

BROOKMOUNT EXPLORATIONS INC
Form 10-Q
April 12, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **February 28, 2010**

-

Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period _____ to _____

Commission File Number 000-32181

BROOKMOUNT EXPLORATIONS INC.

(Exact name of small Business Issuer as specified in its charter)

Nevada

98-0201259

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

1465 Slater Road
Ferndale, Washington

98248

(Address of principal executive offices)

(Postal or Zip Code)

Issuer's telephone number, including area code:

(206) 497-2138

N/A

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*(Former name, former address
and former fiscal year, if changed
since
last report)*

Check whether the issuer (1) 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 issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Small reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: **41,227,311 shares of \$0.001 par value common stock outstanding as of April 7, 2010.**

PART I. FINANCIAL INFORMATION

Item 1.

Financial Statements

The financial statements of Brookmount Explorations Inc. (the Company, "we", "our", "us"), included herein were prepared, without audit, pursuant to rules and regulations of the Securities and Exchange Commission. Because certain information and notes normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America were condensed or omitted pursuant to such rules and regulations, these financial statements should be read in conjunction with the financial statements and notes thereto included in the audited financial statements of the Company as included in the Company's Form 10-K for the period ended November 30, 2009.

Brookmount Explorations Inc.
(An Exploration Stage Company)

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Brookmount Explorations Inc.
(An Exploration Stage Company)

Consolidated Balance Sheets

(Unaudited)

| | February 28, 2010 | November 30, 2009 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 6,332 | \$ 21,947 |
| Total Assets | \$ 6,332 | \$ 21,947 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 205,388 | \$ 206,011 |
| Due to related parties | 608,049 | 579,085 |
| Total Liabilities | 813,437 | 785,096 |
| Commitments and Contingencies | - | - |
| Stockholders' Deficit: | | |
| Common Stock, \$0.001 par value, 200,000,000 shares authorized, 41,227,311 and 40,798,740 shares issued at February 28, 2010 and November 30, 2009, respectively | 41,227 | 40,798 |
| Additional paid-in capital | 4,783,520 | 4,753,949 |
| Stock subscriptions receivable | (6,600) | (6,600) |

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| | | |
|--|-------------|-------------|
| Deficit accumulated during the exploration stage | (5,625,252) | (5,551,296) |
| Total Stockholders' Deficit | (807,105) | (763,149) |
| Total Liabilities and Stockholders' Deficit | \$ 6,332 | \$ 21,947 |

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

Brookmount Explorations Inc.**(An Exploration Stage Company)**

Consolidated Statements of Operations

(Unaudited)

| | For the three months ended February 28, | | December 9, 1999 (date of inception) to February 28, |
|---|--|-------------|--|
| | 2010 | 2009 | 2010 |
| REVENUE: | \$ - | \$ - | \$ - |
| EXPENSES: | | | |
| General and administrative | 69,952 | 70,396 | 3,322,458 |
| Mineral property costs | 4,004 | - | 2,507,471 |
| | 73,956 | 70,396 | 5,829,929 |
| Other income | - | - | 204,677 |
| Net Loss | \$ (73,956) | \$ (70,396) | \$ (5,625,252) |
| Basic and diluted net loss per share | \$ (0.00) | \$ (0.00) | |
| Weighted average shares used in calculating Basic and diluted net loss per share | 40,911,770 | 38,026,071 | |

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

Brookmount Explorations Inc.**(An Exploration Stage Company)**

Consolidated Statements of Changes in Stockholders Deficit

For the period November 30, 2009 to February 28, 2010

(Unaudited)

| | Common Stock | | Additional | Stock | Deficit | |
|--|---------------|---------------|----------------|----------------------|----------------|--------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Paid-in</u> | <u>Subscriptions</u> | Accumulated | |
| | | | <u>Capital</u> | <u>Receivable</u> | During the | <u>Total</u> |
| | | | | | Exploration | |
| | | | | | <u>Stage</u> | |
| Balance at November 30, 2009 | 40,798,740 | 40,798 | 4,753,949 | (6,600) | (5,551,296) | (763,149) |
| Common stock issued for cash at \$0.07 | 428,571 | 429 | 29,571 | - | - | 30,000 |
| Net loss for the period | - | - | - | - | (73,956) | (73,956) |
| Balance at February 28, 2010 | 41,227,311 | \$ 41,227 | \$ 4,783,520 | \$ (6,600) | \$ (5,625,252) | \$ (807,105) |

