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BROOKMOUNT EXPLORATIONS INC

Form 10KSB

June 20, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

(x) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES ACT OF
1934 (FEE REQUIRED)

For the fiscal year ended November 30, 2001

() TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transaction period from to

Commission File number 0-26709

BROOKMOUNT EXPLORATIONS INC.

(Exact name of Company as specified in charter)

Nevada 98-0201259

State or other jurisdiction of incorporation (I.R.S. Employee I.D. No.)
or organization

118 - 3420 Bell Avenue
Burnaby, British Columbia, Canada V3J 1M7

(Address of principal executive offices) (Zip Code)

Issuer's telephone number, including area code 604-308-6152

Securities registered pursuant to section 12 (b) of the Act:

Title of each share	Name of each exchange on which registered
None	None
-----	----

Securities registered pursuant to Section 12 (g) of the Act:

None

(Title of Class)

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 a shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

(1) Yes [X] No [] (2) Yes [X] No []

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Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of the Company's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. []

State issuer's revenues for its most recent fiscal year: \$ -0-

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State the aggregate market value of the voting stock held by nonaffiliates of the Company. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specific date within the past 60 days.

As at November 30, 2001, the aggregate market value of the voting stock held by nonaffiliates is undeterminable and is considered to be \$0.

(THE COMPANY INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE LAST FIVE YEARS)

Not applicable

(APPLICABLE ONLY TO CORPORATE COMPANIES)

As of November 30, 2001, the Company has 9,282,400 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Exhibits incorporated by reference are referred under Part IV.

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PART 1 -----

ITEM 1. DESCRIPTION OF BUSINESS

HISTORY AND ORGANIZATION

Brookmount Explorations Inc. (the "Company"), a Nevada Corporation, was incorporated on December 9, 1999. Since inception the Company has not been in

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bankruptcy, receivership or similar proceedings. It has not had any material reclassification, merger, consolidation, purchase or sale of a significant amount of assets not in the ordinary course of business. The Company has no subsidiaries and no affiliated companies. The Company's executive offices are located at 118 - 3420 Bell Avenue, Burnaby, British Columbia, B.C., Canada, V3J 1M7. (Telephone: 604-308-6152).

The Company's Articles of Incorporation currently provide that the Company is authorized to issue 200,000,000 shares of common stock, par value \$0.001 per share. As at November 30, 2001 there were 9,282,400 shares outstanding.

The Company is in the exploration stage and hopes to seek a quotation on the OTC Bulletin Board or the new BBX Exchange. To date it has not made an application to file the required forms with the NASD. There is no assurance that the Company's shares will ever be quoted on the NASD or any other exchange in North America or elsewhere.

The Company is engaged in the exploration, and if warranted, the development of mineral property. The Company presently has the mineral rights to five mineral claims called the "Brookmount" claims located in Chazel Township, Abitibi West County, Quebec.

J.G. Burns & Associates of Timmins, Ontario were retained by the Company to write a geological report on this claim. The basis of his report is included in this Form 10-KSB under "Description of Property". The claim is in good standing until November 14, 2004.

No ore body has been discovered on the Brookmount claim since the Company has not yet undertaken an exploration program. Even with a major exploration program there is no assurance an ore body will be discovered. Presently, the Company does not have sufficient funds to undertake any further exploration activities unless it obtains funds from its directors and officers, seeks funds from a financial institution or issues shares to the public. At the present time the directors do not know which type of funding they will attempt to attract for the Company.

The Company has no sources of revenue either from the Brookmount claim or any other asset.

The Company will have to adhere to certain governmental regulations regarding mining when, and if, it makes a decision to develop the Brookmount claim. At present, there are few, if any, requirements during the exploration stage.

The Company does not have any full time employees, and the directors and officers devote such time as is required to the affairs of the Company. Once a major exploration program commences the Company will need the officers to devote more time to the activities of the Company or it will be required to hire consultants to undertake the work.

The Company has not delivered to its shareholders its annual report in the past. Once it has obtained a quotation on either the OTCBB or BBX Exchange,

which might never happen, it will hold annual general meetings and distribute certain documents, including financial statements, to shareholders of record.

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Presently the Company files with the United States Securities and Exchange Commission (the "SEC") Forms 10-KSB and 10-QSB.

