

MMEX Mining Corp
Form 10-Q
March 16, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 January 31, 2012

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

For the transition period from _____ to _____

Commission file number 333-152608

MMEX MINING CORPORATION
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

26-1749145
(I.R.S. Employer
Identification No.)

2626 Cole Avenue, Suite 610
Dallas, Texas
(Address of principal executive offices)

75204
(Zip Code)

Registrant's telephone number, including area code (214) 880-0400

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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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Non-accelerated filer (Do not check if a smaller reporting company) Smaller 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

The number of shares of Common Stock, par value \$0.01 per share, outstanding as of March 9, 2012 was 44,998,706.

MMEX MINING CORPORATION & SUBSIDIARIES
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 January 31, 2012

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MMEX MINING CORPORATION
(An Exploration Stage Company)
Consolidated Balance Sheets

	January 31, 2012 (Unaudited)	April 30, 2011
Assets		
Current assets:		
Cash	\$ 10,349	\$ 118,059
Escrow account	-	135,000
Other assets - current	15,000	-
Total current assets	25,349	253,059
Property and equipment, net	18,253	19,705
Other assets:		
Deferred loan costs - long term	31,322	48,822
Deposits	14,696	10,000
Total Assets	\$ 89,620	\$ 331,586
Liabilities and Stockholders' (Deficit)		
Current liabilities:		
Accounts payable, including related party amounts of \$8,033 and \$35,818 at January 31, 2012 and April 30, 2011, respectively	\$ 448,282	\$ 520,788
Accrued expenses	676,181	453,405
Convertible notes, net of discount of \$123,124 and \$649,735 at January 31, 2012 and April 30, 2011, respectively	820,626	25,265
Notes payable, including related party amounts of \$290,000 and net of discount of \$309,312 and \$0 at January 31, 2012 and April 30, 2011, respectively	1,405,688	640,000
Convertible preferred stock	137,500	-
Total current liabilities	3,488,277	1,639,458
Long-term liabilities:		
Preferred stock redemption right, net of \$959,674 and \$976,438 discount at January 31, 2012 and April 30, 2011, respectively	40,326	23,562
Total Liabilities	3,528,603	1,663,020
Stockholders' (Deficit):		
Common stock, \$0.001 par value, 45,000,000 shares authorized, 15,867,806 and 11,165,761 shares issued and outstanding at January 31, 2012 and April 30, 2011, respectively	158,678	111,657
Common stock payable	21,875	-
Additional paid in capital	10,703,554	9,285,280

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Non-controlling interest	(210,544)	(111,920)
Accumulated (deficit) during the exploration stage	(14,112,546)	(10,616,451)
Total Stockholders' (Deficit)	(3,438,983)	(1,331,434)
Total Liabilities and Stockholders' (Deficit)	\$89,620	\$331,586

See accompanying notes to financial statements.

MMEX MINING CORPORATION
(An Exploration Stage Company)
Consolidated Statements of Operations
(Unaudited)

	For the three months ended January 31, 2012		For the nine months ended January 31, 2012		For the period May 23, 2007 (Inception) through January 31, 2012
Revenue:					
Revenues	\$-	\$-	\$-	\$-	\$10,000
Operating Expenses:					
Exploration and development	-	282,512	1,894	536,248	3,207,262
General and administrative	120,061	110,015	523,661	572,996	4,341,499
Payroll and taxes	120,051	153,608	367,622	491,403	2,179,776
Professional fees	110,237	174,406	274,899	775,163	3,418,512
Depreciation and amortization	1,219	2,048	3,614	5,635	17,797
Total operating expenses	351,568	722,589	1,171,690	2,381,445	13,164,846
Net operating (loss)	(351,568)	(722,589)	(1,171,690)	(2,381,445)	(13,154,846)
Other income (expense):					
Interest income	-	-	-	-	59
Gain on disposition of property	-	-	-	-	2,592,023
Loss on disposal of fixed assets	-	(11,351)	(3,651)	(11,351)	(15,002)
Loss on debt conversion	(53,453)	-	(53,453)	-	(53,453)
Impairment expense	-	-	(932,454)	-	(2,762,454)
Interest expense	(264,462)	(91,386)	(1,433,471)	(164,289)	(2,388,019)
Total other income (expense)	(317,915)	(102,737)	(2,423,029)	(175,640)	(2,626,846)
Net (loss) before non-controlling interest	(669,483)	(825,326)	(3,594,719)	(2,557,085)	(15,781,692)
Non-controlling interest in loss of consolidated subsidiaries	19,619	102,096	98,624	369,984	1,669,146
Net (loss)	\$(649,864)	\$(723,230)	\$(3,496,095)	\$(2,187,101)	\$(14,112,546)
Weighted average number of common shares outstanding - basic and fully diluted	13,317,840	9,974,478	12,135,201	7,309,582	
Net (loss) per share - basic and fully diluted	\$(0.05)	\$(0.07)	\$(0.29)	\$(0.30)	

See accompanying notes to financial statements.