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

Brookmount Explorations Inc.**(An Exploration Stage Company)**

Consolidated Statements of Cash Flows

(Unaudited)

| | For the three months ended February 28, | | December 9, 1999 (date of inception) to February 28, 2010 |
|---|--|-------------|--|
| | 2010 | 2009 | |
| Cash Flows from Operating Activities | | | |
| Net loss | \$ (73,956) | \$ (70,396) | \$ (5,625,252) |
| Adjustments to reconcile net income to net cash used by operating activities | | | |
| Amortization | - | - | 1,813 |
| Capital contributions | - | - | 29,250 |
| Common stock issued for services | - | 10,000 | 498,980 |
| Common stock issued for mineral property | - | - | 2,216,250 |
| Provision for unrecoverable advances | - | - | 193,617 |
| Changes in operating assets and liabilities | | | |
| Accounts payable and accrued liabilities | (623) | (13,854) | 229,099 |
| Net cash used by operating activities | (74,579) | (74,250) | (2,456,243) |
| Cash Flows from Investing Activities | | | |
| Advances | - | - | (193,617) |
| Acquisition of equipment | - | - | (1,813) |
| Net cash used by investing activities | - | - | (195,430) |
| Cash Flows from Financing Activities | | | |
| Due to related parties | 28,964 | 58,563 | 1,001,726 |
| Common stock issued, net | 30,000 | 10,000 | 1,656,279 |
| Net cash provided by financing activities | 58,964 | 68,563 | 2,658,005 |
| Increase (decrease) in cash | (15,615) | (5,687) | 6,332 |

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| | | | | | | |
|---------------------------------------|----|--------|----|--------|----|-------|
| Cash, beginning of period | | 21,947 | | 10,575 | | - |
| Cash, end of period | \$ | 6,332 | \$ | 4,888 | \$ | 6,332 |
| Supplemental disclosures information: | | | | | | |
| Interest paid | \$ | - | \$ | - | \$ | - |
| Income taxes paid | \$ | - | \$ | - | \$ | - |

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

Brookmount Explorations Inc.**(An Exploration Stage Company)**

Notes to Consolidated Financial Statements

(Unaudited)

NOTE 1 BASIS OF PRESENTATION & GOING CONCERNBasis of Presentation

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q of Article 10 of Regulations S-X in the United States of America and are presented in United States dollars. They do not include all information and footnotes required by United States generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material changes in the information disclosed in the notes to the consolidated financial statements for the year ended November 30, 2009 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

The interim unaudited consolidated financial statements should be read in conjunction with those consolidated financial statements included in Form 10-K. In the opinion of Management, all adjustments considered necessary for fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the three months ended February 28, 2010 are not necessarily indicative of the results that may be expected for the year ending November 30, 2010.

Going Concern

The consolidated financial statements have been prepared on the basis of a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has a working capital deficiency of \$807,105 at February 28, 2010 (November 30, 2009 - \$763,149) and has incurred losses since inception of \$5,625,252 and further losses are anticipated in the development of its mineral properties raising substantial doubt as to the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on raising additional capital to fund ongoing exploration and development and ultimately on generating future profitable operations. Management plans to continue funding the Company's

operations with advances, other debt sources and further equity placements.

NOTE 2 CAPITAL STOCK

During the three month period ended February 28, 2010, the Company issued:

-

428,571 common shares for cash proceeds of \$30,000.

As at February 28, 2010, the Company had granted no stock options and had no stock options or warrants issued and outstanding.

NOTE 3 RELATED PARTY TRANSACTIONS

The Company paid or incurred the following amounts to directors of the Company, a former director and/or companies with common directors or officers:

Brookmount Explorations Inc.**(An Exploration Stage Company)**

Notes to Consolidated Financial Statements

(Unaudited)

NOTE 3 RELATED PARTY TRANSACTIONS *(continued)*

| | Three months ended | |
|-----------------------------|----------------------|----------------------|
| | February 28, 2010 | February 29, 2009 |
| General and administrative: | | |
| Consulting fees | \$ 30,000 | \$ 30,000 |
| Interest on loans | 1,279 | 1,780 |
| Management fees | 30,000 | 30,000 |
| | \$ 61,279 | \$ 61,780 |

The management and consulting fees were measured at the exchange amount which is the amount agreed upon by the transacting parties.

