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BROOKMOUNT EXPLORATIONS INC
Form 10QSB
July 23, 2007

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, 2007

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period _____ to _____

Commission File Number 000-32181

BROOKMOUNT EXPLORATIONS INC.
(Exact name of small business issuer as specified in its charter)

Nevada 98-0201259
(State or other jurisdiction of incorporation or (IRS Employer Identification
organization) No.)

999 Canada Place - Suite 404
Vancouver, British Columbia V6C 3EZ
(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: 26,177,916 shares of \$0.001 par value common stock outstanding as of May 31, 2007.

BROOKMOUNT EXPLORATIONS INC.
(An Exploration Stage Company)
FINANCIAL STATEMENTS
May 31, 2007
(Unaudited)

BALANCE SHEETS
STATEMENTS OF OPERATIONS
STATEMENTS OF CASH FLOWS
NOTES TO THE FINANCIAL STATEMENTS

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

| | ASSETS ----- | May 31, 2007 ---- (Unaudited) |
|------------------|-----------------|--|
| Current assets | | |
| Cash | | \$ 12,292 |
| Prepaid expenses | | - |
| | | ----- |
| | | 12,292 |

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| | |
|----------------|-----------|
| Equipment, net | 739 |
| | ----- |
| | \$ 13,031 |
| | ===== |

LIABILITIES AND STOCKHOLDERS' DEFICIT

| | |
|--|------------|
| Current liabilities | |
| Accounts payable and accrued liabilities | \$ 154,964 |
| Due to related parties - Note 4 | 300,303 |
| | ----- |
| | 455,267 |
| | ----- |

Commitments and contingencies - Notes 1 and 2

STOCKHOLDERS' DEFICIT

| | |
|---|-------------|
| Common stock, \$0.001 par value - Note 3 | |
| 200,000,000 shares authorized | |
| 26,123,502 shares issued (November 30, 2006 - 25,998,502) | 26,123 |
| Additional paid-in capital | 4,254,294 |
| Stock subscriptions receivable | (6,600) |
| Obligation to issue shares | 5,000 |
| Deficit accumulated during the exploration stage | (4,721,053) |
| | ----- |
| | (442,236) |
| | ----- |
| | \$ 13,031 |
| | ===== |

SEE ACCOMPANYING NOTES

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

| | Three months ended | | Six months ended | | |
|----------------------------|--------------------|--------------|------------------|--------------|--|
| | May 31 | | May 31, | | |
| | 2007 | 2006 | 2007 | 2006 | |
| | ---- | ---- | ---- | ---- | |
| Expenses | | | | | |
| General and administrative | \$ 101,295 | \$ 1,836,873 | \$ 183,343 | \$ 2,560,000 | |

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| | | | | |
|---|--------------|----------------|--------------|----------------|
| - Notes 4 | | | | |
| Mineral property costs | | | | |
| - Note 2 | 67,721 | 2,660 | 70,697 | 1 |
| | ----- | ----- | ----- | ----- |
| Net loss | \$ (169,016) | \$ (1,839,533) | \$ (254,040) | \$ (2,584,854) |
| | ===== | ===== | ===== | ===== |
| Basic and diluted net loss per share | \$ (0.01) | \$ (0.07) | \$ (0.01) | \$ (0.01) |
| | ===== | ===== | ===== | ===== |
| Weighted average number of shares outstanding | 26,123,502 | 23,363,466 | 26,025,059 | 22,890,000 |
| | ===== | ===== | ===== | ===== |

SEE ACCOMPANYING NOTES

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

| | Six months ended May 31, 2007 | Six months ended May 31, 2006 |
|--|-------------------------------------|-------------------------------------|
| | ----- | ----- |
| Cash Flows From Operating Activities | | |
| Net loss | \$ (254,040) | \$ (2,584,854) |
| Add items not affecting cash: | | |
| Amortization | 130 | 186 |
| Interest on loans from related parties | 4,030 | - |
| Capital contributions | - | - |
| Common shares issued for services | - | 2,052,867 |
| Common shares issued for mineral property | - | 10,000 |
| Provision for unrecoverable advances | - | 193,617 |
| Changes in non-cash working capital balances related to operations | | |
| Prepaid expenses | 5,878 | 5,000 |
| Accounts payable and accrued liabilities | 54,868 | 6,746 |
| | ----- | ----- |
| Cash Flows Used In Operations | (189,134) | (316,440) |
| | ----- | ----- |
| Cash Flows From Investing Activities | | |
| Advances | - | (165,000) |
| Acquisition of equipment | - | - |
| | ----- | ----- |
| Cash Flows Used In Investing Activities | - | (165,000) |
| | ----- | ----- |

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| | | |
|--|-----------|-----------|
| Cash Flows From Financing Activities | | |
| Due to related parties | 163,335 | 97,356 |
| Stock subscription received | 5,000 | - |
| Common stock issued, net | 15,000 | 375,000 |
| | ----- | ----- |
| Cash Flows Provided By Financing Activities | 183,335 | 472,356 |
| | ----- | ----- |
| Increase (decrease) in cash | (5,799) | (9,084) |
| Cash, beginning | 18,091 | 20,447 |
| | ----- | ----- |
| Cash, ending | \$ 12,292 | \$ 11,363 |
| | ===== | ===== |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid for: | | |
| Interest | \$ - | \$ - |
| | ===== | ===== |
| Income taxes | \$ - | \$ - |
| | ===== | ===== |

SEE ACCOMPANYING NOTES

BROOKMOUNT EXPLORATIONS INC.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
May 31, 2007
(Unaudited)

Note 1 Nature of Continued Operations and Basis of Presentation

Unaudited Interim Financial Statements

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, 2006 included in the Company's Annual Report on Form 10-KSB 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. 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,

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2007 are not necessarily indicative of the results that may be expected for the year ending November 30, 2007.

