

Edgar Filing: BROOKMOUNT EXPLORATIONS INC - Form 10QSB

BROOKMOUNT EXPLORATIONS INC

Form 10QSB

July 14, 2006

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-QSB

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

For the quarterly period ended May 31, 2006  
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☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-26709  
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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.)

999 Canada Place - Suite 404  
Vancouver, British Columbia V6C 3E2  
-----

(Address of principal executive offices)

604-676-5244  
(Issuer's telephone number)

-----  
(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 Exchange Act during the past 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 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: 29,334,502 shares of \$0.001 par value

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common stock outstanding as of July 7, 2006.

BROOKMOUNT EXPLORATIONS INC.

(An Exploration Stage Company)

INTERIM FINANCIAL STATEMENTS

MAY 31, 2006  
(Unaudited)

BALANCE SHEETS

INTERIM STATEMENTS OF OPERATIONS

INTERIM STATEMENTS OF CASH FLOWS

STATEMENT OF STOCKHOLDERS' EQUITY

NOTES TO THE INTERIM FINANCIAL STATEMENTS

BROOKMOUNT EXPLORATIONS INC.  
(An Exploration Stage Company)  
BALANCE SHEETS

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|                                                  | May 31,<br>2006<br>----<br>(Unaudited) |
|--------------------------------------------------|----------------------------------------|
| <b>ASSETS</b><br>-----                           |                                        |
| Current assets                                   |                                        |
| Cash                                             | \$ 11,363                              |
| Prepaid expenses                                 | -                                      |
| Advances - Note 2                                | 15,000                                 |
|                                                  | -----                                  |
|                                                  | 26,363                                 |
| Capital assets - Note 3                          | 1,056                                  |
|                                                  | -----                                  |
|                                                  | \$ 27,419                              |
|                                                  | =====                                  |
| <b>LIABILITIES</b><br>-----                      |                                        |
| Current liabilities                              |                                        |
| Accounts payable and accrued liabilities         | \$ 39,969                              |
| Due to related parties - Note 6                  | 155,872                                |
|                                                  | -----                                  |
|                                                  | 195,841                                |
|                                                  | -----                                  |
| <b>STOCKHOLDERS' DEFICIT</b><br>-----            |                                        |
| Common stock, \$0.001 par value - Note 5         |                                        |
| 200,000,000 shares authorized                    |                                        |
| 25,870,677 shares issued (2005 - 16,768,685)     | 25,870                                 |
| Additional paid-in capital                       | 5,460,762                              |
| Stock subscriptions receivable                   | (6,600)                                |
| Deficit accumulated during the exploration stage | (5,648,454)                            |
|                                                  | -----                                  |
|                                                  | (168,422)                              |
|                                                  | -----                                  |
|                                                  | \$ 27,419                              |
|                                                  | =====                                  |
| Going Concern - Note 1                           |                                        |
| Litigation - Note 8                              |                                        |

SEE ACCOMPANYING NOTES

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BROOKMOUNT EXPLORATIONS INC.  
(An Exploration Stage Company)  
INTERIM STATEMENTS OF OPERATIONS  
(Unaudited)

|                                                  | Three months ended<br>May 31 |             | Six months<br>ended May 31 |
|--------------------------------------------------|------------------------------|-------------|----------------------------|
|                                                  | 2006                         | 2005        | 2006                       |
|                                                  | ----                         | ----        | ----                       |
| Expenses                                         |                              |             |                            |
| General and administrative                       | \$ 1,836,873                 | \$ 93,787   | \$ 2,569,544               |
| - Notes 2, 5 and 6                               |                              |             |                            |
| Mineral property costs                           |                              |             |                            |
| - Notes 5, and 6                                 | 2,660                        | -           | 15,310                     |
|                                                  | -----                        | -----       | -----                      |
| Net loss                                         | \$ (1,839,533)               | \$ (93,787) | \$ (2,584,854)             |
|                                                  | =====                        | =====       | =====                      |
| Basic and diluted loss per share                 | \$ (0.07)                    | \$ (0.00)   | \$ (0.11)                  |
|                                                  | =====                        | =====       | =====                      |
| Weighted average number of shares<br>outstanding | 23,363,466                   | 15,665,403  | 22,893,156                 |
|                                                  | =====                        | =====       | =====                      |