At February 28, 2010, \$355,583 (November 30, 2009 - \$335,583) is due to the President and CEO and a private company controlled by him for cash loans, fees and expenses incurred on behalf of the Company. These amounts are unsecured. The amounts due for unpaid management fees have no specific terms for repayment while the amounts due for cash advances are payable on demand. The amounts due for unpaid management fees are non-interest bearing while the amounts due for cash advances bear interest at a rate of 10% per annum. In addition, interest of \$8,794 (November 30, 2009 - \$7,797) has been accrued on cash advances and is included in accounts payable.

At February 28, 2010, \$238,401 (November 30, 2009 - \$229,438) is due to a shareholder for cash loans, fees and expenses incurred on behalf of the Company. These amounts are unsecured. The amounts due for unpaid consulting fees have no specific terms of repayment while the amounts due for cash advances are payable on demand. The amounts due for unpaid consulting fees are non-interest bearing while the amounts due for cash advances bearing while the amounts due for cash advances bear interest at a rate of 10% per annum. In addition, interest of \$1,958 (November 30, 2009 - \$1,769) has been accrued on cash advances and is included in accounts payable.

At February 28, 2010, \$14,065 (November 30, 2009 - \$14,065) is due to a former director. The amounts are unsecured and have no specific terms of repayment and is non-interest bearing.

NOTE 4 SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 9, 2010, which is the date these financial statements were issued.

Item 2. Management's Discussion and Analysis or Plan of Operation

This document includes statements that may constitute forward-looking statements made pursuant to the Safe Harbor provisions of the *Private Securities Litigation Reform Act of 1995*. We caution readers regarding certain forward-looking statements in this document, press releases, securities filings, and all other documents and communications. All statements, other than statements of historical fact, including statements regarding industry prospects and future results of operations or financial position, made in this Quarterly Report on Form 10-Q ("*Report*") are forward looking. The words "*believes*," "*anticipates*," "*estimates*," "*expects*," and words of similar import, constitute "*forward-looking statements*." While we believe in the veracity of all statements made herein, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by us, are inherently subject to significant business, economic and competitive uncertainties and contingencies and known and unknown risks. As a result of such risks, our actual results could differ materially from those expressed in any forward-looking statements made by, or on behalf of, our company. We will not necessarily update information if any forward-looking statement later turns out to be inaccurate. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including risks and uncertainties set forth in our Annual Report on Form 10-K, as well as in other documents we file with the Securities and Exchange Commission ("*SEC*").

The following information has not been audited. You should read this information in conjunction with the unaudited financial statements and related notes to the financial statements included in this report.

Plan of Operations

Our plan of operations for the near future is to complete a secondary exploration program on the Mercedes 100 property. We anticipate that this program will cost approximately \$250,000.

In addition, we anticipate spending \$60,000 on professional fees, \$120,000 on management fees, \$120,000 on consulting fees, \$40,000 on travel costs, \$40,000 on promotional expenses and \$40,000 on other administrative expenses in the next 12 months.

Total expenditures over the next 12 months are therefore expected to be \$670,000. We will not be able to proceed with either exploration program, or meet our administrative expense requirements, without additional financing.

We will require additional funding in order to proceed with exploration on the Mercedes 100 property and to cover administrative expenses. We anticipate that additional funding will be in the form of equity financing from the sale of our common stock or from director loans. We do not have any arrangements in place for any future equity financing or loans.

We are the beneficial owner of a 100% interest in the Mercedes 100 property, consisting of six mineral claims, as follows:

| Claim Name | Claim Number | Claim Area (Hectares) |
|----------------------|---------------------|------------------------------|
| Mercedes 100 | C-08020145X011 | 450.00 |
| Celeste | C-010151600 | 298.84 |
| Celeste No. 2 | C-010151500 | 218.58 |
| Celeste No. 4 | C-010151700 | 200.00 |
| Nuevo Herraje Cuatro | C-010154100 | 996.96 |
| Nueva Charo | C-010051101 | 446.93 |

Subsequently, we acquired the Confianza Claim (C-010079806) consisting of 500 hectares at the Mercedes 100 property.

On May 25, 2006, we entered into an option agreement (the *Agreement*) to acquire an option to purchase 100% of the issued share capital of 722161 B.C. Ltd (*722161 BC*) on the following terms:

1.

