidated subsidiaries are collectively hereinafter referred to as the “Company,” “our” or “we.”

The Company is an exploration stage company as defined by the 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 on the El Capitan property located near Capitan, New Mexico (the “El Capitan Property”). The Company is in mineral exploration state activities and has obtained permitting from the State of New Mexico Minerals and Mining Division to expand the Company’s mineral exploration activities and the process of entering into the production stage of operations.

**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.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation.

**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 a minimum source of revenue to cover its costs. The Company has incurred a loss of \$554,798 for the three months ended December 31, 2015 and has a working capital deficit of \$1,478,962 as of December 31, 2015. These conditions raise substantial doubt about the Company’s ability to continue as a going concern.

## EL CAPITAN PRECIOUS METALS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

To continue as a going concern, the Company is dependent on achievement of cash flow and profits from entering the production stage of operations. The Company does not have adequate liquidity to fund its current operations, meet its obligations and continue as a going concern. The Company secured working capital loans with net proceeds of \$92,000 in December 2015 and \$156,000 in January 2016 to assist in financing its activities in the near term. The Company is also pursuing other financing alternatives, including short-term operational strategic financing or equity financing, to fund its activities until it can achieve cash flow and profits from its operations.

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, investments, accounts payable, accrued expenses and notes payable, approximate their carrying amounts because of the short maturities of these instruments or because of restrictions.

#### **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.

#### **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. The Company has no cash equivalents.

#### **Inventory**

Inventories include mineralized material stockpile, concentrate and iron ore inventories, as described below. Inventories are carried at the lower of average cost or net realizable value, in the case of mineralized material stockpile and concentrate inventories and minimal cost is attributable to the iron ore inventories. The net realizable value of mineralized material stockpile inventories represents the estimated future sales price of the product based on current and long-term metals prices, less the estimated costs to complete production and bring the product to sale. Concentrate inventories are carried at the lower of full cost of production or net realizable value based on current metals prices. Write-downs of inventory will be reported as a component of production costs applicable to sales.

##### *Ore Stockpile Inventory*

Ore stockpile inventory represents mineralized materials that have been mined and are available for further processing. Costs are allocated to mineralized material stockpile inventories based on relative values of material stockpiled and processed using current mining costs incurred up to the point of stockpiling the mineralized material.

##### *Concentrates*

Concentrates inventory include metal concentrates located either at the Company's El Capitan Property mine site or in transit to a customer's site for additional processing and/or refining. Inventories consist of mineralized material that contains mainly gold and silver mineralization. Concentrate inventories are carried at the lower of full cost of production or market based on current metals prices.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

*Iron Ore*

The high grade iron ore material is inventoried and valued at the lower of cost or market. Any proceeds from the sale of iron ore will offset the cost of mining the mineralized ore.

**Restricted Cash**

Restricted cash consists of two certificates of deposits in favor of the New Mexico Minerals and Mining Division for a total of \$74,500. The amount was increased \$59,495 during the fiscal year ended September 30, 2015 with the issuance of the Company's expanded mining permit and is posted as a financial assurance for required reclamation work to be completed on mined acreage.

**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.

**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 reported as charges or credits to income. For warrant-based derivative financial instruments, the Company uses the Black-Scholes option pricing model to value the derivative instruments. 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, 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.

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.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**Stock-Based Compensation**

El Capitan recognized stock-based administrative compensation aggregating \$124,574 and \$377,379 for common stock options and common stock issued to administrative personnel and consultants during the three months ended December 31, 2015 and 2014, respectively.

**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 nominal revenue generated for the Company's quarter ended December 31, 2015 from test loads of iron ore to the construction contractor.

**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 financial statements.

In April 2015, the FASB issued ASU No. 2015-03 "*Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.*" ASU No. 2015-03 provides that an entity: (1) present debt issuance costs in the balance sheet as a direct deduction from the carrying value of the associated debt liability rather than as an asset; and (2) report amortization of debt issuance costs as interest expense. Company has elected to adopt ASU No. 2015-03 as of December 31, 2015 and has no material impact on the financial statements.

In July 2015, the FASB has issued Accounting Standards Update (ASU) No. 2015-11, "*Inventory (Topic 330): Simplifying the Measurement of Inventory.*" Topic 330, "*Inventory,*" currently requires an entity to measure inventory at the lower of cost or market. Market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. The amendments do not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. An entity should measure in scope inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments in this Update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The Company adopted of ASU 2015-11 as of December 31, 2015, and has no material impact on the consolidated financial statements.

In November 2015 the FASB issued Accounting Standards Update (ASU) 2015-17, "*Income Taxes (Topic 740) Related to the Balance Sheet Classification of Deferred Taxes*" which will require entities to present deferred tax assets (DTAs) and deferred tax liabilities (DTLs) as noncurrent in a classified balance sheet. The ASU simplifies the current guidance (ASC 740-10-45-4), which requires entities to separately present DTAs and DTLs as current and noncurrent in a classified balance sheet. The ASU is effective for annual reporting periods beginning on or after December 15, 2016, and interim periods within those annual periods. The Board decided to allow all entities to early adopt the ASU for financial statements that had not been issued. The Company has adopted this ASU at December 31, 2015, which has no material impact on the consolidated financial statements.

**EL CAPITAN PRECIOUS METALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

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.

**NOTE 2 – RELATED PARTY TRANSACTIONS**

**Consulting Agreements**

Effective May 1, 2009, El Capitan has informal arrangements with two individuals, one of whom is an officer and is also director of El Capitan, pursuant to which such individuals serve as support staff for the functioning of the home office and all related corporate activities and projects. Effective June 1, 2010, El Capitan amended the aggregate monthly payments with these two individuals under the arrangements to \$16,667. Effective August 1, 2013, the monthly compensation was increased to \$21,667. There are no written agreements with these individuals. Total administrative consulting fees expensed under these informal agreements for the three months ended December 31, 2015 and 2014 was \$65,000. Accrued and unpaid compensation under these arrangements of \$50,000 was recorded in accrued compensation – related parties at September 30, 2015. During the three months ended December 31, 2015, the Company issued 1,663,186 common shares to the president of the Company as payment of accrued compensation of \$108,975. The fair value of the stock was \$102,849 and the Company recorded a gain on the debt conversion of \$6,126.

In January 2012, the Company retained Management Resource Initiatives, Inc., a company controlled by the Chief Financial Officer and a Director of the Company, for services with a monthly consulting fee of \$10,000, which monthly fee was increased to \$15,000 effective August 1, 2013. Total consulting fees expensed to Management Resource Initiatives, Inc. for the three months ended December, 2015 and 2014 was \$45,000. MRI had accrued and unpaid compensation of \$180,000 recorded in accrued compensation – related parties at December 31, 2015.

On February 4, 2015, the Company signed a note payable with Management Resource Initiatives, Inc. for \$30,000 at 18% interest per annum and due February 4, 2016. The Company issued 200,000 shares of restricted common stock of the Company to Management Resource Initiatives, Inc. as incentive for the loan (see Note 5).

**NOTE 3 – INVENTORY**

The following table provides the components of inventory as of December 31, 2015 and September 30, 2015:

	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Ore stockpiles	<u>\$ 502,276</u>	<u>\$ 52,279</u>

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NOTE 4 – ACCRUED LIABILITIES

Accrued liabilities consisted of the following as of December 31, 2015 and September 30, 2015:

	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Compensation and consulting	\$ 74,000	\$ 62,000
Mining costs	100,000	203,626
Accounting and legal	205,450	277,000
Interest	54,902	50,138
	<u>\$ 434,352</u>	<u>\$ 592,764</u>

During the three months ended December 31, 2015, the Company issued 2,147,273 common shares as payment of accrued legal fees of \$118,100. The fair value of the stock was \$113,805 and the Company recorded a gain on the debt conversion of \$4,295. The Company issued shares as payment of accrued mining cost of \$103,626.

NOTE 5 - DERIVATIVE INSTRUMENT LIABILITIES

The fair market value of the derivative instruments liabilities at December 31, 2015, was determined to be \$293,833 using the Black-Scholes Option Pricing Model with the following assumptions: (1) risk free interest rate of 0.977% to 1.219%, (2) remaining contractual life of 1.8 to 2.64 years, (3) expected stock price volatility of 106.443% to 122.915%, and (4) expected dividend yield of zero. Based upon the change in fair value, the Company has recorded a gain on derivative instruments for the three months ended December 31, 2015, of \$3,693 and a corresponding decrease in the derivative instruments liability.

	<u>Derivative Liability as of September 30, 2015</u>	<u>Derivative Liability as of December 31, 2015</u>	<u>Gain for three months ended December 31, 2015</u>
Warrants	\$ —	\$ 157,743	\$ (157,743)
Convertible notes	—	136,090	(136,090)
Total	<u>\$ —</u>	<u>\$ 293,833</u>	<u>(293,833)</u>

Amount allocated to note discount at inception	92,000
Amount allocated to equity at inception	<u>205,526</u>
Gain on derivatives	<u>\$ 3,693</u>

The entire amount of derivative instrument liabilities are classified as current due to the fact that settlement of the derivative instruments could be required within twelve months of the balance sheet date.

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**Warrants**

During the three months ended December 31, 2015, the Company did not issue any warrants. A total of 4,861,344 warrants are tainted due to the convertible note issued in December, 2015 and were reclassified from equity to derivative liabilities.

**NOTE 6 – NOTES PAYABLE**

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. The relative fair value of the common stock was determined to be \$222,222 and was recorded as a discount to the promissory note that was amortized to interest expense over the expected life of the note through August 31, 2015. During the fiscal years ended September 30, 2015 and 2014, amortization expense of \$158,559 and \$63,663 was recognized, respectively. The outstanding balance under this note payable was \$400,000 and the unamortized discount on the note payable was \$0 as of December 31, 2015. Accrued interest on the note at December 31, 2015 was \$33,090.

On September 8, 2014, the Company received an advance of \$250,000 under a \$500,000 Note and Warrant Purchase Agreement entered into on October 17, 2014 (the “2014 Note”). The 2014 Note is secured by the net proceeds received by the Company from its sale of tailings separated from iron recovered by the Company at the El Capitan Property, carries an interest rate of 8% per annum, and matured on July 17, 2015. The remaining \$250,000 was advanced to the Company on October 17, 2014. On October 17, 2014, the Company also issued warrants to purchase an aggregate of 882,352 shares of common stock in connection with the 2014 Note, of which 735,294 were issued to the lender and 147,058 were issued to a third party, at a purchase price equal to \$0.17 per share. The relative fair value of the 735,294 warrants was determined to be \$73,053 and was recorded as a discount to the promissory note and amortized to interest expense over the life of the note through July 17, 2015. During the fiscal year ended September 30, 2015, amortization expense of \$73,053 was recognized. The fair value of the 147,058 warrants was determined to be \$17,111 and was recorded as deferred financing costs and amortized to interest expense over the life of the note through July 17, 2015. During the fiscal year ended September 30, 2015, amortized expense of \$17,111 was recognized.