SEE ACCOMPANYING NOTES

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BROOKMOUNT EXPLORATIONS INC.  
(An Exploration Stage Company)  
INTERIM STATEMENTS OF CASH FLOWS  
(Unaudited)

Six months ended  
May 31,  
2006 2005

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|                                                                    |                |                |
|--------------------------------------------------------------------|----------------|----------------|
|                                                                    | ----           | ----           |
| Cash Flows from Operating Activities                               |                |                |
| Net loss                                                           | \$ (2,584,854) | \$ (2,213,479) |
| Add items not affecting cash:                                      |                |                |
| Depreciation                                                       | 186            | 266            |
| Capital contributions                                              | -              | -              |
| Capital stock issued for services                                  | 2,052,867      | -              |
| Mineral property costs                                             | 10,000         | 2,000,000      |
| Provision for irrecoverable advance                                | 193,617        | -              |
| Changes in non-cash working capital balances related to operations |                |                |
| Prepaid expenses                                                   | 5,000          | (3,423)        |
| Accounts payable and accrued liabilities                           | 6,746          | (10,088)       |
|                                                                    | -----          | -----          |
| Net cash used in operations                                        | ( 316,440)     | (226,724)      |
|                                                                    | -----          | -----          |
| Cash Flows from Investing Activities                               |                |                |
| Advances                                                           | (165,000)      | (31,860)       |
| Acquisition of capital assets                                      | -              | -              |
|                                                                    | -----          | -----          |
| Net cash used in investing activities                              | (165,000)      | (31,860)       |
|                                                                    | -----          | -----          |
| Cash Flows from Financing Activities                               |                |                |
| Due to related parties                                             | 97,356         | 992            |
| Capital stock issued, net                                          | 375,000        | 276,687        |
|                                                                    | -----          | -----          |
| Net cash generated by financing activities                         | 472,356        | 276,687        |
|                                                                    | -----          | -----          |
| Increase (decrease) in cash                                        | ( 9,084)       | 18,103         |
| Cash, beginning                                                    | 20,447         | 51,103         |
|                                                                    | -----          | -----          |
| Cash, end                                                          | \$ 11,363      | \$ 69,206      |
|                                                                    | =====          | =====          |
| Supplemental Disclosure of Cash Flow Information                   |                |                |
| Cash paid for:                                                     |                |                |
| Interest                                                           | \$ -           | \$ -           |
|                                                                    | =====          | =====          |
| Income taxes                                                       | \$ -           | \$ -           |
|                                                                    | =====          | =====          |

Non-cash transactions - Note 7

SEE ACCOMPANYING NOTES

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BROOKMOUNT EXPLORATIONS INC.  
(An Exploration Stage Company)  
STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)  
for the period December 9, 1999 (Date of Inception) to May 31, 2006  
(Unaudited)

|                                            | Common Shares |           | Additional | Stock         |
|--------------------------------------------|---------------|-----------|------------|---------------|
|                                            | Number        | Par Value | Paid-in    | Subscriptions |
|                                            | -----         | -----     | -----      | -----         |
| Balance, as at December 9, 1999            | -             | \$ -      | \$ -       | \$ -          |
| Capital stock issued for cash - at \$0.001 | 3,500,000     | 3,500     | -          | -             |
| Capital stock issued for cash - at \$0.002 | 5,750,000     | 5,750     | 5,750      | -             |
| Capital stock issued for cash - at \$0.20  | 32,400        | 32        | 6,448      | -             |
| Contributions to capital by officers       | -             | -         | 9,000      | -             |
| Net loss                                   | -             | -         | -          | -             |
|                                            | -----         | -----     | -----      | -----         |
| Balance, as at November 30, 2000           | 9,282,400     | 9,282     | 21,198     | -             |
| Contributions to capital by officers       | -             | -         | 9,000      | -             |
| Net loss                                   | -             | -         | -          | -             |
|                                            | -----         | -----     | -----      | -----         |
| Balance, as at November 30, 2001           | 9,282,400     | 9,282     | 30,198     | -             |
| Contributions to capital by officers       | -             | -         | 9,000      | -             |
| Net loss                                   | -             | -         | -          | -             |
|                                            | -----         | -----     | -----      | -----         |
| Balance, as at November 30, 2002           | 9,282,400     | 9,282     | 39,198     | -             |
| Capital stock issued for cash - at \$0.25  | 176,500       | 177       | 43,948     | -             |
| Capital stock issued for cash - at \$0.50  | 250,000       | 250       | 125,262    | -             |
| Contributions to capital by officers       | -             | -         | 2,250      | -             |
| Net loss                                   | -             | -         | -          | -             |
|                                            | -----         | -----     | -----      | -----         |
| Balance, as at November 30, 2003           | 9,708,900     | 9,709     | 210,658    | -             |
| Capital stock issued for cash - at \$0.50  | 575,948       | 576       | 287,398    | (100)         |
| Net loss                                   | -             | -         | -          | -             |
|                                            | -----         | -----     | -----      | -----         |
| Balance, as at November 30, 2004           | 10,284,848    | 10,285    | 498,056    | (100)         |