MMEX MINING CORPORATION
 (An Exploration Stage Company)
 Consolidated Statement of Stockholders' Equity (Deficit) and Members' Interests
 (Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Common Stock Payable	Accumulated (Deficit)	Non-controlling Interests	Total Stockholders Equity (deficit) and Members' Interests
Balance, May 23, 2007 (Inception)	5,000,000	\$ 50,000	\$ (50,000)	\$ -	\$ -	\$ -	\$ -
Acquisition of subsidiary, Carpenter Creek, LLC, 75% interest	-	-	-	-	-	69,411	69,411
Note receivable issued as capital contributions from members	-	-	453,563	-	-	69,668	523,231
Acquisition of subsidiary, Carpenter Creek, LLC, 2.5% interest	-	-	(65,208)	-	-	65,208	-
Capital contributions from members	-	-	2,906,086	-	-	447,414	3,353,500
Net (loss) for the period from May 23, 2007 (Inception) through April 30, 2008	-	-	-	-	(3,327,375)	(638,912)	(3,966,287)
Balance, April 30, 2008	5,000,000	\$ 50,000	\$ 3,244,441	\$ -	\$ (3,327,375)	\$ 12,789	\$ (20,145)
Capital contributions from members	-	-	2,762,446	-	-	468,735	3,231,181
Net (loss) for the year ended April 30, 2009	-	-	-	-	(2,305,551)	(364,765)	(2,670,316)
	5,000,000	\$ 50,000	\$ 6,006,887	\$ -	\$ (5,632,926)	\$ 116,759	\$ 540,720

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Balance, April 30, 2009								
Acquisition of subsidiary, Carpenter Creek, LLC, 2.5% interest	-	-	(473,385)	-	-	(26,615)	(500,000)	
Capital contributions from members	-	-	1,306,505	-	-	299,849	1,606,354	
Net (loss) for the year ended April 30, 2010	-	-	-	-	(1,506,729)	(392,033)	(1,898,762)	
Balance, April 30, 2010	5,000,000	\$ 50,000	\$ 6,840,007	\$ -	\$ (7,139,655)	\$ (2,040)	\$ (251,688)	
Distribution of property, Snider Ranch property	-	-	-	-	-	(282,651)	(282,651)	
Common stock issued for services	50,000	500	164,500	-	-	-	165,000	
Imputed interest on related party advances	-	-	1,650	-	-	-	1,650	
Effect of reverse acquisition merger	4,584,427	45,844	(131,676)	15,000	-	-	(70,832)	
Capital contributions from shareholder	-	-	343,139	-	-	97,604	440,743	
Capital contributions from members	-	-	268,052	-	-	15,000	283,052	
Acquisition of subsidiary, Armadillo Holdings 1.88% interest	31,334	313	(22,839)	-	-	22,526	-	
Issuance of shares related to reverse merger	1,500,000	15,000	-	(15,000)	-	-	-	
Discount from the issuance of Notes allocated to warrants	-	-	1,034,900	-	-	-	1,034,900	
Discount from the issuance of Preferred Stock allocated to	-	-	1,000,000	-	-	-	1,000,000	

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warrants								
Dividend payable	-	-	-	-	(10,685)	-	(10,685)	
Issuance of subsidiary ownership interests beneficial conversion feature	-	-	(212,453)	-	-	212,453	-	
Net (loss) for the year ended April 30, 2011	-	-	-	-	(3,466,111)	(174,812)	(3,640,923)	
Balance, April 30, 2011	11,165,761	\$ 111,657	\$ 9,285,280	\$ -	\$ (10,616,451)	\$ (111,920)	\$ (1,331,434)	
Rounding of shares on stock reverse	2	-	-	-	-	-	-	
Discount from the issuance of Notes allocated to warrants	-	-	602,051	-	-	-	602,051	
Financing fee for warrants issued as additional consideration	-	-	240,734	-	-	-	240,734	
Issuance of shares related to reverse merger	1,000,000	10,000	(10,000)	-	-	-	-	
Issuance of common stock for cash	562,500	5,625	86,375	-	-	-	92,000	
Conversion of convertible preferred stock to common stock	2,983,293	29,832	357,995	21,875	-	-	409,702	
Beneficial conversion feature on convertible note	-	-	80,182	-	-	-	80,182	
Conversion of debenture to common stock	156,250	1,564	60,937	-	-	-	62,501	
Net (loss) for the nine months ended January 31, 2012	-	-	-	-	(3,496,095)	(98,624)	(3,594,719)	
Balance, January 31, 2012	15,867,806	\$ 158,678	\$ 10,703,554	\$ 21,875	\$ (14,112,546)	\$ (210,544)	\$ (3,438,983)	