On August 24, 2015, the 2014 Note was amended to extend the maturity date from July 17, 2015 to January 17, 2016 (the “Amended 2014 Note”). In consideration of the extension, the Company cancelled the original warrant issued October 17, 2014 and issued a new common stock purchase warrant to purchase 4,714,286 shares (subject to adjustment) at an exercise price of \$0.07 per share. Under the amended arrangement, if the loan should be paid in full prior to the amended maturity date, the number of shares issuable upon exercise of the common stock purchase warrants will be reduced to an amount equal to 4,714,286 multiplied by the number of days that the principal balance was outstanding during the extension period expressed as a percentage of the total days in the extension period. The Company evaluated the modification under ASC 470-50 and determined that it was a substantial modification that qualified as an extinguishment of debt. The fair value of the 4,714,286 amended warrants was determined to be \$220,703 and was expensed as a loss on debt extinguishment in the year ended September 30, 2015. The outstanding balance under the Amended 2014 Note is \$500,000. Accrued interest on Amended 2014 Note at December 31, 2015 was \$8,219. The Company is currently in negotiations to further extend the maturity date of the Amended 2014 Note.

On December 2, 2015, the warrants issued under note and to a third party, became tainted with the issuance of a convertible note to an accredited investor and were required to be fair valued. The fair value of the warrants on December 2, 2015 using the Black-Scholes option pricing model was determined to be \$205,526.

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On February 4, 2015, the Company signed two notes with different investors for \$63,000 at 18% interest per annum and due February 4, 2016. The Company issued 200,000 shares of restricted common stock of the Company to each investor as incentive for the loan. One of these investors is affiliated with the Company and provided \$30,000 of the \$63,000 loaned funds. See *Note 2*. Accrued interest on the notes at December 31, 2015 was \$10,253. The relative fair value of the common stock was determined to be \$21,211 and was recorded as discounts to the promissory notes that are being amortized to interest expense over the life of the notes. During the three months ended December 31, 2015, amortization expense of \$6,253 was recognized. The outstanding balance under these notes payable was \$63,000 and the unamortized discounts on the notes payable was \$2,723 as of December 31, 2015.

On April 16, 2015, the Company entered into an agreement with a third party financing source pursuant to which the lender has committed to loan the Company a total of \$200,000 in installments. Installments on this loan have been advanced as follows:

<u>Installment Date</u>	<u>Amount</u>
April 17, 2015	\$ 50,000
May 15, 2015	\$ 50,000
June 16, 2015	\$ 25,000
July 20, 2015	\$ 25,000
August 18, 2015	\$ 25,000
September 18, 2015	\$ 25,000

The loan accrues interest at 10% per year, with all principal and accrued interest being due and payable on April 17, 2016. To secure the loan, the Company has 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 restricted common stock of the Company to the note holder. The relative fair value of the common stock was determined to be \$98,349 and was recorded as discounts to the promissory note tranches as of the date received and are being amortized to interest expense over the life of the note tranches. During the three months ended December 31, 2015, amortization expense of \$72,619 was recognized as the note obligation and a portion of accrued interest was retired with the issuance of 3,772,728 restricted shares of the Company's 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 the debt conversion of \$7,923. Remaining accrued interest on the retired note tranches at December 31, 2015 was \$2,466.

On July 14, 2015, the Company entered into an agreement to finance a portion of its insurance premiums in the amount of \$15,116 at an interest rate of 8.76% with equal payments of \$1,573 including interest, due monthly beginning July 14, 2015 and continuing through April 14, 2016. In August 2015, an increase in premium of \$1,876 occurred due an increase in coverage and the remaining payments increased to \$1,815. As of December 31, 2015, the outstanding balance under this note payable was \$7,130.

On August 31, 2015, the Company entered into an agreement with a third party financing source pursuant to which the lender has committed to loan the Company \$100,000 for working capital. As an incentive for the financing, the Company issued 2,000,000 shares of restricted common stock of the Company; however the investor decided not to accept the shares and they were returned to the Company's transfer agent and returned to the treasury. The loan had an annual interest rate of 2%, required that one-half (1/2) of the gross revenues which the Company may receive from its mining activities be used to repay the principal and accrued interest, and was due November 15, 2015. Repayment of principal and accrued interest was satisfied in full in December 2015 in exchange for 3,500,000 restricted shares of the Company's common stock. The principal and accrued interest retired aggregated \$100,482 and the fair value of the stock was \$187,250. The Company recorded a loss on the debt conversion of \$86,768.

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On December 2, 2015 (the “Effective Date”), the Company entered into a Securities Purchase Agreement (the “SPA”) 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 issuance discount (“OID”) of \$10,400 and related legal and due diligence costs of \$12,000. The net proceeds received by the Company was \$92,000. The maturity date on the first note is December 2, 2017. 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 the Company’s common stock as reported on the QTCQB for the ten prior trading days and may include the day of the Notice of Conversion under certain circumstances. The Company agreed to reserve an initial 5,033,000 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 four times the total number of shares of common stock that is actually issuable if the entire note were to be converted. The note has an embedded conversion option that qualifies for derivative accounting and bifurcation under ASC 815-15 *Derivatives and Hedging* as originally drafted. The fair value of the embedded conversion features as a derivative liability was determined using the Black-Scholes option pricing model and was determined to be \$224,068 and a one day derivative loss was recognized of \$132,068. The OID interest of \$10,400 and related loan costs of \$12,000 was recorded as a discount to the note and is being amortized over the life of the loan as interest expense. For the three months ended December 31, 2015, the discount amortization was \$1,382 and the loan discount balance at December 31, 2015 was \$113,018. The note balance at December 31, 2015 was \$114,400 and accrued interest was \$874.

The note was subsequently amended on January 12, 2016. The Company may redeem the note by prepaying in full the unpaid principal and interest on the note, upon notice, any time prior to 180 days after the Effective Date. 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 and redeemed after the 180<sup>th</sup> day.

On November 19, 2015, the Company entered into an agreement to finance insurance premiums in the amount of \$26,031 at an interest rate of 7.05% with equal payments of \$2,687 including interest, due monthly beginning December 21, 2015 and continuing through September 21, 2016. As of December 31, 2015, the outstanding balance under this note payable was \$26,031.

On December 31, 2015, the Company entered into an agreement to finance additional insurance premiums in the amount of \$6,741.70 at an interest rate of 8.752% with equal payments of \$2,283 including interest, due monthly beginning February 14, 2016 and continuing through April 14, 2016. As of December 31, 2015, the outstanding balance under this note payable was \$6,741.70

The components of the notes payable, including the note payable to a related party, at December 31, 2015 are as follows:

	<u>Principal Amount</u>	<u>Unamortized Discount</u>	<u>Net</u>
<b>CURRENT NOTES PAYABLE:</b>			
Notes payable	972,903	(1,369)	971,534
Notes payable – related party	30,000	(1,354)	28,646
	<u>\$ 1,002,903</u>	<u>\$ (2,723)</u>	<u>\$ 1,000,180</u>
<b>LONG-TERM CONVERTIBLE NOTE PAYABLE:</b>			
Note payable	<u>\$ 114,400</u>	<u>\$ (113,018)</u>	<u>\$ 1,382</u>

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The components of the notes payable, including the note payable to a related party, at September 30, 2015 are as follows:

	<u>Principal Amount</u>	<u>Unamortized Discount</u>	<u>Net</u>
<b>CURRENT NOTES PAYABLE:</b>			
Notes payable	1,245,344	(77,157)	1,168,187
Notes payable – related party	30,000	(4,438)	25,562
	<u>\$ 1,275,344</u>	<u>\$ (81,595)</u>	<u>\$ 1,193,749</u>

**NOTE 7 – FAIR VALUE MEASUREMENTS**

U.S. accounting standards require disclosure of a fair-value hierarchy of inputs the Company uses to value an asset or a liability. In September 2006, the FASB issued new accounting guidance, which establishes a framework for measuring fair value under generally accepted accounting principles (“GAAP”) and expands disclosures about fair value measurements. The Company previously partially adopted this guidance for all instruments recorded at fair value on a recurring basis. In the second quarter of fiscal 2010, the Company adopted the remaining provisions of the guidance for all non-financial assets and liabilities that are not re-measured at fair value on a recurring basis. The adoption of these provisions did not have an impact on the Company’s consolidated financial statements.

Fair value standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, the standards establish a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires that the Company maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair-value hierarchy are described as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

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

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

The following table sets forth by level with the fair value hierarchy the Company’s assets and liabilities measured at fair value as of:

<u>December 31, 2015:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
None	\$ —	\$ —	\$ —	\$ —
Liabilities				
Derivative liabilities	\$ —	\$ —	\$ 293,833	\$ 293,833

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**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

**Related Party**

In January 2012, the Company retained Management Resource Initiatives, Inc. (“MRI”) for managing and overseeing the process of marketing and selling the El Capitan Property and performing other services aimed at furthering the Company's strategic goals pursuant to an unwritten consulting arrangement. Under this arrangement, the Company pays MRI a current monthly consulting fee of \$15,000. MRI is a related party because it is a corporation that is wholly-owned by John F. Stapleton, who is the Company’s Chief Financial Officer and a Director. MRI had accrued and unpaid compensation of \$180,000 recorded in accrued compensation – related parties at December 31, 2015.

**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 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**

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 that iron. Because of current market iron ore prices, the contract has not been implemented and has not been terminated.

The contracts with Logistica were superseded by a new agreement entered into on January 5, 2016. *See Note 11.*

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**Master Agreement with Logistica**

Under the Master Agreement, the Company agreed that Logistica will be the exclusive logistics agent for the purpose of moving iron extracted from mineralized material at the El Capitan Property from the El Capitan Property to Glencore's designated exporting port or final destination. Logistics services include operational supplement chain management and supervision of all logistics providers and operations from the El Capitan Property mine to the vessel loading port. Logistics services do not include obtaining and maintaining operating, environmental and mining permits, and land and mineral rights, which are the responsibility of the Company. Also under the Master Agreement, Logistica is required to use its best efforts to establish an operating credit line capable of funding all processing and delivery costs and, upon opening and funding such a credit line, will disburse as needed all operating costs contemplated under the Glencore Purchase Contract. The Company is required to reimburse Logistica for all such amounts, without interest, out of payments received from Glencore in respect of the purchase of the iron.

In consideration for Logistica's funding and logistic services, the Company will pay Logistica a percentage of the Company's profits from the sale of iron under the Glencore Purchase Contract. If any sale of iron under the Glencore Purchase Contract results in a loss instead of a profit, as a result of a decrease in index pricing of iron or otherwise, then the Company is required to make up the shortfall out of profits from any precious metals processing and refining business, to the extent of available profits there from, or otherwise. If iron index prices drop below the price in place at inception of the Glencore Purchase Contract by more than 5%, then the Company will be required to provide Logistica with a greater percentage of profits commensurate with and equivalent to Logistica's loss of profit share due to the reduction in iron index prices. At inception of the Glencore Purchase Contract, the Platts 62% FE CFR China iron index price was \$121.24 and at December 31, 2015 was \$39.60. In the event of a future sale of the El Capitan Property, the Company must either ensure that its agreements with Logistica are assumed by the purchaser or pay Logistica a termination fee.

Either party may terminate the Master Agreement following a breach by the other party that remains uncured for 60 days after receipt of written notice. The Master Agreement will otherwise continue indefinitely.

Because of current market iron ore prices, the contract has not been implemented and has not been terminated.