...Cont'd

SEE ACCOMPANYING NOTES

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BROOKMOUNT EXPLORATIONS INC.  
(An Exploration Stage Company)

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STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)  
for the period December 9, 1999 (Date of Inception) to May 31, 2006  
(Unaudited)

|                                                       | Common Shares |           | Additional<br>Paid-in | Stock<br>Subscriptions |
|-------------------------------------------------------|---------------|-----------|-----------------------|------------------------|
|                                                       | Number        | Par Value | Capital               | Receivable             |
| Capital stock issued for cash - at \$0.21             | 100,000       | 100       | 21,130                | -                      |
| Capital stock issued for cash - at \$0.25             | 200,000       | 200       | 46,300                | -                      |
| Capital stock issued for cash - at \$0.35             | 134,100       | 134       | 46,867                | (6,500)                |
| Capital stock issued for cash - at \$0.40             | 62,500        | 63        | 24,937                | -                      |
| Capital stock issued for cash - at \$0.50             | 411,190       | 411       | 205,184               | -                      |
| Capital stock issued for cash - at \$0.56             | 35,714        | 35        | 19,965                | -                      |
| Capital stock issued for cash - at \$0.60             | 10,333        | 10        | 6,190                 | -                      |
| Capital stock issued for cash - at \$0.63             | 30,000        | 30        | 18,870                | -                      |
| Capital stock issued for mineral property - at \$0.40 | 5,000,000     | 5,000     | 1,995,000             | -                      |
| Capital stock issued for mineral property - at \$0.30 | 500,000       | 500       | 149,500               | -                      |
| Net loss                                              | -             | -         | -                     | -                      |
| Balance, as at November 30, 2005                      | 16,768,6      | 16,768    | 3,031,999             | (6,600)                |
| Capital stock issued for cash - at \$0.40             | 759,975       | 760       | 274,240               | -                      |
| - at \$0.60                                           | 163,001       | 163       | 99,837                | -                      |
| Capital stock issued for mineral property - at \$0.75 | 100,000       | 100       | 9,900                 | -                      |
| Capital stock issued for services                     | 7,921,000     | 7,921     | 2,021,242             | -                      |
| Capital stock issued for debt                         | 158,016       | 158       | 23,544                | -                      |
| Deferred compensation                                 | -             | -         | -                     | -                      |
| Net loss                                              | -             | -         | -                     | -                      |
| Balance, as at May 31, 2006                           | 25,870,677    | \$ 25,870 | \$5,460,762           | \$ (6,600)             |

SEE ACCOMPANYING NOTES

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### Note 1 Nature of Continued Operations and Basis of Presentation

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The Company is an exploration stage company. The Company was organized for the purpose of acquiring, exploring and developing mineral properties. The recoverability of amounts from properties acquired will be dependant upon discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying property, the ability of the Company to obtain necessary financing to satisfy the expenditure requirements under the property agreement and to complete the development of the property and upon future profitable production.

#### Going Concern

-----

The 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 \$169,478 at May 31, 2006 and has incurred losses since inception of \$5,648,454 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. The Company will continue to fund operations with advances, other debt sources and further equity placements.