See accompanying notes to financial statements.

MMEX MINING CORPORATION
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Unaudited)

	For the nine months ended		For the period from May 23, 2007 (Inception) through January 31, 2012
	2012	2011	
Cash flows from operating activities			
Net (loss)	\$(3,496,095)	\$(2,187,101)	(14,112,546)
Non-controlling interest in net (loss)	(98,624)	(369,984)	(1,669,146)
Adjustments to reconcile net (loss) to net cash (used in) provided by operating activities:			
Depreciation expense	3,614	5,635	17,797
Loss on disposal of assets	3,651	11,351	15,002
Common stock issued for services	-	165,000	165,000
Imputed interest	-	40,889	1,650
Amortization of debt discount	1,296,296	-	1,835,023
Loss on conversion of debt	53,453	-	53,453
Impairment expense	932,454	-	2,762,454
Financing fee on issuance of warrants	240,734	-	240,734
Amortization of deferred loan costs	7,500	-	7,500
Decrease (increase) in assets:			
Prepaid expenses	-	61,626	-
Related party receivable	(173,579)	-	(173,579)
Deferred loan costs	-	-	(48,822)
Other assets	(9,696)	-	(19,696)
Increase (decrease) in liabilities:			
Accounts payable, including related party amounts of \$8,033 and \$88,097 at January 31, 2012 and 2011, respectively	(73,045)	582,173	447,743
Accrued expenses	396,894	195,242	850,299
Net cash (used in) operating activities	(916,443)	(1,495,169)	(9,627,134)
Cash flows from investing activities			
Proceeds from sale of Carpenter Creek - held in escrow	135,000	-	-
Proceeds from sale of Snider Ranch	-	-	1,130,602
Purchase of Hunza option	(932,454)	-	(2,762,454)
Purchase of fixed assets	(5,813)	(15,325)	(54,062)
Proceeds from sale of fixed assets	-	3,010	3,010
Net cash (used in) investing activities	(803,267)	(12,315)	(1,682,904)
Cash flows from financing activities			
Capital contributions from members	-	723,796	8,023,387
Acquisition of noncontrolling interest	-	-	(500,000)

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Proceeds from debt	1,160,000	550,000	4,234,900
Proceeds from issuance of Preferred Stock	360,000	-	1,360,000
Proceeds from issuance of Common Stock	92,000	-	92,000
Advances from related parties	-	1,501,294	-
Payments on notes payable	-	(1,198,446)	(1,889,900)
Net cash provided by financing activities	1,612,000	1,576,644	11,320,387
Net increase (decrease) in cash	(107,710)	69,160	10,349
Cash - beginning	118,059	314	-
Cash - ending	\$ 10,349	\$ 69,474	\$ 10,349
Supplemental disclosures:			
Interest paid	\$-	\$ 155,406.00	\$ 483,723
Income taxes paid	\$-	\$-	\$-
Non-cash investing and financing transactions:			
Note receivable issued as capital contributions	\$-	\$-	\$ 523,231
Distribution of property, Snider Ranch	\$-	\$(1,413,253)	\$(282,651)
Effect of reverse acquisition merger	\$-	\$(70,832)	\$(70,832)
Conversion of minority interest into equity	\$-	\$(22,839)	\$(22,839)
Additional ownership interest in subsidiary	\$-	\$-	\$ 212,453
Issuance of contingent consideration from merger	\$ 10,000	\$-	\$ 10,000
Stock issued for conversion of debt	\$ 418,750	\$-	\$ 418,750
Preferred Stock beneficial conversion feature	\$-	\$-	\$ 1,000,000
Common Stock beneficial conversion feature	\$ 80,182	\$-	\$ 80,182
Debt discount on issuance of warrants	\$ 602,051	\$ 450,000	\$ 1,636,951

See accompanying notes to financial statements.