The contracts with Logistica were superseded by a new agreement entered into on January 5, 2016. *See Note 11.*

**Processing Agreement with Logistica**

Under the Processing Agreement, Logistica has agreed to deliver iron processing equipment to the El Capitan Property and to use its best efforts to process, to contract specification, stock pile and load for delivery iron that the Company has contracted to sell to Glencore under the Glencore Purchase Contract. In order to do so, Logistica will act as the Company's turn-key contractor for all of the Company's iron processing and delivery activities at the El Capitan Property. In consideration for such services, the Company will pay Logistica a set price per metric ton of iron that is processed in accordance with the Glencore Purchase Contract specifications and purchased by Glencore. As additional compensation for entering into the Processing Agreement, the Company issued 4,000,000 shares of common stock to a designee of Logistica under the Company's 2005 Stock Incentive Plan valued at \$800,000. The shares vested immediately upon grant and the \$800,000 was expensed in full during the fiscal year ended September 30, 2014.

Either party may terminate the Processing Agreement following a breach by the other party that remains uncured for 60 days after receipt of written notice. The Processing Agreement will otherwise continue indefinitely.

Because of the drop in the market iron ore prices under the contract price, the contract has not been implemented during the current fiscal year and has not been terminated as of December 31, 2015.

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The contracts with Logistica were superseded by a new agreement entered into on January 5, 2016. *See Note 11.*

**NOTE 9 – 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.

**NOTE 10 – STOCKHOLDERS’ EQUITY**

**Preferred Stock Issuances**

During the three months ended December 31, 2015, the Company did not issue any shares of preferred stock.

**Common Stock Issuances**

During the three months ended December 31, 2015, the Company:

- (i) Issued 700,000 shares of restricted common stock and 963,186 shares of S-8 common stock for accrued compensation payable to an officer valued at \$102,849 on the date of issuances;
- (ii) Issued 2,147,273 shares of S-8 common stock for accrued legal services at a market value of \$113,805;
- (iii) Issued 11,200,000 shares of S-8 common stock to our contract miners at a market value of \$704,600, including payment of \$103,626 for accrued mining cost, payment of \$102,208 for services, payment of \$378,430 for inventory, and a prepayment of \$120,337 for services; and
- (iv) Issued 7,272,728 shares of restricted common stock to two investors for the retirement of notes payable at a market value of \$402,673.

**Options**

Aggregate options expense recognized was \$22,367 for the three months ended December 31 2015.

During the three months ended December 31, 2015, the Company:

- (i) Granted to two directors of the Company, pursuant to the 2015 Plan, each a ten-year stock option to purchase 250,000 shares of the Company’s common stock, all of which vested immediately, at an exercise price of \$0.05 per share for 250,000 options and the other 250,000 options at \$0.062 per share. The fair value of the options was determined to be \$22,367 using the Black-Scholes option pricing model and was expensed as warrant and option costs during the three months ended December 31, 2015.

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**Warrants**

During the three months ended December 31, 2015, the Company did not issue any warrants.

The Company utilizes the Black-Scholes option pricing model to estimate the fair value of its warrant and option awards. The following table summarizes the significant assumptions used in the model during the three months ended December 31, 2015:

Exercise prices	\$0.02475 - \$0.17
Expected volatilities	106.443% - 122.915%
Risk free interest rates	0.888% - 1.68%
Expected terms	1.8 - 10.0 years
Expected dividends	—

Stock option activity, both within and outside the 2015 Plan, and warrant activity for the three months ended December 31, 2015, are as follows:

	<u>Stock Options</u>		<u>Stock Warrants</u>	
	<u>Shares</u>	<u>Weighted Average Price</u>	<u>Shares</u>	<u>Weighted Exercise Price</u>
Outstanding at September 30, 2015	10,387,500	\$ 0.28	4,861,344	\$ 0.07
Granted	500,000	0.056	—	—
Canceled	—	—	—	—
Expired	—	—	—	—
Exercised	—	—	—	—
Outstanding at December 31, 2015	<u>10,887,500</u>	<u>\$ 0.27</u>	<u>4,861,344</u>	<u>\$ 0.07</u>
Exercisable at December 31, 2015	<u>10,887,500</u>	<u>\$ 0.27</u>	<u>4,861,344</u>	<u>\$ 0.07</u>

The range of exercise prices and remaining weighted average life of the options outstanding at December 31, 2015 were \$0.05 to \$1.02 and 5.51 years, respectively. The aggregate intrinsic value of the outstanding options at December 31, 2015 was \$450.

The range of exercise prices and remaining weighted average life of the warrants outstanding at December 31, 2015 were \$0.07 to \$0.17 and 2.61 years, respectively. The aggregate intrinsic value of the outstanding warrants at December 31, 2015 was \$0.

The Company adopted its 2015 Incentive Equity Plan (the “2015 Plan”) pursuant to which the Company reserved and registered 23,000,000 shares for stock and option grants. As of December 31, 2015, there were 8,689,541 shares available for grant under the 2015 Plan, excluding the 10,887,500 options outstanding.

EL CAPITAN PRECIOUS METALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

NOTE 11 – SUBSEQUENT EVENTS

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.

The Securities Purchase Agreement dated December 2, 2015, was subsequently amended during January 2016. The Company may redeem the note by prepaying in full the unpaid principal and interest on the note, upon notice, any time prior to 180 days after the Effective Date. 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 and redeemed after the 180<sup>th</sup> day.

On January 5, 2016, the Company entered into a new agreement with Logistica U.S. Terminals, LLC (“Logistica”). Under the agreement the Company 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. This agreement is in addition to and complements the previously announced agreement for the sale of iron ore for use in construction. 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 future issuance of 10,000,000 shares of the Company’s restricted common stock and the elimination of a \$100,000 accrued liability to Logistica for prior services rendered. The issuance date of the restricted shares is undetermined at this time. The new agreement supersedes the previous agreements with Logistica.

On January 26, 2016 (the “Effective Date”), the Company entered into a Securities Purchase Agreement (the “SPA”) for a \$180,000 convertible note with an accredited investor, with an annual interest rate of 7%. The note contains an original issuance discount (“OID”) of \$18,000 and related legal costs of \$6,000. The net proceeds received by the Company was \$156,000. The maturity date of the note is January 26, 2017. Interest is due on or before the maturity date. The Company 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 30<sup>th</sup> day the note is in effect (including the 30<sup>th</sup> day), the redemption will be 105% of the unpaid principal amount and accrued interest; (ii) if the redemption is on the 31<sup>st</sup> day up to and including the 60<sup>th</sup> day the note is in effect, the redemption price will be 115% of the unpaid principle amount of the note along with any accrued interest; (iii) if the redemption is on the 61<sup>st</sup> day up to and including the 120<sup>th</sup> 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 121<sup>st</sup> day up to and including the 180<sup>th</sup> 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 180<sup>th</sup> 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 the Company’s common stock as reported on the QTCQB for the ten 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 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 will recognize the fair value of the embedded conversion feature as a derivative liability when the Note becomes convertible on July 24, 2016. The OID interest of \$18,000 and related loan costs of \$6,000 was recorded as a discount to the note and is being amortized over the life of the loan as interest expense.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following management discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited interim consolidated financial statements and related notes which are included in Item 1 of this Quarterly Report on Form 10-Q, and with our audited financial statements and the "Risk Factors" section included in our Form 10-K for the fiscal year ended September 30, 2015, filed with the U.S. Securities and Exchange Commission ("SEC") on January 11, 2016.*

### **Company Overview; Recent Developments**

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 have recorded nominal revenues in the quarter ended December 31, 2015 consisting of revenue for test loads of iron ore to a construction contractor.

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 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 properties are expensed as incurred.

### **Basis of Presentation and Going Concern**

The Company's 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 only a nominal source of revenue to cover its costs until then weather permits projected deliveries of iron ore under a purchase order and future deliveries of mineralized concentrate projected f in the quarter ending June 2016. The Company has incurred a loss of \$554,798 for the three months ended December 31, 2015, and has a total accumulated deficit of \$208,073,669 and a working capital deficit of \$1,478,962 at December 31, 2015. 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 profits from entering the production stage of operations. The Company does not have adequate liquidity to fund its current operations, meet its obligations and continue as a going concern. The Company secured working capital loans with net proceeds of \$92,000 in December 2015 and \$156,000 in January 2016 to assist in financing its activities in the near term. The Company is also pursuing other financing alternatives, including short-term operational strategic financing or equity financing, to fund its activities until it can achieve cash flow and profits from its operations.

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.

## **RESULTS OF OPERATIONS**

### **Three Months Ended December 31, 2015 and 2014**

#### ***Revenues***

We realized nominal revenue from exploration activities on deliveries of iron ore test loads to a construction contractor for material approval during the three months ended December 31, 2015. No revenues were recorded during the comparable prior year period.

#### ***Expenses and Net Loss***

Our operating expenses decreased \$333,071 from \$706,929 for the three months ended December 31, 2014 to \$373,858 for the three months ended December 31, 2015. The decrease is mainly attributable to decreases in other general and administrative expenses of \$385,219, offset by an increase in legal and accounting expenses of \$50,107.

The decrease in general and administrative expenses is mainly attributable to decreases in costs associated with options and warrants of \$355,012; travel and food of \$21,974 and stockholder meeting costs of \$10,805. The cost decreases were offset by the increase in legal costs incurred of \$52,106. The increase in legal was incurred with implementation of our new 2015 Incentive Equity Plan and legal work related to new contract agreements and debt financing facility scenarios.

Our net loss for the three months ended December 31, 2015 decreased to \$554,798 from a net loss of \$780,745 incurred for the comparable three month period ended December 31, 2014. The decrease in net loss of \$222,812 for the current period is mainly attributable to the decreases in net operating expenses and offset by an increase in other expenses of \$113,209. The increase in other expenses is mainly comprised of a non-cash loss on extinguishment of debt of \$84,270 and increased interest expense of \$28,926.

### **Financial Condition, Liquidity and Capital Resources**

As of December 31, 2015, we had cash on hand of \$34,223 and a working capital deficit of \$1,478,962. Based upon our budgeted burn rate, we currently have operating capital for approximately a half month. The Company has historically relied on equity or debt financings to finance its ongoing operations and currently has a minimum source of revenue to cover its costs until weather permits increased deliveries of iron ore product. 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 profits from entering the production stage of operations or obtaining short-term operational strategic financing alternatives or equity infusion. The Company does not have adequate liquidity to fund its current operations, meet its obligations and continue as a going concern.

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 of \$10,400 and related legal and due diligence costs of \$12,000. The net proceeds from each note to be received by the Company will be \$92,000. The maturity date on the first note is December 2, 2017. An amendment to the note on January 12, 2016, allows the Company to prepay in full the unpaid principal and interest on the note, upon notice, any time prior to May 29, 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 May 29, 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 the Company's common stock as reported on the QTCQB for the ten prior trading days (and may include the day of the Notice of Conversion under certain circumstances). The Company agreed to reserve an initial 5,033,000 shares of common stock for conversions under the note. The Company also agreed to adjust the share reserve to ensure that it equals at least four times the total number of common stock that is issuable upon conversion of the note from time to time.