The issuance of 100,000 common shares upon execution of the Agreement (issued);

2.

Cash payments totaling CAD\$250,000 as follows:

-

August 15, 2006 - \$10,000; (paid)

-

September 15, 2006 - \$12,500; (paid)

-
November 15, 2006 - \$12,500; (unpaid)

-
\$12,500 (unpaid) on or before January 15, 2007 , and instalment payments of \$12,500 quarterly thereafter on or before the 15th days of April, July October and January of each year until the total of \$250,000 (unpaid) has been paid or satisfied;

3.

The issuance of 500,000 common shares in four equal tranches of 125,000 each on or before the 15th of October in each of 2006, 2007, 2008 and 2009. As at August 31, 2009, a total of 125,000 shares had been issued;

4.

We must incur exploration expenses of \$1,000,000 over a period of five years from the date of the Agreement. 722161 BC has a 56% interest in mineral claims located in the Rock Creek area of British Columbia, Canada.

On March 31, 2008, a formal notice of default was issued by 722161 BC. We had 30 days to cure the default, at which time the agreement terminated except as to our obligations prior to the default of approximately \$75,000, which we have recorded as a liability. We did not cure the default and the agreement terminated on April 30, 2008.

Results of Operations for Three Months Ending February 28, 2010

We did not earn any revenues during the three month period ending February 28, 2010 and 2009. We incurred operating expenses in the amount of \$73,956 for the three month period ended February 28, 2010 (2009 - \$70,396) consisting of general and administrative expenses and mineral property costs.

Related party transactions for the three months ended February 28, 2009 were \$61,279 (2009 - \$61,780), consisting of consulting fees, interest on loans and management fees. As of February 28, 2010, a total of \$355,583 (2009 - \$335,583) was due to the President and CEO and a private company controlled by him for cash loans, fees and expenses incurred on our behalf. These amounts are unsecured.

Liquidity and Capital Resources

At February 28, 2010, we had total assets of \$6,332, consisting entirely of cash, compared to \$21,947 as of November 30, 2009. At the same date, our liabilities consisted of accounts payable and accrued liabilities of \$205,388 and \$608,049 due to related parties. Our working capital deficiency as of February 28, 2010 was \$807,105, compared to a working capital deficiency of \$763,149 for the year ended November 30, 2009.

Off-Balance Sheet Arrangements

We do not maintain any off-balance sheet transactions, arrangements, or obligations that are reasonably likely to have a material effect on our financial condition, results of operations, liquidity, or capital resources.

Item 3.

Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

Item 4:

Controls and Procedures

Based on the evaluation of the effectiveness of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Exchange Act

Rules 13a-15(e) and 15d-15(e)) were effective during the period covered by this report.

There were no changes in our internal controls that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

PART II- OTHER INFORMATION

Item 1.

Legal Proceedings

We are not presently a party to any litigation.

Item 1A. Risk Factors

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

Item 2.

Unregistered Sales of Equity Securities and Use of Proceeds

During the three month period ended February 28, 2010, we issued 428,571 common shares for cash proceeds of \$30,000. :

These securities were sold in private transactions in accordance with Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder. The share issuances were made without the use of an underwriter or selling agent, and no commissions or underwriting discounts were paid in connection with such issuances.

Item 3.

Defaults Upon Senior Securities

None.

Item 4.

Submission of Matters to a Vote of Security Holders

None.

Item 5.

Other Information

None.

Item 6.

Exhibits and Report on Form 8-K

(a)

Exhibit(s)

31.1

Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14 Or 15d-14 of the *Securities Exchange Act Of 1934*,as adopted pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*

32.1

Certification of the 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*

(b)

Reports on Form 8-K

On February 16, 2010, we announced that on January 20, 2010, we were notified that the audit practice of Kempisty & Company, Certified Public Accountants, P.C., our independent registered public accounting firm ("*K&Co*"), was combined with MaloneBailey, LLP ("*MB*"), effective as of January 1, 2010. On January 20, 2010, *K&Co* resigned as our independent registered public accounting firm and, with the approval of the Audit Committee of our Board of Directors, *MB* was engaged as our independent registered public accounting firm.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATED: April 7, 2010

BROOKMOUNT EXPLORATIONS INC.

/s/ Peter Flueck

Peter Flueck,

Chief Executive Officer (Principal Executive Officer
and Principal Accounting Officer)