Note 1 – Nature of Business and Significant Accounting Policies

On May 25, 2011, the Board of Directors approved a 1 for 10 reverse stock split of its common stock. All references in the accompanying financial statements to the number of shares of common stock and loss per share have been retroactively restated to reflect the reverse stock split.

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of the following entities, all of which the Company maintains control through a majority ownership:

Name of Entity	%	Form of Entity	State of Incorporation	Relationship
MMEX Mining Corporation (“MMEX”)	-	Corporation	Nevada	Parent
MCC Merger, Inc. (“MCCM”)	100%	Corporation	Delaware	Holding Sub
Maple Carpenter Creek Holdings, Inc. (“MCCH”)	100%	Corporation	Delaware	Subsidiary
Maple Carpenter Creek, LLC (“MCC”)	80%	LLC	Nevada	Subsidiary
Carpenter Creek, LLC (“CC”)	95%	LLC	Delaware	Subsidiary
Armadillo Holdings Group Corp. (“AHGC”)		Corporation	British Virgin Isl.	Subsidiary
	100%			
Armadillo Mining Corp. (“AMC”)		Corporation	British Virgin Isl.	Subsidiary
	96.6%			

The condensed consolidated financial statements herein contain the operations of the above listed subsidiaries as of the dates and for the periods as indicated. All significant inter-company transactions have been eliminated in the preparation of these financial statements. On September 21, 2010 the Company’s wholly-owned subsidiary, MCC Merger, Inc. (“Acquisition Sub”), formed previous to the merger, and Maple Carpenter Creek Holdings, Inc. (“The Target Company”) entered into an Agreement and Plan of Merger (the “Merger Agreement”). Under the Merger Agreement, as closed on September 23, 2010, Acquisition Sub merged with and into the Target Company, with the Target Company remaining as the surviving corporation and wholly-owned subsidiary of the Company (the “Merger”). Going forward, the Company will be a holding company parent of the Target Company, and the Company’s business operations following the Merger will be those of the Target Company.

The Company has adopted a fiscal year end of April 30th.

The Company’s functional and reporting currency is the United States dollar. Monetary assets and liabilities denominated in foreign currencies are translated in accordance with ASC 820, using the exchange rate prevailing at the balance sheet date. Gains and losses arising on settlement of foreign currency denominated transactions or balances are included in the determination of income. Foreign currency transactions are primarily undertaken in the Colombian peso. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

The accounting policies followed by MMEX Mining Corporation are set forth in the Company’s financial statements that are a part of its April 30, 2011, Form 10K and should be read in conjunction with the financial statements for the three and nine months ended January 31, 2012, contained herein.

The financial information included herein as of January 31, 2012, and for the three and nine month periods ended January 31, 2012 and 2011, has been presented without an audit, pursuant to accounting principles for the interim financial information generally accepted in the United States of America and the rules of the Securities and Exchange Commission. The Company believes that the disclosures are adequate to make the information presented not misleading. The information presented reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the period.

Organization

MMEX Mining Corporation (the Company or “MMEX”) was formed in the State of Nevada on May 19, 2005 as Inkie Entertainment Group, Inc., for the purpose of engaging in the production, distribution and marketing of filmed entertainment products. On January 15, 2008, the Company changed its name to Quantum Information, Inc. In January 2009, the Company announced that it would transition out of the filmed entertainment products business and into the coal business. As part of that transition, on January 14, 2009, the Company sold all of its assets in exchange for the surrender to the Company of 400,000 shares of the Company’s common stock, and the assumption of all of the Company’s liabilities. The Company also changed its name to MGMT Energy, Inc. on February 5, 2009 and to Management Energy, Inc. on May 28, 2009 to better reflect the Company’s business focus. On September 23, 2010, the Company, through a reverse merger, acquired 100% of the outstanding shares of Maple Carpenter Creek Holdings, Inc., (“MCCH”) a Delaware Corporation, organized on October 15, 2009 as a holding Company with an 80% interest in Maple Carpenter Creek, LLC (“MCC”), which in turn owns a 95% interest in the subsidiary, Carpenter Creek, LLC (“CC”), and a 98.12% interest in Armadillo Holdings Group Corp. (“AHGC”), which in turn owned at October 31, 2011 a 94.6% interest in Armadillo Mining Corp. (“AMC”). The non-controlling interest of 1.88% in AHGC was subsequently acquired by MCCH on December 21, 2010 in exchange for 31,334 shares of MMEX. On February 22, 2011, the Company amended its articles of incorporation to change the corporate name from Management Energy, Inc. to MMEX Mining Corporation.

Nature of Business