On January 26, 2016 (the "Effective Date"), the Company entered into a Securities Purchase Agreement (the "SPA") for a \$180,000 convertible note with an accredited investor, with an annual interest rate of 7%. The note contains an original issuance discount ("OID") of \$18,000 and related legal costs of \$6,000. The net proceeds received by the Company was \$156,000. The maturity date of the note is January 26, 2017. Interest is due on or before the maturity date. The Company 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 30<sup>th</sup> day the note is in effect (including the 30<sup>th</sup> day), the redemption will be 105% of the unpaid principal amount and accrued interest; (ii) if the redemption is on the 31<sup>st</sup> day up to and including the 60<sup>th</sup> day the note is in effect, the redemption price will be 115% of the unpaid principle amount of the note along with any accrued interest; (iii) if the redemption is on the 61<sup>st</sup> day up to and including the 120<sup>th</sup> 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 121<sup>st</sup> day up to and including the 180<sup>th</sup> 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 180<sup>th</sup> 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 the Company's common stock as reported on the QTCQB for the ten 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 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 will recognize the fair value of the embedded conversion feature as a derivative liability when the Note becomes convertible on July 24, 2016. The OID interest of \$18,000 and related loan costs of \$6,000 was recorded as a discount to the note and is being amortized over the life of the loan as interest expense.

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. If adequate additional capital is not available when required, we may be forced to reduce or eliminate our exploration activities and our marketing efforts for the sale of the El Capitan Property, or suspend our operations entirely.

We utilized net cash flow during the quarter of \$37,170. Net cash funds received during the quarter were net proceeds of \$92,000 from a two year convertible note and finance contract increases for insurance premiums aggregating \$32,773.

### **Factors Affecting Future Mineral Exploration Results**

We have generated no material revenues to date, other than nominal revenues from test deliveries of iron ore, interest income and miscellaneous revenue from the sale of two dore' bars, since inception. 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 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 our Annual Report on Form 10-K for the fiscal year ended September 30, 2015, filed with the U.S. Securities and Exchange Commission on January 11, 2016. Beginning in April 2013, the price of gold and silver has experienced a downward swing. A significant permanent drop in the price of gold, silver or other precious metals may have a material 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 of the El Capitan Property.

Time delays in obtaining the necessary approvals from the various governmental agencies, both federal and state, and weather conditions may also cause delays in the deployment of our strategic business plan, all of which are not under our control, in achieving our strategic business plan and current plan of operation.

### **Off-Balance Sheet Arrangements**

During the three months ended December 31, 2015, we did not engage in any off-balance sheet arrangements set forth in Item 303(a) (4) of Regulation S-K.

### **Contractual Obligations**

As of December 31, 2015, we had no contractual obligations (including long-term debt obligations, capital lease obligations, operating lease obligations, purchase obligations and other long-term liabilities reflected on our balance sheet under GAAP) that are expected to have an adverse effect on our liquidity and cash flows in future periods.

### **Critical Accounting Policies**

Our unaudited 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 in our Annual Report on Form 10-K for the fiscal year ended September 30, 2015, filed with the U.S. Securities and Exchange Commission on January 11, 2016, describes our significant accounting policies which are reviewed by management on a regular basis.

## **New Accounting Pronouncements**

Management does not believe that any recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, we are not required to provide information required by this Item.

## **Item 4. Controls and Procedures**

### **Disclosure Controls and Procedures**

The Company maintains disclosure controls and procedures, as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to ensure that information required to be disclosed in its periodic reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act). Based upon the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were not effective at a reasonable assurance level to ensure that information required to be disclosed by it in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. In addition, our Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were not effective at a reasonable assurance level to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

### **Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act, during the quarter ended December 31, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

We are not a party to any material pending legal proceedings and to our knowledge, no such proceedings by or against the Company have been threatened.

### **Item 1A. Risk Factors**

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2015, filed with the U.S. Securities and Exchange Commission on January 11, 2016, in addition to the other information included in forward-looking statements made in this Quarterly Report on Form 10-Q or elsewhere by management from time to time prior to investing in our common stock.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

On October 1, 2015, the Company issued 700,000 shares of restricted common stock of the Company to an officer for accrued back compensation. 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.

On November 11, 2015, the Company entered into an agreement with an accredited third party financing source for the repayment of a note and accrued interest. As consideration in retirement of the loan and accrued interest, the Company issued 3,500,000 shares of restricted common stock of the Company to the lender. 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.

On December 16, 2015, the Company entered into an agreement with an accredited third party financing source for the repayment of a note and accrued interest up to October 31, 2015. As consideration in retirement of the loan and accrued interest, the Company issued 3,772,728 shares of restricted common stock of the Company to the lender. 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 3. Defaults Upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

Not applicable.

### **Item 5. Other Information**

None.

**Item 6. Exhibits**

**(a) Exhibits**

<b>Exhibit Number</b>	<b>Description</b>
2.1	Agreement and Plan of Merger between the Company, Gold and Minerals Company, Inc. and MergerCo, dated June 28, 2010 ( <i>incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed July 7, 2010</i> ).
3.1	Articles of Incorporation, as amended ( <i>incorporated by reference to Exhibit 3.1 to the Company's Form S-4 Registration Statement #333-170281 filed on November 2, 2010</i> ).
3.2	Certificate of Amendment to Articles of Incorporation ( <i>incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed October 1, 2014</i> ).
3.3	Certificate of Designation of Series A Junior Participating Preferred Stock ( <i>incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed August 31, 2011</i> ).
3.4	Certificate of Designation of Series B Convertible Preferred Stock ( <i>incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed August 1, 2014</i> ).
3.5	Restated Bylaws ( <i>incorporated by reference to Exhibit 3.2 to the Company's Form S-4 Registration Statement #333-170281 filed on November 2, 2010</i> ).
4.1	Rights Agreement dated August 25, 2011 between the Company and OTR, Inc. ( <i>incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on August 31, 2011</i> ).
10.1	El Capitan Precious Metals, Inc. 2015 Equity Incentive Plan ( <i>incorporated by reference to the registrant's Current Report on Form 8-K filed on October 14, 2015</i> ).
10.2	Amendment No. 1 to El Capitan Precious Metals, Inc. 2015 Equity Incentive Plan ( <i>incorporated by reference to the registrant's Current Report on Form 8-K filed on December 18, 2015</i> ).
10.3a	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 ( <i>incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K filed on January 11, 2016</i> ).
10.3b *	Amendment No. 1 to Convertible Promissory Note dated January 12, 2016 between the Company and Union Capital, LLC
10.4 *	Agreement dated January 5, 2016 between the Company and Logistica U.S. Terminals, LLC
10.5 *	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.
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.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.

**SIGNATURES**

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

**EL CAPITAN PRECIOUS METALS, INC.**

Dated: February 16, 2016

By: /s/ Charles C. Mottley  
Charles C. Mottley  
Chief Executive Officer, President and Director  
(Principal Executive Officer)

Dated: February 16, 2016

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

Amendment #1 to Convertible Promissory Note  
Originally dated December 2, 2015.

This Amendment to the \$114,400 Convertible Promissory Note issued to Union Capital, LLC by El Capitan Precious Metals, Inc. on December 2, 2015 (the "Note") is entered into on this 12th day of January, 2016.

NOW THEREFORE, the parties agree as follows:

1. Section 4(a) of each Note is amended to read as follows:

“ The Holder of this Note is entitled, at its option, at any time **after the 6 month anniversary of this Note**, to convert all or any amount of the principal face amount of this Note then outstanding into shares of the Company's common stock (the "**Common Stock**") at a price ("**Conversion Price**") for each share of Common Stock equal to **55%** of the **lowest trading price** of the Common Stock as reported on the National Quotations Bureau OTCQB exchange which the Company's shares are traded or any exchange upon which the Common Stock may be traded in the future ("**Exchange**"), for the **ten** prior trading days including the day upon which a Notice of Conversion is received by the Company (provided such Notice of Conversion is delivered together with an Opinion of Counsel, by fax or other electronic method of communication to the Company after 4 P.M. Eastern Standard or Daylight Savings Time if the Holder wishes to include the same day closing price). If the shares have not been delivered within 3 business days, the Notice of Conversion may be rescinded. Such conversion shall be effectuated by the Company delivering the shares of Common Stock to the Holder within 3 business days of receipt by the Company of the Notice of Conversion. Accrued, but unpaid interest shall be subject to conversion. No fractional shares or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded to the nearest whole share. To the extent the Conversion Price of the Company's Common Stock closes below the par value per share, the Company will take all steps necessary to solicit the consent of the stockholders to reduce the par value to the lowest value possible under law. The Company agrees to honor all conversions submitted pending this increase. *In the event the Company experiences a DTC "Chill" on its shares, the conversion price shall be decreased to 45% instead of 55% while that "Chill" is in effect.* In no event shall the Holder be allowed to effect a conversion if such conversion, along with all other shares of Company Common Stock beneficially owned by the Holder and its affiliates would exceed 9.9% of the outstanding shares of the Common Stock of the Company..”

All other terms and conditions of the Notes shall remain in full force and effect, unless modified by this Amendment. This amendment shall be governed and construed under the laws of the State of New York, without regard to its conflict of laws provision.

EL CAPITAN PRECIOUS METALS, INC.

UNION CAPITAL, LLC

By: /s/ John F. Stapleton  
John F. Stapleton, CFO

By: /s/ Yakov Borenstein  
Yakov Borenstein, Manager

AGREEMENT

THIS AGREEMENT (“Agreement”) is made effective as of the 5 day of January, 2016, by and between Logistica U.S. Terminals, LLC (“LOGISTICA”), of Brownsville, Texas, and El Capitan Precious Metals, Inc. (“ECPN”), of Scottsdale, Arizona.

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

1. The Parties acknowledge that they have previously entered into and executed a Master Service Agreement, including an Iron Ore Processing Agreement attached as Appendix A thereto, both of which are dated February 28, 2014, and a separate Agreement, dated December 24, 2014.

2. The written contracts described in the previous paragraph shall become null and void and unenforceable upon execution of the Agreement which supersedes those agreements. As a result, neither Party shall be able to make any claim whatsoever against the other Party based on these prior agreements.

3. The Parties hereby express their mutual desire and willingness to develop mining activities in regard to the ore body known as the El Capitan mine site, near Capitan, New Mexico.

4. As a part of the mining project referenced in the previous paragraph, it shall be the responsibility of ECPN to do as follows:

a. ECPN shall make concentrated ore available, always within the quality specifications defined and agreed, from the subject mine site for the purposes of carrying out its responsibilities under this Agreement.

b. ECPN shall obtain and maintain the governmental compliance requirements with all necessary federal, state and local agencies.

c. ECPN shall process and load the subject concentrated ore on the trucks provided by Logistica at the El Capitan mine site.

d. ECPN shall otherwise use its best efforts to make the mining project contemplated by this Agreement successful.

5. As a part of the mining project referenced in Paragraph 3 above, it shall be the responsibility of Logistica to do as follows:

a. In cooperation with ECPN, Logistica, in its sole discretion, shall provide all necessary means of transporting the concentrated ore provided by ECPN to locations mutually agreed upon by ECPN and Logistica for further processing by Logistica or for sale to a third party as the case may be.

b. Logistica shall further process the concentrated ore as necessary, if it is required and affordable, to a more refined state to make such ore product saleable to buyers, or in the alternate, Logistica may, in its sole discretion, otherwise undertake a process for the extraction of precious metals.

c. Logistica shall attempt to locate buyers for the concentrated ore or precious metals and shall actually undertake and sell the ore product or precious metals, as the case may be.

d. Logistica shall deposit all of the proceeds from the sale of such ore products or precious metals in an account in a federally-insured financial institution in the United States as mutually agreed upon by the Parties. Such account shall be in the name of both Parties, requiring the authorized signatures of both Parties for withdrawal.

e. Logistica shall otherwise use its best efforts to make the mining project contemplated by this Agreement successful.