#### Unaudited Interim Financial Statements

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The accompanying unaudited interim financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB of Regulation S-B. 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 financial statements for the year ended November 30, 2005 included in the Company's Annual Report on Form 10-KSB/A filed with the Securities and Exchange Commission. The interim unaudited financial statements should be read in conjunction with those financial statements included in the Form 10-KSB/A. In the opinion of Management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the six months ended May 31, 2006 are not necessarily indicative of the results that may be expected for the year ending November 30, 2006.

### Note 2 Advances

-----

On May 13, 2005, the Company signed a "Letter of Agreement" with a private corporation Jemma Resources Corp. ("Jemma") to acquire 100% of the outstanding capital stock of Jemma. Significant terms contained in the Letter of Agreement were the appointment of two of Jemma's directors to the Company's board of directors, Jemma's completing a debt financing of \$15 million, and the Company's right to elect not to proceed with the transaction thereby resulting in all advances made to Jemma by the Company being refundable, and the replacement of the Letter of Agreement with a

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binding contract. The purchase price consisted of 3,000,000 shares of common stock of the Company, 3,000,000 share purchase warrants at US\$1.50 per warrant exercisable within 24 months from the date of the agreement and approximately CDN\$75,000 in refundable advances to secure an extension for the option to purchase a mineral property and for operating costs. During May 2005 two directors of

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BROOKMOUNT EXPLORATIONS INC.  
(An Exploration Stage Company)  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
May 31, 2006  
(Unaudited)

Jemma were appointed to the Company's board of directors. During the year ended November 30, 2005, the Company advanced \$43,617 (CDN \$54,400) pursuant to the Letter of Agreement. At November 30, 2005 the Letter of Agreement had not been replaced by a binding contract and Jemma had not raised the debt financing as contemplated in the Letter of Agreement. Accordingly the Company's management decided not to proceed with this transaction. The decision was as a result of the Company's due diligence and Jemma's inability to raise the agreed financing. As a result, the advances totaling \$43,617 became refundable pursuant to the terms of the Letter of Agreement. As of May 31, 2006, the Company has not received the funds from Jemma. Due to delays in collecting this advance the Company provided fully against the \$43,617 during the period ending May 31, 2006.

During the period ending May 31, 2006, \$150,000 was withdrawn from the Company's bank account by a former director of the Company. The former director was not an authorized signatory on the Company's bank account and had not been granted any such authority to withdraw the funds by the Company's Board of Directors. Upon completion of an investigation, the Company determined that the former director had not used the funds for corporate purposes. The Company has worked for several months to have this director return the money to the Company on a voluntary basis. To date, the money has not been returned. The Company has also demanded from the bank that the money be returned as it believes the bank is responsible since the director was not a signatory to the account and did not otherwise have authority to have the funds removed from the account. The Company is in the process of commencing legal proceedings against the former director in an effort to recover the \$150,000. Due to the uncertainty of collection the Company provided fully against the \$150,000 during the period ending May 31, 2006 (See note 8).

Note 3            Capital Assets

-----

May 31, 2006

| Cost | Accumulated<br>Depreciation |
|------|-----------------------------|
|------|-----------------------------|

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|                    |    |       |    |       |       |
|--------------------|----|-------|----|-------|-------|
| Computer equipment | \$ | 1,813 | \$ | 757   | \$    |
|                    |    | ===== |    | ===== | ===== |

## Note 4 Mineral Properties

### a) Brookmount Claims, Abitibi West County, Quebec, Canada

During 2003 the Company acquired five mineral claims located in the Chazel Township, in the Province of Quebec for \$47,779. The claims are in good standing until November 14, 2006.

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## BROOKMOUNT EXPLORATIONS INC. (An Exploration Stage Company) NOTES TO THE INTERIM FINANCIAL STATEMENTS May 31, 2006 (Unaudited)

### b) Mercedes Property, Junin, Peru

Pursuant to a property acquisition agreement dated July 3, 2003 and amended on January 24, 2005, the Company acquired a 100% interest in 2,611 hectares located in Central Peru from a director of the Company (the "Vendor") for consideration of \$22,500 (paid) and the issuance of 5,000,000 common shares valued at \$0.40 per share (issued). The property is held in trust by the Vendor for the Company. Upon request from the Company the title will be recorded in the name of the Company. At May 31, 2006 the title of this property has not been recorded in the name of the Company.

