

Brazil Minerals, Inc.
Form 10-Q
August 21, 2014

UNITED STATES

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, 2014

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

For the transition period from _____ to _____

Commission File Number 333-180624

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.)1

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155 North Lake Avenue

Suite 800

Pasadena, CA 91101

(Address of principal executive offices)

(213) 590-2500

(Registrant's telephone number)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Do not check if a smaller reporting company

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

APPLICABLE ONLY TO CORPORATE ISSUERS

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As of July 31, 2014 the registrant had 84,622,214 shares of common stock, par value \$.001 per share, issued and outstanding.

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Item 1 FINANCIAL STATEMENTS**BRAZIL MINERALS, INC.****CONSOLIDATED BALANCE SHEETS (unaudited)****AS OF JUNE 30, 2014 AND DECEMBER 31, 2013**

	June 30, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 643,098	\$ 104,785
Accounts receivable	20,785	-
Taxes recoverable	58,860	43,224
Prepaid expenses	146,015	-
Inventory	277,836	146,172
Deposits and advances	62,399	5,501
Loan receivable-related party	87,682	40,650
Total Current Assets	1,296,675	340,332
Capital Assets		
Property, plant & equipment, net of accumulated depreciation	685,442	430,074
Other Assets		
Investment under the equity method	112,875	-
Intangible assets	148,995	139,653
Total Assets	\$ 2,243,987	\$ 910,059
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Current Liabilities		
Accrued expenses and accounts payable	\$ 290,660	\$ 171,526
Deferred revenue – current	498,592	-
Convertible notes payable, net of debt discount of \$552,106 (2013 \$33,563)	486,894	66,437
Derivative liability	750,626	-
Loan from director	749	639
Total Current Liabilities	2,027,521	238,602
Long Term Liabilities		
Deferred revenue- non-current	500,000	-
Total Liabilities	2,527,521	238,602
Stockholders' Equity		
Series A Preferred Stock, \$0.001 par value, 10,000,000 shares authorized; 1 share issued and outstanding	-	-
	84,621	74,640

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Common stock, \$0.001 par value, 300,000,000 shares authorized; 84,622,214 shares issued and outstanding (December 31, 2013- 74,639,834)		
Additional paid-in-capital	39,436,736	38,629,290
Accumulated other comprehensive loss	(160,702)	(226,700)
Stock warrants	218,655	129,772
Deferred stock compensation	(360,682)	(69,611)
Non-controlling interest	125,445	409,962
Deficit accumulated during the development stage	(39,627,607)	(38,275,896)
Total Stockholders' Equity (Deficiency)	(283,534)	671,457
Total Liabilities and Stockholders' Equity	\$2,243,987	\$910,059

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

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BRAZIL MINERALS, INC.**CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)****FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013**

	Three months ended June 30, 2014	Three months ended June 30,2013	Six months ended June 30, 2014	Six months ended June 30,2013
REVENUES	\$ 97,162	\$ 145,619	\$ 101,444	\$ 151,382
COST OF GOODS SOLD				
Production expenses	73,705	82,921	75,046	82,921
Mining tax	844	-	844	-
	74,549	82,921	75,890	82,921
GROSS PROFIT	22,613	62,698	25,554	68,461
OPERATING EXPENSES				
Professional fees	26,320	36,732	75,142	58,732
Consulting fees	51,700	-	51,700	-
General and administrative expenses	238,384	39,560	309,327	60,160
Compensation and related costs	76,865	40,559	94,465	88,376
Stock based compensation	117,438	1,009,400	353,797	1,009,400
Depreciation	108	108	216	216
Management fee	-	99,200	-	191,263
TOTAL OPERATING EXPENSES	510,815	1,225,559	884,647	1,408,147
OTHER EXPENSE (INCOME)				
Loss (gain) on derivative liability	21,082	-	9,250	-
Interest on promissory notes	18,234	-	29,779	-
Amortization of debt discount	78,861	-	107,167	-
Loss on extinguishments of debt	97,898	-	97,898	-
Derivative expense	264,549	-	264,549	-
Interest income	(142)	-	(228)	-
	480,482	-	508,415	-
LOSS FROM CONTINUING OPERATIONS	(968,684)	(1,162,861)	(1,367,508)	(1,339,686)
LOSS BEFORE PROVISION FOR INCOME TAXES	(968,684)	(1,162,861)	(1,367,508)	(1,339,686)
PROVISION FOR CORPORATE INCOME TAXES	-	(3,321)	-	(3,321)
NET LOSS	(968,684)	(1,166,182)	(1,367,508)	(1,343,007)

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LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	(11,385)	25,396	(15,797)	25,396
LOSS ATTRIBUTABLE TO BRAZIL MINERALS INC.	\$ (957,299)	\$(1,191,578)	\$(1,351,711))	\$(1,368,403)
NET LOSS PER SHARE: BASIC AND DILUTED	\$ (0.01)	\$(0.00)	\$(0.02)	\$(0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: BASIC AND DILUTED	82,451,721		70,963,434	78,532,301		70,463,434