6. The Parties are jointly undertaking this effort to develop the El Capitan mine site and to process and sell the concentrated ore and precious metals located thereon pursuant to the provisions of this Agreement. In doing so, each of the Parties shall maintain a record of its costs and expenses in carrying out each of its specific duties and responsibilities under this Agreement. Such costs and expenses shall be only those incurred as operating expenses for the activities described in this Agreement and not for general overhead or other non-mining related matters. Upon the receipt of any revenues from such activities each of the Parties shall submit its costs and expenses to an accountant mutually agreed upon by the Parties who shall compile a combined accounting of such costs and expenses pursuant to generally accepted accounting principles. Each of the Parties shall then first be reimbursed for such incurred costs and expenses attributed to the ore product or precious metals sold in a ratio representative of such respective amounts at that time. Once all such costs and expenses are reimbursed to both Parties in full, the remaining net profit shall be divided equally in a 50/50 manner.

7. The ore to be provided to the Logistica by ECPN from the El Capitan mine site shall be “concentrated ore”, meaning that such ore shall be prepared by ECPN to certain specifications as otherwise agreed between the Parties, but such concentrated ore shall contain a minimum of one (1) ounce of gold equivalent per ton of precious metals.

8. Once a buyer or buyers have been secured for the sale of concentrated ore or precious metals, as contemplated by this Agreement, Logistica shall arrange for a line of credit or a letter of credit, based on the underlying purchase contracts, to provide for the capitalization of the mining, processing, and sale activities of the Parties after that point in time. This provision contemplates that, as soon as the concentrated ore or precious metals are delivered to a buyer both ECPN and Logistica will be able to draw on the subject line of credit or letter of credit for its share of the revenues attributed to the delivered product. In addition, separately, Logistica will use its best efforts to attempt to assist ECPN in obtaining additional capitalization for ECPN upon execution of this Agreement. Logistica, however, will not be penalized in any way if such capitalization cannot be achieved.

9. ECPN shall transfer to LOGISTICA ten million (10,000,000) shares of Rule 144 common stock of ECPN which was committed under a previous agreement, upon execution of this Agreement.

10. In addition, ECPN shall provide LOGISTICA with a Promissory Note in the amount of Four Hundred Thousand Dollars (\$400,000.00), with interest thereon at the rate of four and one-half percent (4.5%) from February 28, 2014. Payment on such Promissory Note shall be made to Logistica out of the ECPN proceeds from the sale of the concentrated ore from the El Capitan mine. The amount due to LOGISTICA by ECPN shall be reasonably paid from cash flow generated by ECPN from the activities contemplated by this Agreement as agreed by the Parties. This Promissory Note shall replace the promissory note described in the prior agreements between the Parties and which has been previously accounted for as the financing loaned to purchase the AuraSource device.

11. If Logistica is able to secure a purchaser for the El Capitan mine site, Logistica shall receive a five percent (5%) commission calculated on the gross sale price of the mine site. If ECPN sells or otherwise transfers an interest in the El Capitan mine site to a third party without the assistance of Logistica, Logistica will receive the sum of Five Million Dollars (\$5,000,000.00) upon closing of such transaction as was previously agreed, as an inducement to enter into the investments necessary to put the processes and infrastructure in place

12. It is the intent of the Parties pursuant to this Agreement to have ECPN provide to Logistica a minimum amount of one thousand (1,000) tons of concentrated ore per month at the beginning of this project. The Parties shall then cooperate to increase that monthly amount to at least five thousand (5,000) tons of concentrated ore as soon as is reasonably possible, with the desire of both Parties to continue to increase such amounts as much as is reasonably possible, as soon as is reasonably possible. The Parties have set out their mutual goals in such regard as set out on the attached Exhibit A.

13. It is the further intent of both Parties to attempt to develop and increase the mining activities at the El Capitan mine site for the mutual best interests of the Parties. This shall potentially include the greater development of the mining capabilities at the El Capitan mine site, including more significant facilities and technologies in processing the ore body there at. These further and greater activities will be undertaken pursuant to separate written agreement between the Parties hereafter. Logistica however, will not separately lease any mineral acres within twenty-five (25) miles of the El Capitan mine site.

14. The term of the relationship between the Parties for the mining project contemplated by this Agreement shall be for a minimum of five (5) years. However, if ECPN sells or otherwise transfers an interest in the El Capitan mine site, this Agreement shall terminate, except that ECPN shall compensate Logistica pursuant to Paragraph 11 above.

15. The Parties shall keep the proprietary information which each Party received from the other Party fully and strictly confidential. However, each of the Parties shall have the right to disclose and disseminate the terms and conditions of this Agreement, including in the form of press release and governmental disclosure documents. This provision shall not prohibit either Party from disclosure as required by a regulatory agency or court of law.

16. Neither Party shall be liable to the other, or be deemed to be in breach of this Agreement, by reason of any delay in performing, or failure to perform, any of its obligations under this agreement if the delay or failure was beyond that party's reasonable control (including without limitation weather, fire, flood, explosion, epidemic, riot, civil commotion, any strike, lockout or other industrial action, act of God, war, warlike hostilities or threat of war, terrorist activities, accidental or malicious damage and any prohibition or restriction by any government or other legal authority which affects this Agreement and which is not in force on the date of this Agreement.

17. The Parties shall fully cooperate with one another in carrying out the intent of this Agreement. This shall specifically include, but not be limited to, inspections, disclosure of any and all requested information and material, and any other due diligence activities of a Party. The Parties acknowledge that the subject mining project contemplated by this Agreement is in its initial phase, which project will change and evolve on an ongoing basis. The Parties will work together and cooperate in adapting to such changes, and the resulting needs of this project, and will adapt and conform their duties and activities respectively to achieve the intended results to make the project successful. If any issues arise in such regard, such issues shall be subject to the arbitration provision hereinafter contained.

18. Each Party shall bear its own costs and expenses in this matter, except as otherwise set out in this Agreement.

19. The relationship between the Parties is that of independent contractors. The Parties are not agents, partners, joint ventures, 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. No fiduciary relationship exists between the Parties hereto, except to reasonably and ethically honor its duties and responsibilities under this Agreement.

20. 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.

21. 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.

22. Any modification or change in this Agreement must be in writing, executed by an officer of ECPN and Logistica. No representative has the right or authority to make any oral or written modifications of this Agreement.

23. 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.

24. 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.

25. 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.

26. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of the Agreement and all of which, when taken together, will be deemed to constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

LOGISTICA U.S. TERMINALS, LLC

EL CAPITAN PRECIOUS METALS, INC.

By: /s/ Humberto Siller  
Humberto Siller  
Manager

By: /s/ Charles C. Mottley  
Charles C. Mottley  
CEO and President

**SECURITIES PURCHASE AGREEMENT**

This securities purchase agreement (the “**Agreement**”), dated as of January 26, 2016, by and between El Capitan Precious Metals, Inc., a Nevada corporation, with headquarters located at 8390 Via de Ventura Suite F-110 Scottsdale, AZ 85258 (the “**Company**”), and Bay Private Equity Inc., an Ontario company with its head office at Suite 403 - 2727 Steeles Ave. W., Toronto, Ontario (the “**Buyer**”).

**WHEREAS:**

A. The Company and the Buyer are executing and delivering this Agreement in reliance upon Section 4(a)(2) of the Securities Act of 1933, as amended (the “**1933 Act**”) and Rule 506 of Regulation D promulgated thereunder and enforced by the United States Securities and Exchange Commission (the “**SEC**”);

B. Buyer desires to purchase and the Company desires to issue and sell, upon the terms and conditions set forth in this Agreement a 7% convertible note of the Company, in the form attached hereto as Exhibit A in the aggregate principal amount of US\$180,000.00 (together with any note(s) issued in replacement thereof or as a dividend thereon or otherwise with respect thereto in accordance with the terms thereof, the “**Note**”), convertible into shares of common stock, par value US \$0.001 of the Company (the “**Common Stock**”), upon the terms and subject to the limitations and conditions set forth in such Note. The Note shall contain a US\$18,000.00 original issue discount such that the purchase price of the Note shall be US\$162,000.00 before deduction of expenses.

C. The Buyer wishes to purchase, upon the terms and conditions stated in this Agreement, such principal amount of Note as is set forth immediately below its name on the signature pages hereto; and

**NOW THEREFORE**, the Company and the Buyer severally (and not jointly) hereby agree as follows:

1. Purchase and Sale of Note.

- (a) Purchase of Note. On the Closing Date (as defined below), the Company shall issue and sell to the Buyer and the Buyer agrees to purchase from the Company such principal amount of Note as is set forth immediately below the Buyer’s name on the signature pages hereto.
- (b) Form of Payment. On the Closing Date (as defined below), (i) the Buyer shall pay the purchase price for the Note to be issued and sold to it at the Closing (as defined below) (the “**Purchase Price**”) by wire transfer of immediately available funds to the Company or its legal counsel in trust, in accordance with the Company’s written wiring instructions, against delivery of the Note in the principal amount equal to the Purchase Price as is set forth immediately below the Buyer’s name on the signature pages hereto, and (ii) the Company shall deliver such duly executed Note on behalf of the Company, to the Buyer, against delivery of such Purchase Price.
- (c) Closing Date. The date and time of the first issuance and sale of the Note pursuant to this Agreement (the “**Closing Date**”) shall be on or about January 26, 2016, or such other mutually agreed upon time. The closing of the transactions contemplated by this Agreement (the “**Closing**”) shall occur on the Closing Date at such location as may be agreed to by the parties.

2. Buyer’s Representations and Warranties. The Buyer represents and warrants to the Company that:

- (a) Investment Purpose. As of the date hereof, the Buyer is purchasing the Note and the shares of Common Stock issuable upon conversion of or otherwise pursuant to the Note, such shares of Common Stock being collectively referred to herein as the “**Conversion Shares**” and, collectively with the Note, the “**Securities**”) for its own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the 1933 Act; provided, however, that by making the representations herein, the Buyer does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act.

- (b) Accredited Investor Status. The Buyer is an “accredited investor” as that term is defined in Rule 501(a) of Regulation D and National Instrument 45-106 - *Prospectus Exemptions* (an “**Accredited Investor**”).
- (c) Reliance on Exemptions. The Buyer understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and Canadian securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer’s compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.
- (d) Information. The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or its advisors. The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, afforded the opportunity to ask questions of the Company. Notwithstanding the foregoing, the Company has not disclosed to the Buyer any material non-public information and will not disclose such information unless such information is disclosed to the public prior to or promptly following such disclosure to the Buyer. Neither such inquiries nor any other due diligence investigation conducted by Buyer or any of its advisors or representatives shall modify, amend or affect Buyer’s right to rely on the Company’s representations and warranties contained in Section 3 below. The Buyer understands that its investment in the Securities involves a significant degree of risk. The Buyer is not aware of any facts that may constitute a breach of any of the Company's representations and warranties made herein.
- (e) Governmental Review. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.
- (f) Transfer or Re-sale. The Buyer understands that (i) the sale or re-sale of the Securities has not been and is not being registered under the 1933 Act or any applicable state securities laws, and the Securities may not be transferred unless (a) the Securities are sold pursuant to an effective registration statement under the 1933 Act, (b) the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in comparable transactions to the effect that the Securities to be sold or transferred by the Buyer may be sold or transferred pursuant to an exemption from registration, (c) the Securities are transferred or sold pursuant to Rule 144 promulgated under the 1933 Act, or (d) the Securities are sold pursuant to Regulation S under the 1933 Act (or a successor rule) (“**Regulation S**”), and the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in corporate transactions; (ii) any sale of such Securities made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any re-sale of such Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case). Notwithstanding the foregoing or anything else contained herein to the contrary, the Securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.