### c) Rock Creek Claims, British Columbia, Canada

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

1. The Company must issue 100,000 common shares upon execution of the Agreement (issued);
2. The Company must make cash payments totalling CAD\$250,000 as follows:
  - August 15, 2006 \$10,000;
  - September 15, 2006 \$12,500;
  - November 15, 2006 \$12,500;
  - \$12,500 on or before January 15, 2007, and installment 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 has been paid or satisfied;
3. The Company must issue 500,000 common shares in four equal tranches of 125,000 each on or before the 15th days of October in each of 2006, 2007, 2008 and 2009;

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4. The Company must incur exploration expenses of \$1,000,000 over a period of five years from the date of the Agreement.

BC Ltd has a 56% interest in mineral claims located in the Rock Creek area of British Columbia, Canada.

Due to the preliminary stage of exploration activities on the Company's properties, to date, all mineral property acquisition cost have been impaired.

### Note 5 Capital Stock

During the six months ended May 31, 2006, the Company issued 922,976 shares of common stock pursuant a private placement for total proceeds of \$375,000.

During the six months ended May 31, 2006, the Company issued:

- 100,000 shares of common stock pursuant the proposed acquisition of a mineral property (See note 4c);

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### BROOKMOUNT EXPLORATIONS INC. (An Exploration Stage Company) NOTES TO THE INTERIM FINANCIAL STATEMENTS May 31, 2006 (Unaudited)

- 4,291,000 shares of common stock with a fair value of \$1,390,284 to a director for business and consulting (See note 2, 6 and 8).
- 3,630,000 shares of common stock with a fair value of \$638,880 to its directors for the services provided to date;
- 158,016 shares of common stock with a fair value of \$23,702 pursuant to a debt settlement agreement.

To May 31, 2006, the Company has not granted any stock options or warrants.

### Note 6 Related Party Transactions

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

|                             | Six months ended<br>May 31, |         |
|-----------------------------|-----------------------------|---------|
|                             | 2006                        | 2005    |
|                             | ----                        | ----    |
| General and administrative: |                             |         |
| Consulting fees             | \$ 2,054,349                | \$ -    |
| Management fees             | 150,000                     | 102,000 |
|                             | -----                       | -----   |

|       |           |       |         |
|-------|-----------|-------|---------|
| \$    | 2,204,349 | \$    | 102,000 |
| ===== |           | ===== |         |

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

Amounts due to related parties at May 31, 2006 are due to directors of the Company in respect to unpaid management fees and cash advances amounted to \$82,576 (November 31, 2005-\$58,516) and \$73,296 (November 31, 2005-\$Nil), respectively. 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 due on December 31, 2006. 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.

During the six months ended May 31, 2006, the Company issued 4,291,000 shares of its common stock with a fair value of \$1,390,284 to a director for services to be rendered during the 2006 fiscal year. Initially this amount was deferred and expensed over the duration of the 2006 fiscal year. On April 26, 2006 the services of this director were terminated (See Notes 2, 6 and 8). During the period ended May 31, 2006 the Company expensed the deferred amount of \$1,039,495 as no further services will be rendered by this director. The Company is currently evaluating its legal options to cancel these shares, in full or in part.

During the six months ended May 31, 2006, the Company issued 3,630,000 shares of its common stock with a fair value of \$638,880 to its directors for the services provided.

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BROOKMOUNT EXPLORATIONS INC.  
(An Exploration Stage Company)  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
May 31, 2006  
(Unaudited)

Note 7      Non-cash Transactions  
-----

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows. During the six months ended May 31, 2006, the Company issued:

- a) 100,000 common shares valued at \$0.10 per share pursuant to the Agreement with BC Ltd (See note 4c).
- b) 4,291,000 shares of common stock with a fair value of \$1,390,284 to a former director for business and consulting services to be provided.
- c) 3,630,000 shares of common stock with a fair value of \$638,880 to its directors for the services provided to date.

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- d) 158,016 shares of common stock with a fair value of \$23,703 pursuant to a debt settlement agreement.

These transactions were excluded from the statement of cash flows for the period ended May 31, 2006, and for the period December 9, 1999 (Date of Inception) to May 31, 2006.