The public may read and copy any material the Company files with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C., 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Company is on electronic files and therefore the public can review the Company's filing on the SEC Internet site that contains reports, proxy, and information statements, and other information regarding the Company. This information can be obtained by accessing the SEC website address at <http://www.sec.gov>.

The Company presently does not have an Internet address.

PLANNED BUSINESS

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains statements that constitute "forward-looking statements". These statements appear in such places as "Management's Discussion and Analysis or Plan of Operation." Such statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "estimates," "will," "should," "plans" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may vary materially from those in the forward-looking statements as a result of various factors. These factors include the effectiveness of management's strategies and decisions, general economic and business conditions, new or modified statutory or regulatory requirements and changing metal prices and market conditions. This report identifies other factors that could cause such differences. No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements. In addition, readers should refer to Risk Factors.

The attached financial statements are stated in United States dollars and are prepared using generally accepted accounting principles normally used in the United States of America.

RISK FACTORS

The Company's business is subject to numerous risk factors, including the following:

1. PENNY STOCK RULES

Under Rule 15g-9, a broker or dealer may not sell a "penny stock" (as defined in Rule 3a51-1) to or effect the purchase of a penny stock by any person unless:

- (1) such sale or purchase is exempt from Rule 15g-9; or
- (2) prior to the transaction the broker or dealer has (a) approved the person's account for transaction in penny stocks in accordance with Rule 15g-9 and (b) received from the person a written agreement to the transaction setting forth the identity and quantity of the penny stock to be purchased.

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The United States Securities and Exchange Commission (the "Commission") adopted regulations that generally define a penny stock to be any equity security other than a security excluded from such definition by Rule 3a51-1. Such exemptions include, but are not limited to (a) an equity security issued by an issuer that has (i) net tangible assets of at least \$2,000,000, if such issuer has been in continuous operations for at least three years; (ii) net tangible assets of at least \$5,000,000, if such issuer has been in continuous operation for less than three years; or (iii) average revenue of at least \$6,000,000 for the preceding three years; (b) except for purposes of Section 7(b) of the Exchange Act and Rule 419, any security that has a price of \$5.00 or more; and (c) a security that is authorized or approved for authorization upon notice of issuance for quotation on the National Association of Securities Dealers ("NASD") Automated Quotation System ("NASDAQ").

It is likely the Company's common stock will be subject to the regulations on penny stocks; consequently, the market liquidity for its common stock may be adversely affected by such regulations. This, in turn, will affect shareholders ability to sell their shares.

2. TRADING MARKET FOR THE COMPANY'S SHARES

There is no current trading market for shares of the Company's common stock (the "Shares") and there can be no assurance that a trading market will develop, or, if such a trading market does develop, that it will be sustained. The Shares, to the extent that a market develops for the Shares at all, will likely appear in what is customarily known as the "pink sheets" or on the NASD over-the-counter Bulletin Board (the "OTCBB"), which may limit the marketability and liquidity of the Shares.

To date, neither the Company nor anyone acting on behalf of the Company has taken any affirmative steps to request or encourage any broker/dealer to act as a market maker for the Company's common stock. The Company has had no discussions or understandings, with any "market makers" regarding the participation of any such market maker in the future trading market, if any, in the Company's common stock.

3. POTENTIAL FUTURE RULE 144 SALES

Of the 200,000,000 shares of the Company's common stock authorized, there are presently 3,500,000 shares issued and outstanding which are "restricted securities" as that term is defined under the Securities Act of 1933, as amended (the "Securities Act"), and in the future may be sold in compliance with Rule 144 of the Act, or pursuant to a Registration Statement filed under the Act. Rule 144 provides, in essence, that a person holding restricted securities for a period of 1 year may sell those securities in unsolicited brokerage transactions or in transactions with a market maker, in an amount equal to 1% of the outstanding common stock every 3 months. Additionally, Rule 144 requires that an issuer of securities make available adequate current public information with respect to the issuer. Such information deemed available if the issuer satisfies the reporting requirements of Sections 13 or 15(d) of the Exchange Act and of Rule 15c2-11 thereunder. Rule 144 also permits, under certain circumstances, a sale of shares by a person who is not an affiliate of ours and who has satisfied a 2 year holding period without any quantity limitation and whether or not there is adequate current public information available. Investors should be aware that sales under Rule 144, or pursuant to a registration statement filed under the Securities Act, may have a depressive effect on the market price of the Company's common stock in any market that may develop for such shares.