- (g) Legends. The Buyer understands that the Note and, until such time as the Conversion Shares have been registered under the 1933 Act or may be resold pursuant to Rule 144 or Regulation S without any restriction, the Conversion Shares will bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such Securities):

**“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, RULE 144A UNDER SAID ACT OR SUCH OTHER APPLICABLE EXEMPTION FROM REGISTRATION. 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.”**

and in addition the Note and any applicable Conversion Shares issued thereunder shall bear the following legend in respect of applicable Canadian securities laws until the applicable conditions under Canadian securities laws are satisfied:

**“UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY IN CANADA BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) JANUARY 26, 2016, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY IN CANADA.”**

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of any Security upon which it is stamped, if, unless otherwise required by applicable state securities laws, (a) such Security is registered for sale under an effective registration statement filed under the 1933 Act or otherwise may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, or (b) such holder provides the Company with 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 Security may be made without registration under the 1933 Act, which opinion shall be accepted by the Company so that the sale or transfer is effected. The Buyer agrees to sell all Securities, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable prospectus delivery requirements, if any. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, within 2 business days, it will be considered an Event of Default under the Note.

- (h) Authorization; Enforcement. This Agreement has been duly and validly authorized. This Agreement has been duly executed and delivered on behalf of the Buyer, and this Agreement constitutes a valid and binding agreement of the Buyer enforceable in accordance with its terms.
- (i) Residency. The Buyer is a resident of the Province of Ontario, Canada.

3. Representations and Warranties of the Company. The Company represents and warrants to the Buyer that:

- (a) Organization and Qualification. The Company and each of its subsidiaries, if any, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted. The Company or one of its subsidiaries is the sole registered and beneficial owner of all of the outstanding shares in the capital of or outstanding shares of capital stock or other ownership, equity or voting interests of the subsidiaries of the Company free and clear of any Liens (as defined below), all such shares are validly issued, fully paid and non-assessable, and no other person has any option, right, entitlement, understanding or commitment (contingent or otherwise) regarding the right to acquire any such share or interest in any of the Company's subsidiaries and no subsidiary of the Company has any outstanding option, warrant, conversion or exchange privilege or other right, agreement, arrangement or commitment obligating any such entity to issue or sell any share or ownership, equity or voting interest of such entity or security or obligation of any kind convertible into or exchangeable or exercisable for any shares or ownership, equity or voting interests of any such entity. Neither the Company nor any of the Company's subsidiaries own any interest or investment (whether equity or debt) in any other person, other than a Company subsidiary, which interest or investment is material to the Company its subsidiaries, taken as a whole
- (b) Authorization; Enforcement. (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement, the Note and to consummate the transactions contemplated hereby and thereby and to issue the Securities, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement, the Note by the Company and the consummation by it of the transactions contemplated hereby and thereby (including without limitation, the issuance of the Note and the issuance and reservation for issuance of the Conversion Shares issuable upon conversion or exercise thereof) have been duly authorized by the Company's Board of Directors and no further consent or authorization of the Company, its Board of Directors, or its shareholders is required, (iii) this Agreement has been duly executed and delivered by the Company by its authorized representative, and such authorized representative is the true and official representative with authority to sign this Agreement and the other documents executed in connection herewith and bind the Company accordingly, and (iv) this Agreement constitutes, and upon execution and delivery by the Company of the Note, each of such instruments will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

- (c) Issuance of Shares. The Conversion Shares are duly authorized and reserved for issuance and, upon conversion of the Note in accordance with its respective terms, will be validly issued, fully paid and non-assessable, and 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 Company and will not impose personal liability upon the holder thereof.
- (d) Acknowledgment of Dilution. The Company understands and acknowledges the potentially dilutive effect to the Common Stock upon the issuance of the Conversion Shares upon conversion of the Note. The Company further acknowledges that its obligation to issue Conversion Shares upon conversion of the Note in accordance with this Agreement and the Note is absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interests of other shareholders of the Company.
- (e) No Conflicts. The execution, delivery and performance of this Agreement and the Note by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance and reservation for issuance of the Conversion Shares) will not (i) conflict with or result in a violation of any provision of the Certificate of Incorporation or By-laws, 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, indenture, patent, patent license or instrument to which the Company or any of its subsidiaries 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 the Company or its securities are subject) applicable to the Company or any of its subsidiaries or by which any property or asset of the Company or any of its subsidiaries is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a material adverse effect). All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. The Company is not in violation of the listing requirements of the Over-the-Counter Quotations Bureau (the “**OTCQB**”) and does not reasonably anticipate that the Common Stock will be delisted by the OTCQB in the foreseeable future, nor are the Company’s securities “chilled” by FINRA. The Company and its subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.
- (f) Absence of Litigation. Except as disclosed in the Company’s public filings, there is no action, suit, claim, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company or any of its subsidiaries, threatened against or affecting the Company or any of its subsidiaries, or their officers or directors in their capacity as such, that could have a material adverse effect. Schedule 3(f) contains a complete list and summary description of any pending or, to the knowledge of the Company, threatened proceeding against or affecting the Company or any of its subsidiaries, without regard to whether it would have a material adverse effect. The Company and its subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.
- (g) Acknowledgment Regarding Buyer’s Purchase of Securities. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of arm’s length purchasers with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any statement made by the Buyer or any of its respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Buyer’s purchase of the Securities.

- (h) No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales in any security or solicited any offers to buy any security under circumstances that would require registration under the 1933 Act of the issuance of the Securities to the Buyer. The issuance of the Securities to the Buyer will not be integrated with any other issuance of the Company's securities (past, current or future) for purposes of any shareholder approval provisions applicable to the Company or its securities.
- (i) Title to Property. The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its subsidiaries, in each case free and clear of all liens, encumbrances and defects except such as are described in Schedule 3(i) or such as would not have a material adverse effect. Any real property and facilities held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not have a material adverse effect.
- (j) Intellectual Property. The Company or one of its subsidiaries owns, free and clear of all Liens, or has a valid right to use, all Intellectual Property (A) that covers the products presently sold or under development in the conduct of the business of the Company or its subsidiaries and (B) used or held for use in, or necessary to conduct, the business and operations of the Company and its subsidiaries as presently conducted. When used herein, "**Lien**" shall mean any pledge, lien, charge, option, hypothecation, mortgage, security interest, adverse right, prior assignment, license, sublicense or any other encumbrance of any kind or nature whatsoever, whether contingent or absolute, or any agreement, option, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing. When used herein, "**Intellectual Property**" shall mean all intellectual property and industrial property rights and rights in confidential information of every kind and description throughout the world, including all United States, Canadian and foreign (a) patents, patent applications, invention disclosures, and all related continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions and extensions thereof ("**Patents**"), (b) registered or unregistered trademarks, service marks, names, corporate names, trade names, domain names, logos, slogans, trade dress, design rights, and other similar designations of source or origin, together with the goodwill symbolized by any of the foregoing ("**Trademarks**"), (c) copyrights and copyrightable subject matter ("**Copyrights**"), (d) rights in computer programs (whether in source code, object code, or other form), algorithms, databases, compilations and data, technology supporting the foregoing, and all documentation, including user manuals and training materials, related to any of the foregoing ("**Software**"), (e) trade secrets and all other confidential information, ideas, know-how, inventions, proprietary processes, formulae, models, and methodologies, (f) rights of publicity, privacy, and rights to personal information, (g) moral rights and rights of attribution and integrity, (h) all rights in the foregoing and in other similar intangible assets and (i) all applications and registrations for the foregoing.
- (k) Investment Company. The Company is not an "investment company" within the meaning of such term under the Investment Company Act of 1940, as amended, and the rules and regulations of the SEC thereunder.
- (l) General Solicitation. Neither the Company nor, to its knowledge, any person acting on its behalf, has offered or sold any of the securities contemplated in this Agreement by any form of "general solicitation" within the meaning of Regulation D under the 1933 Act.

- (m) Form D and Blue Sky Filings. The Company agrees to file one or more Forms D with the SEC and all required state securities agencies on a timely basis as required under Regulation D under the 1933 Act and applicable state blue sky laws, rules and regulations.
- (n) Bad Actor. No officer or director of the Company would be disqualified under Rule 506(d) of the *Securities Act* as amended on the basis of being a "bad actor" as that term is established in the September 19, 2013 Small Entity Compliance Guide published by the Securities and Exchange Commission.
- (o) Public Disclosure. The Company has timely filed all forms, reports, statements and documents, including financial statements and management's discussion and analysis required to be filed by the Company under applicable U.S. Securities Laws and the rules and policies of any applicable stock exchange or quotation system. None of the documents filed by or on behalf of the Company on the EDGAR system, as of their respective dates (and, if amended or superseded by a filing prior to the date hereof, then on the date of such filing), contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
- (p) Breach of Representations and Warranties by the Company. If the Company breaches any of the representations or warranties set forth in this Section 3, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an Event of default under the Note.

### 3. Covenants.

- (a) Expenses. At the Closing, the Company shall reimburse Buyer for expenses incurred by them in connection with the negotiation, preparation, execution, delivery and performance of this Agreement and the other agreements to be executed in connection herewith ("**Documents**"), including, without limitation, reasonable attorneys' and consultants' fees and expenses, transfer agent fees, fees for stock quotation services, fees relating to any amendments or modifications of the Documents or any consents or waivers of provisions in the Documents, fees for the preparation of opinions of counsel, escrow fees, and costs of restructuring the transactions contemplated by the Documents to a maximum of US\$6,000. If requested, the Company must pay these fees directly, otherwise the Company must make immediate payment for reimbursement to the Buyer for all fees and expenses immediately upon written notice by the Buyer or the submission of an invoice by the Buyer. The Holder may deduct all such fees and expenses from the Purchase Price of the Note when funded.
- (b) Listing. The Company shall promptly secure the listing of the Conversion Shares upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance) and, so long as the Buyer owns any of the Securities, shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Conversion Shares from time to time issuable upon conversion of the Note. The Company will obtain and, so long as the Buyer owns any of the Securities, maintain the listing and trading of its Common Stock on the OTCQB or any equivalent replacement exchange, the Nasdaq National Market ("**Nasdaq**"), the Nasdaq SmallCap Market ("**Nasdaq SmallCap**"), the New York Stock Exchange ("**NYSE**"), or the American Stock Exchange ("**AMEX**") and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Financial Industry Regulatory Authority ("**FINRA**") and such exchanges, as applicable. The Company shall promptly provide to the Buyer copies of any notices it receives from the OTCQB and any other exchanges or quotation systems on which the Common Stock is then listed regarding the continued eligibility of the Common Stock for listing on such exchanges and quotation systems.