### Note 8            Litigation -----

On June 29, 2006 a former director of the Company commenced legal action against the Company and its directors (See notes 2 and 6). The former director is claiming damages in excess of \$5,000,000 for alleged breach of contract, libel, fraud, intentional deceit, wrongful conduct and emotional distress. The Company and directors deny all of these claims, believe they are without merit and plan to vigorously defend themselves against all of these claims. (See note 2).

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

### FORWARD LOOKING STATEMENTS

This quarterly report contains forward-looking statements that involve risks and uncertainties. We use words such as "anticipate," "believe," "plan," "expect," "future," "intend" and similar expressions to identify such forward-looking statements. You should not place too much reliance on these forward-looking statements. Our actual results are likely to differ materially from those anticipated in these forward-looking statements for many reasons, including the risks faced by us described in this Risk Factors section of our annual report on Form 10KSB/A and elsewhere in this quarterly report.

### Plan of Operation

Our plan of operations for the twelve months following the date of this quarterly report is to complete initial exploration programs on the Brookmount and Mercedes properties. We anticipate that the programs on the Brookmount and Mercedes properties will cost \$25,000 and \$480,000 respectively.

In addition, we anticipate spending \$25,000 on professional fees, \$132,000 on salaries and wages, \$30,000 on travel costs, \$50,000 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 \$782,000. We will not be able to proceed with either exploration program, or meet our administrative expense requirements, without additional financing.

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

1. The Company must issue 100,000 common shares upon execution of the Agreement (issued);
2. The Company must make cash payments totaling CAD\$250,000 as follows:
  - (a) August 15, 2006 \$10,000;

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- (b) September 15, 2006 \$12,500;
  - (c) November 15, 2006 \$12,500;
  - (d) \$12,500 on or before January 15, 2007, and installment 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 has been paid or satisfied;
3. The Company must issue 500,000 common shares in four equal tranches of 125,000 each on or before the 15th days of October in each of 2006, 2007, 2008 and 2009;
4. The Company must incur exploration expenses of \$1,000,000 over a period of five years from the date of the Agreement.

BC Ltd has a 56% interest in mineral claims located in the Rock Creek area of British Columbia, Canada.

We will not be able to complete the initial exploration programs on our mineral properties without additional financing. We currently do not have a specific plan of how we will obtain such funding; however, we anticipate that additional funding will be in the form of equity financing from the sale of our common stock. We may also seek to obtain short-term loans from our directors, although no such arrangement has been made. At this time, we cannot provide investors with any assurance that we will be able to raise sufficient funding from the sale of our common stock or through a loan from our directors to meet our obligations over the next twelve months. We do not have any arrangements in place for any future equity or equity financing.

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### Results of Operations for Three and Six Month Periods Ended May 31, 2006

We incurred operating expenses in the amount of \$1,839,533 and \$2,584,854 for the three and six month periods, respectively, ended May 31, 2006, as compared to \$93,787 and \$2,213,479, respectively for the comparative periods in 2005. The substantial increase in operating expenses and consequent net loss was due to the issuances of shares of stock to a former director during the first quarter of 2006 and to all directors (including the former director) in the second quarter of 2006 for services to be rendered.

Under instruction from the property vendor, the 5,000,000 shares were issued to our directors and officers in the following amounts during the first quarter of 2005:

|                                |           |
|--------------------------------|-----------|
| Peter Flueck (property vendor) | 2,900,000 |
| Zaf Sungur                     | 1,050,000 |
| Victor Stillwell               | 1,050,000 |

General and administrative expenses for the three and six month periods ended May 31, 2006, increased \$1,743,086 and \$2,384,660 respectively from the prior comparative periods from \$93,787 and \$184,884 to \$1,836,873 and \$2,569,544 for the same periods respectively in 2006. The increase was attributable to the aforementioned stock grants to certain directors and a former director.

At quarter end on May 31, 2006, we had cash on hand of \$11,363 and total assets of \$27,419. Our liabilities at the same date totaled \$195,841 and consisted of accounts payable and accrued liabilities of \$39,969 and \$155,872 due to related parties.