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 \$442,975 at May 31, 2007 and has incurred losses since inception of \$4,721,053 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.

BROOKMOUNT EXPLORATIONS INC.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
May 31, 2007
(Unaudited)

Note 2 Mineral Properties

a) 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, 2007, the title of this property has not been recorded in the name of the Company.

b) 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:

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- August 15, 2006 - \$10,000 (paid);
- September 15, 2006 - \$12,500 (paid);
- November 15, 2006 - \$12,500 (paid);
- \$12,500 (not paid) 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 (not paid);

Although the Company made only \$7,674 in cash payments to May 31, 2007, in accordance with the Agreement, BC Ltd has not served the Company notice of default of the term of the agreement;

3. The Company must issue 500,000 common shares in four equal tranches of 125,000 each on or before the 15th of October in each of 2006, 2007, 2008 and 2009. During the year ended November 30, 2006, the Company issued 375,000 shares; and

BROOKMOUNT EXPLORATIONS INC.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
May 31, 2007
(Unaudited)

Note 2

Mineral Properties - (cont'd)

c) Rock Creek Claims, British Columbia, Canada - (cont'd)

4. The Company must incur exploration expenses of \$1,000,000 over a period of five years from the date of the Agreement. At May 31, 2007, the Company has not incurred any exploration expenses in terms of the Agreement.

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

Although the Company made only \$7,674 in cash payments by May 31, 2007, BC Ltd has not served the Company notice of default of the terms of the Agreement

Note 3

Capital Stock

During the six months ended May 31, 2007, the Company issued 125,000 common shares pursuant to a private placement for cash proceeds of \$15,000.

During the six months ended May 31, 2007, the Company received \$5,000 for the purchase of 45,454 of its common shares. At May 31, 2007 these shares had not been issued.

To May 31, 2007, the Company has not granted any stock options or warrants.

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Note 4

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 | |
|-----------------------------|------------------|--------------|
| | May 31, | |
| | 2007 | 2006 |
| | ---- | ---- |
| General and administrative: | | |
| Consulting fees | \$ - | \$ 2,054,349 |
| Management fees | 120,000 | 150,000 |
| | ----- | ----- |
| | \$ 120,000 | \$ 2,204,349 |
| | ===== | ===== |

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, 2007 are due to directors of the Company in respect to unpaid management fees and cash advances amounted to \$300,303 (November 30, 2006 - \$132,938). These amounts are unsecured and are repayable on demand. The amounts due for unpaid management fees are not interest bearing while the amounts due for cash advances bear interest at a rate of 10%.

BROOKMOUNT EXPLORATIONS INC.
 (An Exploration Stage Company)
 NOTES TO THE FINANCIAL STATEMENTS
 May 31, 2007
 (Unaudited)

Note 5

Litigation

On December 11, 2006 the Supreme Court of British Columbia ordered a former director to pay the Company a sum of \$173,700 plus interest accrued \$5,341, making together the sum of \$179,041.

On February 12, 2007, the United States District Court issued a notice of dismissal with respect to the legal action against the Company brought forward by a former director. The legal action against the Company was dismissed in its entirety.

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 the Risk Factors section of our annual report on Form 10KSB and 10KSB/A and elsewhere in this quarterly report.

Plan of Operations

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 Rock Creek and Mercedes properties will cost \$250,000 and \$480,000 respectively.

In addition, we anticipate spending \$25,000 on professional fees, \$120,000 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 \$995,000. 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 (paid);
 - (b) September 15, 2006 \$12,500 (paid);
 - (c) November 15, 2006 \$12,500; (paid)
 - (d) \$12,500 (not paid) on or before January 15, 2007, and installment payments of \$12,500 quarterly thereafter on or before the 15th day of April, July, October and January of each year until the total of \$250,000 has been paid or satisfied;

Although the Company made only \$7,674 in cash payments to May 31, 2007, in accordance with the Agreement, BC Ltd has not served the Company notice of default of the term of the agreement;

3. The Company must issue 500,000 common shares in four equal tranches of 125,000 each on or before the 15th day of October in each of 2006 (issued), 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 722161 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.

Results of Operations for Three Month Period Ended February 28, 2007

We incurred operating expenses in the amount of \$169,016 for the three month period ended May 31, 2007, as compared to \$1,839,533 for the comparative period in 2006.

Under instruction from the property vendor, 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 |

As of May 31, 2007, we had cash on hand of \$12,292 and total assets of \$13,031. Our liabilities at the same date totaled \$455,267 and consisted of accounts payable and accrued liabilities of \$154,964 and \$300,303 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 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

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arranged for a conference call prior to Mr. Shapiro's appointment to introduce someone whose resume we were provided with, and whom 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.

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 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 second 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. On February 12, 2007, the United States District Court issued a notice of dismissal with respect to this legal action in its entirety.

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

During the nine-month period ended August 31, 2006, the Company issued the following shares of common stock:

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- o 100,000 shares valued at \$0.10 per share pursuant to the Agreement with B.C. Ltd;
- o 4,291,000 shares at \$0.32 per share to a then-director;
- o 3,630,000 shares at \$0.18 per share to its directors for services provided to date;
- o 158,016 shares at \$0.15 per share pursuant to a debt settlement agreement; and
- o 3,463,825 shares at \$0.45 per share to its directors.
- o 1,692,976 shares pursuant to a private placement for cash proceeds of \$440,753.

All of the shares were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933 and Regulation D promulgated thereunder.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

- 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 302 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

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

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

Date: July 23, 2007

/s/ Zaf Sungur

Zaf Sungur

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COO, Secretary, Treasurer,
Director
(Principal Accounting Officer)

Dated: July 23, 2007