4. POSSIBLE ISSUANCE OF ADDITIONAL SHARES

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The Company's Certificate of Incorporation, authorizes the issuance of 200,000,000 shares of common stock. The Company's Board of Directors has the power to issue any or all of such additional shares without stockholder approval

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for such consideration as it determines. Management presently anticipates that it may choose to issue a substantial but as yet undetermined amount of the Company's shares in connection with some form of future financing.

5. RISK ASSOCIATED WITH OPERATIONS IN FOREIGN COUNTRIES

The Company's business plan is to seek to acquire further mineral properties. Management's discretion is unrestricted, and the Company may participate in any acquisition of a mineral property that may in the opinion of management meet the Company's business objectives. The Company has not limited the scope of its search to a particular region or country. The Company has acquired a mineral property outside the United States and may acquire further properties outside the United States. Accordingly, by acquiring the Brookmount claim in a foreign jurisdiction, the Company's operations may be adversely affected to the extent of the existence of unstable economic, social and/or political conditions in such foreign regions and countries.

6. TIME SPENT BY THE OFFICERS AND DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Company's officers and directors devote only a limited amount of time to the Company's business activities. At this time it is difficult to determine the number of hours each director and officer will devote to the activities of the Company.

7. INEXPERIENCE OF MANAGEMENT

It is possible that due to the Company's management's inexperience in managing a public company, it will be unable to effectively manage the expansion of its operations, that its systems, procedures or controls will not be adequate to support its operations or that the Company's management will be unable to achieve the rapid execution necessary to fully exploit the market opportunity for its products and services. Any inability to manage growth effectively could hinder the Company's future success.

8. CONFLICT OF INTEREST

Certain officers and directors are engaged in various business ventures. Thus, there may be conflicts of interest in the allocation of time between the Company's business and such other businesses. These activities may conflict with the interests of the Company. As a result of their other interests, they may personally benefit from decisions or recommendations made with respect to the business of the Company. Whereas conflicts may arise, management is aware of its fiduciary duty to the Company and will act in good faith and endeavor on an equitable basis to resolve any conflicts which may arise, on an equitable basis.

9. NO DECLARATION OF DIVIDENDS SINCE INCEPTION

The Company has not paid any dividends and does not contemplate or anticipate paying any dividends on its common stock in the foreseeable future.

10. NO OPERATING HISTORY OR REVENUE FROM THE BROOKMOUNT CLAIM

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The Company has had no operating history and has generated no revenues or earnings from the Brookmount claim. The Company has no significant assets or financial resources. The Company will, in all likelihood, sustain operating expenses without corresponding revenues. This may result in the Company incurring a net operating loss which will increase continuously until the Brookmount claim proves to have an ore body and is commercially viable. There is no assurance that the Company can identify such ore body on its claim.

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11. LACK OF DIVERSIFICATION

The Company's proposed operations, even if successful, will in all likelihood result in the Company engaging in the exploration of the Brookmount claim. Consequently, the Company's activities will be limited to those engaged in the exploration of the Brookmount claim or another property in the future it might acquire. The Company's inability to diversify its activities into a number of areas may subject the Company to economic fluctuations within the mining industry and therefore increase the risks associated with the Company's operations.

12. THE COMPANY'S MINERAL PROPERTY CONTAINS NO PROVEN RESERVES

The property in which the Company holds a right to minerals thereon is considered to be in the exploration stage only and does not contain a known body of commercial ore. Failure to locate ore reserves may adversely affect the economic viability of the Brookmount claim and the Company's operation.

13. TITLE TO THE PROPERTY

It is possible the Company's title to the Brookmount claim, in which it has the mineral rights will be challenged by third parties.

The Company has not obtained title insurance for the Brookmount claim. It is possible that the title to the Brookmount claim may be challenged or impugned.

14. COMPETITION IN THE MINERAL INDUSTRY

The Company faces intense competition in its industry, which may adversely affect its ability to participate in certain agreements with other parties. The mineral resources industry is intensely competitive and the Company must compete with many companies that have greater financial resources and technical facilities than itself. Significant competition exists for the limited number of mineral acquisition opportunities available in the Abitibi West County mining region of Quebec where the Brookmount claim is located. As a result of this competition, the Company's ability to acquire additional attractive mining property interests on terms it consider acceptable may be impaired.