- (c) **Corporate Existence.** So long as the Buyer beneficially owns any Note, the Company shall maintain its corporate existence and shall not sell all or substantially all of the Company's assets, except in the event of a merger or consolidation or sale of all or substantially all of the Company's assets, where the surviving or successor entity in such transaction (i) assumes the Company's obligations hereunder and under the agreements and instruments entered into in connection herewith and (ii) is a publicly traded corporation whose Common Stock is listed for trading on the OTCQB, Nasdaq, Nasdaq SmallCap, NYSE or AMEX.
- (d) **No Integration.** The Company shall not make any offers or sales of any security (other than the Securities) under circumstances that would require registration of the Securities being offered or sold hereunder under the 1933 Act or cause the offering of the Securities to be integrated with any other offering of securities by the Company for the purpose of any stockholder approval provision applicable to the Company or its securities.
- (e) **Information.** The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or its advisors and the Company's responses thereto have been and will continue to be full, plain and true disclosure.. The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, afforded the opportunity to ask questions of the Company.
- (f) **Public Disclosure.** So long as the Buyer beneficially owns any Note or Conversion Shares, the Company shall timely file all forms, reports, statements and documents, including financial statements and management's discussion and analysis required to be filed by the Company under applicable U.S. Securities Laws and the rules and policies of any applicable stock exchange or quotation system. None of the documents filed by or on behalf of the Company on the EDGAR system, as of their respective dates (and, if amended or superseded by a filing prior to the date hereof, then on the date of such filing), shall contain any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
- (g) **Breach of Covenants.** If the Company breaches any of the covenants set forth in this Section 3, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an event of default under the Note.

#### 4. Governing Law; Miscellaneous.

- (a) **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the Province of Ontario. The parties to this Agreement 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. In the event that any provision of this Agreement 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.

- (b) Counterparts; Signatures by Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile or other electronic transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.
- (c) Headings. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.
- (d) Severability. In the event that any provision of this Agreement 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 provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.
- (e) Entire Agreement; Amendments. This Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the majority in interest of the Buyer.
- (f) 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, (iv) via electronic mail or (v) transmitted by hand delivery, telegram, or facsimile, 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 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 delivery via electronic mail, 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 Company, to:

El Capitan Precious Metals, Inc.  
8390 Via de Ventura Suite F-110  
Scottsdale, AZ 85258  
Attn: John Stapleton, CEO

If to the Buyer:

Bay Private Equity Inc.  
Suite 403 - 2727 Steeles Ave. W.  
Toronto, Ontario M3J 3G9  
Attn: Robert Klimov

Each party shall provide notice to the other party of any change in address.

- (g) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Neither the Company nor the Buyer shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other. Notwithstanding the foregoing, the Buyer may assign its rights hereunder to any person that purchases Securities in a private transaction from the Buyer or to any of its “affiliates,” as that term is defined under the 1933 Act, without the consent of the Company.
- (h) Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.
- (i) Survival. The representations and warranties of the Company and the agreements and covenants set forth in this Agreement shall survive the closing hereunder notwithstanding any due diligence investigation conducted by or on behalf of the Buyer. The Company agrees to indemnify and hold harmless the Buyer and all their officers, directors, employees and agents for loss or damage arising as a result of or related to any breach or alleged breach by the Company of any of its representations, warranties or covenants set forth in this Agreement or any of its covenants or obligations under this Agreement, including advancement of expenses as they are incurred.
- (j) Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.
- (k) No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

- (l) Remedies. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Agreement will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Agreement, that the Buyer 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 Agreement and to enforce specifically the terms and provisions hereof, without the necessity of showing economic loss and without any bond or other security being required.

IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

**EL CAPITAN PRECIOUS METALS, INC.**

By: /s/ Charles C. Mottley  
Charles C. Mottley  
President and CEO

**BAY PRIVATE EQUITY, INC.**

By: /s/ Robert Klimov  
Name: Robert Klimov  
Title: President

**AGGREGATE SUBSCRIPTION  
AMOUNT:**

Aggregate Principal Amount of Note: US\$180,000.00

Aggregate Purchase Price: US\$156,000.00

Note 1: \$180,000.00 less \$18,000.00 in OID, less \$6,000.00 in legal fees and other expenses.

EXHIBIT A  
144 NOTE - \$180,000.00  
(attached)

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, RULE 144A UNDER SAID ACT OR SUCH OTHER APPLICABLE EXEMPTION FROM REGISTRATION. 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.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY IN CANADA BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) JANUARY 26, 2016, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY IN CANADA.

US\$180,000.00

EL CAPITAN PRECIOUS  
METALS, INC.  
7% CONVERTIBLE REDEEMABLE NOTE  
DUE JANUARY 26, 2017

FOR VALUE RECEIVED, El Capitan Precious Metals, Inc. (the “**Company**”) promises to pay to the order of Bay Private Equity Inc. and its authorized successors and permitted assigns (“**Holder**”), the aggregate principal face amount of One Hundred Eighty Thousand Dollars exactly (US\$180,000.00) on January 26, 2017 (“**Maturity Date**”) and to pay interest on the principal amount outstanding hereunder at the rate of 7% per annum commencing on January 27, 2017. This Note contains a US\$18,000.00 original issue discount such that the purchase price of the Note shall be US\$156,000.00 after deduction of expenses of US\$6,000.00. The interest will be paid to the Holder in whose name this Note is registered on the records of the Company regarding registration and transfers of this Note. The principal of, and interest on, this Note are payable at Suite 403 - 2727 Steeles Ave. W., Toronto, Ontario M3J 3G9, initially, and if changed, last appearing on the records of the Company as designated in writing by the Holder hereof from time to time. The Company will pay each interest payment and the outstanding principal due upon this Note before or on the Maturity Date, less any amounts required by law to be deducted or withheld, to the Holder of this Note by check or wire transfer addressed to such Holder at the last address appearing on the records of the Company. Interest shall be payable in Common Stock (as defined below) at the election of the Holder pursuant to paragraph 4(b) herein.

This Note is subject to the following additional provisions:

1. This Note is exchangeable for an equal aggregate principal amount of Notes of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be made for such registration or transfer or exchange, except that Holder shall pay any tax or other governmental charges payable in connection therewith.
2. The Company shall be entitled to withhold from all payments any amounts required to be withheld under applicable laws.
3. This Note may be transferred or exchanged only in compliance with the *Securities Act of 1933*, as amended (“**Act**”) and applicable state securities laws. Any attempted transfer to a non-qualifying party shall be treated by the Company as void. Prior to due presentment for transfer of this Note, the Company and any agent of the Company may treat the person in whose name this Note is duly registered on the Company’s records as the owner hereof for all other purposes, whether or not this Note be overdue, and neither the Company nor any such agent shall be affected or bound by notice to the contrary. Any Holder of this Note electing to exercise the right of conversion set forth in Section 4(a) hereof, in addition to the requirements set forth in Section 4(a), and any prospective transferee of this Note, also is required to give the Company written confirmation that this Note is being converted (“**Notice of Conversion**”) in the form annexed hereto as Exhibit A. The date of receipt (including receipt by telecopy or email) of such Notice of Conversion shall be the Conversion Date.

4. (a) The Holder of this Note is entitled, at its option at any time and from time to time after the date which is 180 days after January 26, 2017, to convert all or any amount of the principal face amount of this Note then outstanding into shares of the Company's common stock (the "**Common Stock**") at a price ("**Conversion Price**") for each share of Common Stock equal to 55% of the lowest price for any trade of the Common Stock during the ten (10) trading day period prior to conversion. Such trading price shall be determined based on trades of the Common Stock as reported on the National Quotations Bureau OTCQB exchange which the Company's shares are traded or any exchange upon which the Common Stock may be traded in the future ("**Exchange**"), for the ten (10) prior trading days including the day upon which a Notice of Conversion is received by the Company or its transfer agent (provided such Notice of Conversion is delivered by fax or other electronic method of communication to the Company or its transfer agent after 4 P.M. Eastern Standard or Daylight Savings Time if the Holder wishes to include the same day trading prices). If the shares have not been delivered within 3 business days, the Notice of Conversion may be rescinded by the Holder. Such conversion shall be effectuated by the Company delivering the shares of Common Stock to the Holder within 3 business days of receipt by the Company of the Notice of Conversion. Accrued but unpaid interest shall be payable in cash, subject to conversion at the Conversion Price in the same manner as the principal face amount at the election of the Holder. No fractional shares or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded to the nearest whole share. To the extent the Conversion Price of the Company's Common Stock closes below the par value per share, the Company will take all steps necessary to solicit the consent of the stockholders to reduce the par value to the lowest value possible under law. The Company agrees to honor all conversions submitted pending this increase. *In the event the Company experiences a DTC "Chill" on its shares, the conversion price shall be decreased to 45% instead of 55% while that "Chill" is in effect.* In no event shall the Holder be allowed to effect a conversion if such conversion, along with all other shares of Company Common Stock beneficially owned by the Holder and its affiliates would exceed 9.9% of the outstanding shares of the Common Stock of the Company.
- (b) Interest on any unpaid principal balance of this Note shall accrue and be paid at the rate of 7% per annum without compounding based on a 365 day year. Interest shall be paid by the Company in cash on the Maturity Date (as defined below) unless earlier converted by the Holder into Common Stock ("**Interest Shares**"). Holder may, at any time and from time to time, send in a Notice of Conversion to the Company to convert accrued interest into Interest Shares based on the formula provided in Section 4(a) above. The dollar amount converted into Interest Shares may at the election of the Holder be all or a portion of the accrued interest calculated on the unpaid principal balance of this Note to the date of such notice.
- (c) During the first six months this Note is in effect, the Company may redeem this Note by paying to the Holder an amount as follows: (i) if the redemption is prior to the 30th day this Note is in effect (including the 30th day), then for an amount equal to 105% of the unpaid principal amount of this Note along with any interest that has accrued during that period; (ii) if the redemption is on the 31st day this Note is in effect, up to and including the 60th day this Note is in effect, then for an amount equal to 115% of the unpaid principal amount of this Note along with any accrued interest; (iii) if the redemption is on the 61st day this Note is in effect, up to and including the 120th day this Note is in effect, then for an amount equal to 135% of the unpaid principal amount of this Note along with any accrued interest; (iv) if the redemption is on the 121st day this Note is in effect, up to and including the 180th day this Note is in effect, then for an amount equal to 150% of the unpaid principal amount of this Note along with any accrued interest. This Note may not be redeemed after the 180th day this Note is in effect. The redemption must be closed and paid for within 3 business days of the Company sending the redemption demand or the redemption will be invalid and the Company may not redeem this Note. In the event the Holder has delivered a Notice of Conversion to the Company prior to the receipt of a redemption notice from the Company, the Notice of Conversion shall prevail.