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

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BRAZIL MINERALS, INC.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE (LOSS) (unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

	Six months ended June 30, 2014	Six months ended June 30, 2013
Net Loss	\$ (1,351,711) \$ (1,368,403
Foreign Currency Translation:		
Change in cumulative translation adjustment	65,998	41,338
Income tax benefit (expense)	-	-
Total Comprehensive Net Loss	\$ (1,285,713) \$ (1,327,065
Total Comprehensive Net Loss attributable to Non Controlling Interest	(1,527) (43,698
Total Comprehensive Net Loss attributable to Brazil Minerals, Inc.	\$ (1,284,186) \$ (1,283,366

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

BRAZIL MINERALS, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)****FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**

	For the six months ended June 30, 2014	For the six months ended June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the period attributable to Brazil Minerals, Inc.	\$ (1,351,711)	\$ (1,368,403)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Non-controlling interest	(15,797)	25,396
Stock based compensation and services	353,797	1,009,400
Amortization of prepaid option expense as cost of goods sold	4,927	-
Loss (gain) on derivative liability	9,250	-
Amortization of debt discount	107,167	-
Derivative expense	264,549	-
Loss on extinguishments of debt	97,898	-
Depreciation	216	216
Change in assets and liabilities:		
(Increase) in taxes recoverable	(15,636)	-
(Increase) in loan receivable-related party	(47,032)	(5,016)
(Increase) in accounts receivable	(20,785)	(68,697)
(Increase) in deposits	(56,898)	-
(Increase) in inventory	(131,664)	(44,728)
Increase (decrease) in accrued expenses and accounts payable	119,134	(9,914)
Increase in deferred revenue	998,592	-
Net Cash Provided (Used) in Operating Activities	316,007	(461,746)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of capital asset	(255,585)	(46,903)
Advances to related party	-	(148,017)
Increase in investment in subsidiary	(500,000)	-
Investment accounted for by the equity method	(12,875)	-
Increase in intangible assets	(9,342)	-
Net Cash Used in Investing Activities	(777,802)	(194,920)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan from director	110	80
Net proceeds from sale of common stock	-	59,433
Capital contributions received	-	53,359
Cash paid for share offering costs	-	-
Proceeds from note payable	959,000	-
Repayment of note payable	(25,000)	-
Net Cash Provided by Financing Activities	934,110	112,872

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Effect of exchange rate changes on cash	65,998	41,338
Net Increase (decrease) in Cash and Cash Equivalents	538,313	(502,456)
Cash and equivalents, beginning of period	104,785	863,189
Cash and equivalents, end of period	\$ 643,098	\$ 360,733
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 0	\$ 0
Cash paid for income taxes	\$ 0	\$ 0
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING INFORMATION:		
Loan receivable converted to interest in mineral property rights	\$ 0	\$ 800,000
Share options issued as prepaid expense	\$ 150,942	\$ 0
Shares issued for investment	\$ 100,000	\$ 0
Shares issued for prepaid stock compensation	\$ 23,182	\$ 0
Shares issued in connection with diamond purchase agreement	\$ 337,500	\$ 0
Shares issued for exploration rights and mineral property option	\$ 0	\$ 580,000
Stock options issued as compensation	\$ 38,774	\$ 1,009,400
Shares issued for increase in investment in subsidiary	\$ 62,100	\$ 0

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

BRAZIL MINERALS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of Business

Brazil Minerals, Inc. (“BMIX” or the “Company”) was incorporated as Flux Technologies, Corp. under the laws of the State of Nevada, U.S. on December 15, 2011. The Company, through subsidiaries, mines and sells diamonds and gold, and owns or has options on other mineral assets in Brazil.

On December 18, 2012, the Company entered into and consummated an acquisition agreement with Brazil Mining, Inc. (“BMI”) whereby BMI agreed to transfer to the Company certain mining and exploration rights, in exchange for 35,783,342 shares of the Company. At the same time, the previous sole director surrendered for voluntary cancellation, 99,999,000 common shares of stock of the Company such that, upon the transaction and a simultaneous private placement by the Company of its common stock, BMI owned 51% of the outstanding common stock of the Company. The Company changed its name to Brazil Minerals, Inc. on December 24, 2012. Also see Note 3.

Principles of Consolidation

These financial statements include the accounts of the Company and its 99.99% subsidiary, BMIX Participações Ltda. (“BMIX Subsidiary”), which owned 55% of Mineração Duas Barras Ltda. (“MDB”). In May, 2014, BMIX increased its ownership in MDB to 73.75% through payment of \$500,000 and the issuance of 675,000 shares of common stock of the Company with a deemed value of \$62,100. The additional investment resulted in a decrease in non-controlling interest of \$268,720 and a decrease in additional paid in capital of \$293,380. All material intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The financial statements of the Company have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (“GAAP accounting”) in the United States of America and are presented in U.S. dollars. In 2013, the Company elected to change its year end date from February 28 to December 31.

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The accompanying unaudited interim financial statements of Brazil Minerals, Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (“SEC”), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company’s registration statement filed with the SEC on Form 10-K