The Company will require supplies to explore the Brookmount claim. Competition might be at a level where the Company is unable to acquire the supplies it requires when required. It might have to suspend its exploration plans if the Company does not have access to all of the supplies and materials it needs.

15. MINERAL PRICES FLUCTUATE BEYOND THE CONTROL OF THE COMPANY

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The mining industry in general is intensely competitive and it is possible that, even if commercial quantities of mineral resources are developed, a profitable market will not exist for their sale. Factors beyond the Company's control may affect the marketability of any minerals discovered. It is possible that the price of gold will not remain stable. Significant price movements over short periods of time may be affected by numerous factors beyond the Company's control, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the U.S. dollar relative to other currencies), interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The effect of these factors on the price of minerals and therefore the economic viability of any of the Company's exploration projects cannot accurately be predicted.

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16. ENVIRONMENTAL REGULATIONS

All phases of the Company's operations in Quebec will be subject to environmental regulations. Environmental legislation in Quebec are evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. It is possible that future changes in environmental regulation will adversely affect the Company's operations as compliance will be more burdensome and costly.

17. EXPLORATION WILL INVOLVE A HIGH DEGREE OF RISK

Exploration and eventually mining operations of the Brookmount claim generally involve a high degree of risk. Hazards such as unusual or unexpected formations and other conditions are involved. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or which it may not elect to insure. The payment of such liabilities may have a material, adverse effect on the Company's results of operations or financial condition, and its ability to continue as a going concern.

The Company has not spent any time or money on research and development of a product since its inception.

Regarding environmental concerns relating to the Brookmount claim as mentioned under Risk Factor 16 above, the Company does not know the cost of adhering to various environmental laws.

In addition to exploring and developing, if warranted, its mineral property, the Company plans to seek out additional mineral properties either by way of purchase, staking or joint venturing. To date, the Company does not have the funds to seek out other mineral properties and will be using any funds it obtains in the future to undertake exploration work on the Brookmount claim.

ITEM 2. DESCRIPTION OF PROPERTY

Five claims (approximately or 500 acres) numbered 5245578 to 5245582 inclusive located in Lots 50 to 54, Range III, Chazel Township, Abitibi West

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County, Quebec comprise the Brookmount claim. These claims were recorded 100% in the name of the Company on December 20, 1999, and subsequently registered on February 1, 2000. Assessment work with a minimum value of \$6,000.00 had to be submitted to the Ministry of Mines for the Province of Quebec December 2, 2001 or 60 days prior to the claims expiry date on January 31, 2002. This was not done and the Brookmount claim expired on January 21, 2002. The Company renewed its interest in the claim by re-staking it and recording its interest on November 14, 2002. This has maintained the Brookmount claim in good

Location of Brookmount claim

The claim lies in northwestern Quebec some 100 miles North North East from the city of Rouyn-Noranda, Quebec in NTS quadrant 32 D/15 and is easily accessible by gravel and logging roads.

History of the Brookmount mining area

Chazel Township and general area have been prospected and explored since the early 1900s. Gold was originally the main commodity sought, but interest in base metals increased following the discovery in 1922 of the Oditan Copper-Zinc

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occurrence in Lot 40, Range IV, Chazel Township and in 1925 of the Normetal Copper-Zinc-Silver-Gold deposit in Lots 43 and 44, Range X, Desmeloizes Township some 25 miles to the west. Exploration for Copper-Nickel and asbestos deposits was undertaken in the 1970s but since the 1980s the major emphasis once again shifted to gold.

Past Exploration of the Brookmount claim

Summaries for work conducted on properties now overlain by the Brookmount claim is as follows.

1973-1975: Dome Explorations (Canada) Limited ["Dome"]

Dome's 41 full lot claims in Ranges III and IV in Chazel and Dission Townships included the present Brookmount property, and were staked to cover several anomalies defined by an airborne electromagnetic survey contracted by the Quebec government in 1972. Ground magnetic and horizontal loop electromagnetic (HLEM) surveys conducted in 1973 over Lots 42 to 47, Range III Chazel Township defined a strong 3/10 miles long HLEM anomaly with a low but precise magnetic correlation. Hole 60C-1, drilled in 1974 in Lot 45 Range III to a depth of 100 yards, tested the anomaly and cored mafic and felsic tuff and lapilli tuff. A 5.3 yards section of mafic tuff with minor graphite and mineralized with 10% pyrite as massive bands and rounded blebs assayed 0.08% Copper.