- (d) Upon (i) a transfer of all or substantially all of the assets of the Company to any person in a single transaction or series of related transactions, (ii) a reclassification, capital reorganization or other change or exchange of outstanding shares of the Common Stock, other than a forward or reverse stock split or stock dividend, or (iii) any consolidation or merger of the Company with or into another person or entity in which the Company is not the surviving entity (other than a merger which is effected solely to change the jurisdiction of incorporation of the Company and results in a reclassification, conversion or exchange of outstanding shares of Common Stock solely into shares of Common Stock) (each of items (i), (ii) and (iii) being referred to as a “**Reorganization Event**”), then, in each case, the Company shall, upon request of the Holder, redeem this Note in cash for 150% of the principal amount, plus accrued but unpaid interest through the date of redemption, or at the election of the Holder, such Holder may convert the unpaid principal amount of this Note (together with the amount of accrued but unpaid interest) into shares of Common Stock at the Conversion Price determined in accordance with Section 4(a) at any time prior to the Reorganization Event. The foregoing provisions shall similarly apply to successive Reorganization Events.
- (e) In case of any Reorganization Event (not to include a sale of all or substantially all of the Company’s assets) in connection with which this Note is not redeemed or converted, the Company shall cause effective provision to be made so that the Holder of this Note shall have the right thereafter, by converting this Note (together with the amount of accrued but unpaid interest), to purchase or convert this Note into the kind and number of shares of stock or other securities or property (including cash) receivable upon such reclassification, capital reorganization or other change, consolidation or merger by a holder of the number of shares of Common Stock that could have been purchased upon conversion of the Note (together with the amount of accrued but unpaid interest) and at the same Conversion Price, as defined in this Note, immediately prior to such Reorganization Event. The foregoing provisions shall similarly apply to successive Reorganization Events. If the consideration received by the holders of Common Stock is other than cash, the value shall be as determined by the Board of Directors of the Company or successor person or entity acting in good faith.
5. No provision of this Note shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, and interest on, this Note at the time, place, and rate, and in the form, herein prescribed.
6. The Company hereby expressly waives demand and presentment for payment, notice of non- payment, protest, notice of protest, notice of dishonor, notice of acceleration or intent to accelerate, and diligence in taking any action to collect amounts called for hereunder and shall be directly and primarily liable for the payment of all sums owing and to be owing hereto.
7. The Company agrees to pay all costs and expenses, including reasonable attorneys’ fees and expenses on a solicitor-client basis, which may be incurred by the Holder in collecting any amount due under this Note.
8. If one or more of the following described “**Events of Default**” shall occur:
- (a) The Company shall default in the payment of principal or interest on this Note or any other note issued to the Holder by the Company; or
- (b) Any of the representations or warranties made by the Company herein or in any certificate or financial or other written statements heretofore or hereafter furnished by or on behalf of the Company in connection with the execution and delivery of this Note, or the securities purchase agreement under which this Note was issued shall be false or misleading in any respect; or

- (c) The Company shall fail to perform or observe, in any respect, any covenant, term, provision, condition, agreement or obligation of the Company under this Note or any other note issued to the Holder or the securities purchase agreement under which this Note was issued; or
- (d) The Company shall (1) become insolvent; (2) admit in writing its inability to pay its debts generally as they mature; (3) make an assignment for the benefit of creditors or commence proceedings for its dissolution; (4) apply for or consent to the appointment of a trustee, liquidator or receiver for its or for a substantial part of its property or business; (5) file a petition for bankruptcy relief, consent to the filing of such petition or have filed against it an involuntary petition for bankruptcy relief, all under federal or state laws as applicable; or (6) the board of directors of the Company shall resolve to undertake any actions which could lead to or to confirm any of the foregoing; or
- (e) A trustee, liquidator or receiver shall be appointed for the Company or for a substantial part of its property or business without its consent and shall not be discharged within sixty (60) days after such appointment; or
- (f) Any governmental agency or any court of competent jurisdiction at the instance of any governmental agency shall assume custody or control of the whole or any substantial portion of the properties or assets of the Company; or
- (g) One or more money judgments, writs or warrants of attachment, or similar process, in excess of fifty thousand dollars (\$50,000) in the aggregate, shall be entered or filed against the Company or any of its properties or other assets and shall remain unpaid, unvacated, unbonded or unstayed for a period of fifteen (15) days or in any event later than five (5) days prior to the date of any proposed sale thereunder; or
- (h) The Company shall have defaulted on or breached any term, covenant or condition of any other debt instrument or debt obligation by which it is bound, or if, in the reasonable opinion of the Holder, an adverse material change occurs in the financial condition of any of the Company; or
- (i) The Company shall have its Common Stock delisted from an exchange (including the OTCBB exchange) or, if the Common Stock trades on an exchange, then trading in the Common Stock shall be suspended for more than 10 consecutive days;
- (j) If a majority of the members of the Board of Directors of the Company on the date hereof are no longer serving as members of the Board;
- (k) The Company shall not deliver to the Holder the Common Stock pursuant to paragraph 4 herein without restrictive legend within 3 business days of its receipt of a Notice of Conversion; or
- (l) The Company shall not replenish the reserve set forth in Section 13, within 3 business days of the request of the Holder.
- (m) The Company shall not be “current” in its filings with the Securities and Exchange Commission; or
- (n) The Company shall lose the “bid” price for its stock and a market (including the OTCBB marketplace or other exchange).

Then, or at any time thereafter, unless cured within 5 days, and in each and every such case, unless such Event of Default shall have been waived in writing by the Holder (which waiver shall not be deemed to be a waiver of any subsequent default) at the option of the Holder and in the Holder’s sole discretion, the Holder may consider this Note immediately due and payable, without presentment, demand, protest or (further) notice of any kind (other than notice of acceleration), all of which are hereby expressly waived, anything herein or in any note or other instruments contained to the contrary notwithstanding, and the Holder may immediately, and without expiration of any period of grace, enforce any and all of the Holder’s rights and remedies provided herein or any other rights or remedies afforded by law.

9. Upon an Event of Default, in addition to any other rights or remedies of the Holder:
- (a) interest shall accrue at a default interest rate of 24% per annum or, if such rate is usurious or not permitted by current law, then at the highest rate of interest permitted by law;
  - (b) in the event of a breach of Section 8(k), the Company shall pay the Holder \$250 per day the shares are not issued beginning on the 4th day after the conversion notice was delivered to the Company. This penalty shall increase to \$500 per day beginning on the 10th day (provided that in either case if such rate is usurious or not permitted by current law, then at a *per diem* penalty that is equal to the highest rate of interest permitted by law). Amounts payable hereunder shall be convertible at the election of the Holder in the same manner as the principal amount;
  - (c) in the event of a breach of Section 8(n) the outstanding principal amount shall be deemed to be increased by 20% without further action by the Company or the Holder and the Company shall issue a replacement certificate reflecting such increase at the request of the Holder;
  - (d) in the event of a breach of Section 8(i), the outstanding principal due under this Note shall increase by 50% without further action by the Company or the Holder and the Company shall issue a replacement certificate reflecting such increase at the request of the Holder;
  - (e) if this Note is not paid when due, the outstanding principal due under this Note shall increase by 10% without further action by the Company or the Holder and the Company shall issue a replacement certificate reflecting such increase at the request of the Holder;
  - (f) if the Holder shall commence an action or proceeding to enforce any provisions of this Note, including, without limitation, engaging an attorney, then if the Holder prevails in such action, the Holder shall be reimbursed by the Company for its attorneys' fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding on a solicitor-client basis;
  - (g) at the Holder's election, if the Company fails for any reason to deliver to the Holder the Common Stock issuable upon conversion of this Note (or any interest as applicable) by the 3rd business day following the delivery of a Notice of Conversion to the Company and if the Holder incurs a Failure to Deliver Loss (as defined below), then at any time the Holder may provide the Company written notice indicating the amounts payable to the Holder in respect of the Failure to Deliver Loss and the Company must make the Holder whole as follows:  
  
    **"Failure to Deliver Loss"** = (Highest trade price at any time on or after the Conversion Date) x (Number of shares subject to the Notice of Conversion)  
  
    The Company must pay the Failure to Deliver Loss by cash payment, and any such cash payment must be made by the 3rd business day from the time of the Holder's written notice to the Company.
10. In case any provision of this Note is held by a court of competent jurisdiction to be excessive in scope or otherwise invalid or unenforceable, such provision shall be adjusted rather than voided, if possible, so that it is enforceable to the maximum extent possible, and the validity and enforceability of the remaining provisions of this Note will not in any way be affected or impaired thereby.
11. Neither this Note nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the Company and the Holder.
12. The Company represents that it is not a "shell" issuer and has never been a "shell" issuer or that if it previously has been a "shell" issuer that at least 12 months have passed since the Company has reported form 10 type information indicating it is no longer a "shell" issuer. Further, the Company will instruct its counsel to either (i) write a 144 opinion to allow for salability of the Conversion Shares or (ii) accept such opinion from Holder's counsel.

13. The Company shall issue irrevocable transfer agent instructions reserving 10,800,000 shares of its Common Stock for conversions under this Note (the “**Share Reserve**”). Upon full conversion of this Note, any shares remaining in the Share Reserve shall be cancelled. The Company shall pay all costs associated with issuing and delivering the shares. If such amounts are to be paid by the Holder, the Holder may deduct such amounts from the Conversion Price. Conversion Notices may be sent to the Company or its transfer agent via electronic mail. The Company shall at all times reserve a minimum of three times the amount of shares required if the Note were to be fully converted. The Holder may reasonably request increases from time to time to reserve such amounts.
14. The Company will give the Holder direct notice of any corporate actions, including but not limited to name changes, stock splits, recapitalizations etc. This notice shall be given to the Holder as soon as possible under law.
15. This Note shall be governed by and construed in accordance with the laws of the Province of Ontario and shall be binding upon the successors and assigns of each party hereto. The Holder and the Company hereby mutually consent to exclusive jurisdiction and venue in the courts of the Province of Ontario. This Agreement may be executed in counterparts, and the facsimile or email transmission of an executed counterpart to this Agreement shall be effective as an original. All references to “\$”, “US\$” or “dollars” herein are to United States dollars unless otherwise indicated.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed by an officer thereunto duly authorized.

Dated: 1/27/2016

**EL CAPITAN PRECIOUS METALS, INC.**

By: /s/ Charles C. Mottley

Name: Charles C. Mottley

Title: President, CEO

**EXHIBIT A  
NOTICE OF CONVERSION**

(To be Executed by the Registered Holder in order to Convert the Note)

The undersigned hereby irrevocably elects to convert \$ of the [principal amount] [accrued interest] of the Note into Shares of Common Stock of El Capitan Precious Metals, Inc. (“**Shares**”) according to the conditions set forth in such Note, as of the date written below.

If Shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer and other taxes and charges payable with respect thereto.

Date of Conversion: \_\_\_\_\_

Applicable Conversion Price: \_\_\_\_\_

Signature: \_\_\_\_\_  
[Print Name of Holder and Title of Signer]

Address: \_\_\_\_\_  
\_\_\_\_\_

SSN or EIN: \_\_\_\_\_

Shares are to be registered in the following name: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Tel: \_\_\_\_\_

Fax: \_\_\_\_\_

SSN or EIN: \_\_\_\_\_

Shares are to be sent or delivered to the following account:

Account Name: \_\_\_\_\_

Address: \_\_\_\_\_

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**Schedule 3(f)**

Not Applicable

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**Schedule 3(i)**

Real Property – free and clear

Equipment – Only AuraSource system has a \$400,000, 4.5% interest note on it.

**RULE 13a-14(a) CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Charles C. Mottley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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(s) 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; and
  - (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(s) 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: February 16, 2016

/s/ Charles C. Mottley

Charles C. Mottley

President, Chief Executive Officer and Director

**RULE 13a-14(a) CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Stephen J. Antol, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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(s) 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; and
  - (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(s) 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: February 16, 2016

/s/ Stephen J. Antol  
Stephen J. Antol  
Chief Financial Officer

**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 Quarterly Report of El Capitan Precious Metals, Inc. (the "Company") on Form 10-Q for the three-month period ended December 31, 2015, 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 material respects, the financial condition and results of operations of the Company, as of, and for the periods presented in the Report.

Date: February 16, 2016

/s/ Charles C. Mottley

Charles C. Mottley

Chief Executive Officer, President and Director

/s/ Stephen J. Antol

Stephen J. Antol

Chief Financial Officer