

Brazil Minerals, Inc.
Form 10-Q
August 22, 2016

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 2016

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

For the transition period from _____ to _____

Commission File Number 000-55191

Brazil Minerals, Inc.

(Exact name of registrant as specified in its charter)

Nevada 39-2078861
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

Rua Vereador João Alves Praes, nº 95-A
Olhos D'Água, MG 39398-000, Brazil
(Address of principal executive offices)

(213) 590-2500

(Registrant's telephone number)

1443 East Washington Boulevard, Suite 278, Pasadena, California 91104
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Do not check if a smaller reporting company

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

As of August 15, 2016 the registrant had 9,866,110,799 shares of common stock, par value \$0.001 per share, issued and outstanding.

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Item 1. FINANCIAL STATEMENTS

BRAZIL MINERALS, INC.
CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2016 AND DECEMBER 31, 2015

	June 30, 2016	December 31, 2015
Current assets:		
Cash and cash equivalents	\$8,978	\$64,364
Accounts receivable	213	2,886
Taxes recoverable	-	50,100
Inventory	157,911	145,079
Deposits and advances	1,226	-
Total current assets	168,328	262,429
Capital assets:		
Property and equipment, net of accumulated depreciation	479,479	361,563
Other assets:		
Intangible assets	637,597	508,865
Total assets	\$1,285,404	\$1,132,857
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accrued expenses and accounts payable	\$823,334	\$471,337
Convertible notes payable, net of debt discount of \$35,285 and \$49,182	388,177	491,698
Derivative liabilities	122,935	281,345
Related party payable	213,714	160,214
Total current liabilities	1,548,160	1,404,594
Long term liabilities		
Convertible notes payable, net of current portion and discount of \$23,669 and \$83,852	176,331	116,148
Total liabilities	1,724,491	1,520,742
Stockholders' deficit:		
Series A preferred stock, \$0.001 par value, 10,000,000 shares authorized; 1 share issued and outstanding	1	1
Series B preferred stock, \$0.001 par value, 1,000,000 shares authorized; 1,047 shares issued and outstanding	1,615,333	1,560,433
Series C preferred stock, \$0.001 par value, 1,000,000 shares authorized; 200,000 shares issued and outstanding	250,000	250,000
Common stock, \$0.001 par value, 10,000,000,000 and 7,000,000,000 shares authorized; 9,619,910,868 and 6,219,391,446 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	9,619,911	6,219,392

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Additional paid-in capital	33,023,559	36,146,689
Accumulated other comprehensive loss	(523,130)	(678,830)
Stock warrants	218,656	218,656
Accumulated deficit	(44,802,037)	(44,235,280)
Total Brazil Minerals, Inc. stockholders' deficit	(597,707)	(518,939)
Non-controlling interest	158,620	131,054
Total stockholders' deficit	(439,087)	(387,885)
Total liabilities and stockholders' deficit	\$1,285,404	\$1,132,857

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

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BRAZIL MINERALS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(Unaudited)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Revenues	\$1,513	\$28,780	\$4,069	\$40,186
Costs of goods sold:				
Production expenses	24,123	97,012	64,832	137,026
Total cost of goods sold	24,123	97,012	64,832	137,026
Gross loss	(22,610)	(68,232)	(60,763)	(96,840)
Operating expenses:				
Professional fees	57,190	64,126	96,122	99,041
General and administrative expenses	95,111	127,001	194,686	227,536
Compensation and related costs	51,956	24,510	95,805	49,098
Stock based compensation	57,568	48,946	57,568	83,146
Total operating expenses	261,825	264,583	444,181	458,821
Loss from operations	(284,435)	(332,815)	(504,944)	(555,661)
Other expense (income)				
(Gain) loss on derivative liabilities	(76,416)	137,348	(158,410)	(748,505)
Interest on promissory notes	97,887	41,808	116,468	99,403
Amortization of debt discount and other fees	-	387,376	117,742	648,932
Other	(1)	(1)	(1)	(13)
Total other expense (income)	21,470	566,531	75,799	(183)
Loss before provision for income taxes	(305,905)	(899,346)	(580,743)	(555,478)
Provision for corporate income taxes	-	-	-	-
Net loss	\$(305,905)	\$(899,346)	\$(580,743)	\$(555,478)
Loss attributable to non-controlling interest	7,255		13,985	-
Loss attributable to Brazil Minerals Inc.	\$(298,650)	\$(899,346)	\$(566,758)	\$(555,478)
Net loss per share: Basic	\$(0.00)	\$-	\$(0.00)	\$(0.00)
Net loss per share: Diluted	\$(0.00)	\$-	\$(0.00)	\$(0.00)
Weighted average number of shares outstanding:				
Basic	7,744,773,253	715,477,197	8,629,930,296	446,146,181
	7,744,773,253	715,477,197	8,629,930,296	446,146,181

Weighted average number of shares outstanding:
Diluted

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

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BRAZIL MINERALS, INC.
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE (LOSS)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(UNAUDITED)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Net loss	\$(298,650)	\$(899,346)	\$(580,743)	\$(555,478)
Foreign currency translation:				
Change in cumulative translation adjustment	80,651	18,417	155,700	(130,166)
Total comprehensive net loss	\$(217,999)	\$(880,929)	\$(425,043)	\$(685,644)
Total comprehensive net income (loss) attributable to non-controlling interest	(19,133)	-	17,184	-
Total comprehensive net loss attributable to Brazil Minerals, Inc.	\$(198,866)	\$(880,929)	\$(442,227)	\$(685,644)

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

BRAZIL MINERALS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(UNAUDITED)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the period attributable to Brazil Minerals, Inc.	\$(566,758)	\$(555,478)
Adjustments to reconcile net loss to net cash used in operating activities:		
Non-controlling interest	27,566	-
Stock based compensation and services	57,568	74,008
Gain on change of derivative liability	(158,410)	(748,505)
Amortization of debt discount	133,088	501,846
Excess fair market value of common stock issued in satisfaction of related party liabilities	38,784	133,798
Depreciation and amortization	17,688	19,425
Change in assets and liabilities:		