Effective April 26, 2006, David Jacob Dadon was removed as a director and as Chairman of the Board of the Company for cause. Mr. Dadon withdrew \$150,000 from

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the Company's bank account. Mr. Dadon was not an authorized signatory on the Company's bank account and had not been granted any such authority to withdraw the funds by the Company's Board of Directors. Upon completion of an investigation, the Company determined that Mr. Dadon had not used the funds for corporate purposes. The Company had worked for several weeks to have Mr. Dadon return the money to the Company on a voluntary basis. To date, the money has not been returned. The Company has reported the incident to the proper authorities in Canada and the United States.

Effective May 5, 2006, Mr. Dadon responded to his removal as a director for cause, which response was filed with a Form 8-K, dated May 11, 2006. We replied to Mr. Dadon's letter in that same filing by noting that "[t]he Company has endeavored to work with Mr. Dadon for several months to determine why the money was removed from its account and to see that the money is replaced. The assertions and accusations contained in Mr. Dadon's letter are outrageous and as such are impossible to respond to. The Company steadfastly stands by its assertions and the actions that it has taken."

On December 19, 2005, we filed an 8-K announcing that, among other things, Jay Jeffery Shapiro, represented by Mr. Dadon to us as a close colleague and friend, had been appointed to serve as our Chief Financial Officer. Mr. Dadon had arranged for a conference call prior to Mr. Shapiro's appointment to introduce someone whose resume we were provided and we were led to believe was Mr. Shapiro ostensibly in order to provide us with an opportunity to interview him prior to his appointment. On May 9, 2006, we learned that the person represented to us to be Jay Jeffery Shapiro was not, in fact, Mr. Shapiro. On May 9, 2006, the individual we now know to be the true Mr. Shapiro contacted us to inform us that he had no knowledge of Brookmount, had not been asked to serve as our Chief Financial Officer by Mr. Dadon, had not been the person interviewed by our Chief Operating Officer, and had in fact previously informed Mr. Dadon in writing that he no longer wished to be associated with Mr. Dadon in any venture and that Mr. Dadon was no longer to use his resume in connection with any of his activities. As a result, on May 11, 2006 we filed a current report on Form 8-K to, among other reasons, assure that all Brookmount shareholders are made aware that individual we now know to be Jay Jeffery Shapiro and whose biography was contained in our annual report on Form 10-KSB and Form 10-KSB/A, never played any role in our company or in any of our disclosures.

Effective May 9, 2006, we appointed Zaf Sungur to serve as our Chief Financial Officer.

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### Subsequent Events

On June 29, 2006 a former director of the Company commenced legal action against the Company and its directors. The former director is claiming damages in excess of \$5,000,000 for alleged breach of contract, libel, fraud, intentional deceit, wrongful conduct and emotional distress. The Company and directors deny all of these claims, believe they are without merit, and plan to vigorously defend themselves against all of these claims. In addition, the Company is exploring claims of its own against the former director.

### Item 3. Controls and Procedures

The Principal Executive Officer and Principal Financial Officer conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, the Principal

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Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. There were no significant changes in internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the first quarter of 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### PART II- OTHER INFORMATION

#### Item 1. Legal Proceedings.

On June 29, 2006 a former director of the Company commenced legal action against the Company and its directors. The former director is claiming damages in excess of \$5,000,000 for alleged breach of contract, libel, fraud, intentional deceit, wrongful conduct and emotional distress. The Company denies all of these claims, believes they are without merit, and plans to vigorously defend it self against all of these claims. In addition, the Company is exploring claims of its own against the former director.

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

During the three-month period ended May 31, 2006, the Company accepted subscriptions for the following share issuances:

| Price per Share<br>----- | Number of Shares<br>----- |
|--------------------------|---------------------------|
| \$0.10                   | 100,000                   |
| \$0.32                   | 4,291,000                 |
| \$0.18                   | 3,630,000                 |
| \$0.15                   | 158,016                   |

#### Item 3. Defaults Upon Senior Securities.

None.

#### Item 4. Submission of Matters to a Vote of Security Holders.

None.

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#### Item 5. Other Information.

None.

#### Item 6. Exhibits.

- 31.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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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.

Brookmount Explorations Inc.

/s/ Peter Flueck

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Peter Flueck  
President, Chief Executive  
Officer and Director  
(Principal Executive Officer)

Date: July 13, 2006

/s/ Zaf Sungur

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Zaf Sungur  
COO, Secretary, treasurer,  
Director  
(Principal Accounting Officer)

Dated: July 13, 2006

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