An HLEM survey conducted over the remainder of the property in 1975 defined a strong, long, formational conductor in Range IV as well as four shorter anomalies some 220 yards south of the former. Two of the shorter anomalies lie within the Brookmount claims in Lots 50 to 52 and 53 and 54 respectively, and are situated about 220 to 275 yards south of the north boundary. Drill testing was recommended for both conductors but there are no records to indicate that either were ever drilled.

1986-1987: Resources Macamic Inc. ["Macamic"]

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Macamic held a contiguous, irregularly shaped block of 97 claims in Ranges III to VII Chazel Township and Ranges III and IV Dission Township. Both the present Brookmount claims and the Oditan occurrence were included within their property limits.

The property was acquired as a gold project. Work conducted in 1986 included induced polarization (IP), HLEM, magnetic and geological surveys. Nine short lines of IP (dipole-dipole configuration) scattered about the property were surveyed. On one line, 32 E, which extended from the north onto the Brookmount property in Lot 52, a well defined anomaly coincident with an HLEM conductor (Dome survey) was detected. The anomaly was recommended as a first priority drill target.

Macamic's magnetic and HLEM surveys covered the Brookmount property, and two HLEM anomalies, numbers 68 and 69, were defined within it. Anomaly 68 extends for over 880 yards across Lots 48 to 52, shows weak magnetic correlation and corresponds in form to the Dome anomaly. It was rated a first priority target. Anomaly 69 in Lots 54 and 55 was considered to be an extension of 68 and was rated a second priority target.

No outcrops were noted on the Brookmount property during the course of the Macamic geological survey. The closest outcrops (of sericitic felsic tuff) are located in Lots 55 and 56 along the Range III/IV line.

Duration Mines Limited optioned Macamic's property in 1987 and drilled seven holes totalling 0.7 miles. Neither the IP anomaly nor HLEM anomalies # 68 and # 69 mentioned above were tested. In fact, no hole was located on the current Brookmount claims but three, numbered CM-87-01 (0.098 miles), 02 (0.14 miles) & 03 (0.051 miles), were in close proximity to the east in Range III. CM-87-02, located in the north part of Lot 58, Range III, Chazel Township,

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tested an HLEM anomaly on strike with those on the Brookmount property. A steeply north dipping (75 to 85), north facing sequence of felsic ash tuff, tuff and lapilli tuff was cored. Normally, there were less than 2% sulphides throughout the hole but a 1.7 yards section from 199.1 to 200.6 was mineralized with 60% pyrite and pyrrhotite plus minor graphite. There were no assays of significance.

Holes CM-87-01 (Lot 2, Range III, Dission Township) and CM-87-03 (Lot 60, Range III, Chazel Township) tested EM anomalies in the central portions of the respective lots/claims. In CM-87-01 tuff units of intermediate to felsic composition, greywacke and argillite were the main units cored. The tuff unit between 124 and 219 yards contained trace to 10% sulphides. Graphitic zones between 136 and 146 yards corresponded to the EM conductors. No significant assays were reported.

Holed CM-87-03 cut felsic to intermediate tuffaceous units. Numerous pyritic graphite bands were intersected from 59 to 84 yards. No significant assays were reported.

1991-1992: BHP-Utah Mines Ltd./ BHP Minerals Canada Ltd. ["BHP"]

In 1991/92 BHP held a contiguous block of 149 claims Ranges II and III Chazel Township and in Ranges II, III and IV Dission Township. The property was part of an ongoing gold project, originally initiated in 1984 in Ligneris Township to the east, to assess the mineral potential of the Authier

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Fault/Break.

In 1991 geological mapping, a humus soil geochemical survey as well as magnetic, VLF, HLEM and multi frequency GEOPROBE geophysical surveys were undertaken although results for the geophysical surveys were not submitted for assessment credit. Sixty-six claims were mapped in detail on 220 yards spaced lines.

From this mapping and a compilation of previous work it was determined that

- a. the Authier Fault is associated with the contact between sedimentary rocks to the south and volcanogenic units to the north,
- b. the contact is further south than previously indicated,
- c. the main break of the Authier Fault crosses Range II,
- d. the fault is a ductile shear with a late brittle phase and
- e. the fault has an anastomosing anatomy with individual splays varying from