Brazil Minerals, Inc.
Form 10-Q/A
June 03, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

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

For the quarterly period ended March 31, 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 incorporation or organization)	(IRS Employer Identification No.)1

13324 South Beverly Drive, Suite 118

Beverly Hills, California 90212

(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 x 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 x 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 x

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

APPLICABLE ONLY TO CORPORATE ISSUERS

As of May 20, 2014 the registrant had 88,562,101 shares of common stock, par value $.001 per share, issued and outstanding.

EXPLANATORY NOTE

Brazil Minerals, Inc. (the “Company” or “we”) is filing this Amendment No. 1 (the “Amendment”) to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 20, 2014 (the “Original Filing”) to provide the interactive data files required by Item 601(b)(101) of Regulation S-K and Sections 405 and 406T of Regulation S-T. In addition, this amendment separates the line item “Stock-based compensation" into two individual line items – “Stock based compensation” and “Stock issued for services”, and revises the Controls and Procedures section.

In accordance with applicable SEC rules, this Amendment includes certifications from our Chief Executive Officer and Chief Financial Officer dated as of the date of this filing. The Amendment continues to speak as of the date of the Original Filing, and we have not updated the filing to reflect events occurring subsequently to the Original Filing date, other than those associated with the amendment of the Company's unaudited financial statements. Accordingly, this Amendment should be read in conjunction with our filings made with the SEC subsequent to the filing of the Original Filing.

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

BRAZIL MINERALS, INC.

CONSOLIDATED BALANCE SHEETS (Unaudited)

AS OF MARCH 31, 2014 AND DECEMBER 31, 2013

	March 31, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 665,461	$ 104,785
Accounts receivable	4,283	-
Taxes recoverable	52,134	43,224
Prepaid expenses	93,280	-
Inventory	240,884	146,172
Deposits	78,858	5,501
Loan receivable-related party	34,434	40,650
Total Current Assets	1,169,334	340,332
Capital Assets		
Property, plant & equipment, net of accumulated depreciation	675,546	430,074
Other Assets		
Intangible assets	161,535	139,653
Total Assets	$ 2,006,415	$ 910,059
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Current Liabilities		
Accrued expenses and accounts payable	$ 223,333	$ 171,526
Deferred revenue	525,000	-
Convertible notes payable, net of debt discount of $115,267 (2013 $33,563)	516,733	66,437
Derivative liability	59,926	-
Loan from director	639	639
Total Liabilities	1,325,631	238,602
Stockholders’ Equity		

Series A Preferred Stock, $0.001 par value, 10,000,000 shares authorized; 1 share issued and outstanding	-	-
Common stock, $0.001 par value, 150,000,000 shares authorized; 76,507,635 and 74,639,834 shares issued and outstanding, respectively	76,508	74,640
Additional paid-in-capital	38,896,450	38,629,290
Accumulated other comprehensive loss	(158,440)	(226,700)
Stock warrants	140,024	129,772
Deferred stock compensation	(9,000)	(69,611)
Non-controlling interest	405,550	409,962
Deficit accumulated during the development stage	(38,670,308)	(38,275,896)
Total Stockholders' Equity	680,784	671,457
Total Liabilities and Stockholders' Equity	$ 2,006,415	$ 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 ENDED MARCH 31, 2014 AND 2013

	Three months ended March 31, 2014	Three months ended March 31, 2013
REVENUES	$ 4,282	$ 5,763
COST OF GOODS SOLD		
Production expenses	1,341	-
Mining tax	-	
TOTAL COST OF GOODS SOLD	1,341	-
GROSS PROFIT	2,941	-
OPERATING EXPENSES		
Professional fees	161,779	22,000
General and administrative expenses	70,943	20,600
Compensation and related costs	17,600	47,817
Stock based compensation	123,402	-
Management fee	-	92,063
Depreciation	108	108
TOTAL OPERATING EXPENSES	373,832	182,588
LOSS FROM OPERATIONS	(370,891)	(176,825)
OTHER (INCOME) EXPENSES		
Amortization of debt discount	28,306	-
(Gain) loss on change in fair market value of derivative liability	(11,832)	-
Interest expense	11,545	-
Interest income	(86)	-
TOTAL OTHER (INCOME) EXPENSES	27,933	-
LOSS BEFORE NON-CONTROLLING INTEREST	(398,824)	(176,825)
NON-CONTROLLING INTEREST	(4,412)	-
LOSS BEFORE PROVISION FOR INCOME TAXES	(394,412)	(176,825)
PROVISION FOR CORPORATE INCOME TAXES	-	-
NET LOSS	$ (394,412)	$ (176,825)

NET LOSS PER SHARE: BASIC AND DILUTED	$ (0.01)	$ (0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: BASIC AND DILUTED	75,910,370	69,963,434

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

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BRAZIL MINERALS, INC.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME (LOSS) (Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

	Three months ended March 31, 2014	Three months ended March 31, 2013
Net Loss	$ (394,412)	$ (176,825)
Foreign Currency Translation:		
Change in cumulative translation adjustment	68,260	-
Income tax benefit (expense)	-	-
Total	$ 68,260	$ -

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

BRAZIL MINERALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period	$(394,412)	$(176,825)
Adjustments to Reconcile Net Loss to Net Cash Provided (Used) in Operating Activities:		
Non-controlling interest in income of subsidiary	(4,412)	-
Stock based compensation	123,402	-
Stock issued for services	112,956	-
(Gain) loss on change in fair market value of derivative liability	(11,832)	-
Amortization of debt discount	28,306	
Depreciation	108	108
Change in assets and liabilities:		
(Increase) in taxes recoverable	(8,910)	-
Decrease in loan receivable-related party	6,216	500
(Increase) in accounts receivable	(4,283)	-
(Increase) in deposits	(73,357)	
(Increase) in inventory	(94,712)	-
Increase (decrease) in accrued expenses and accounts payable	51,807	(48,512)
Increase in deferred revenue	525,000	-
Net Cash Provided (Used) in Operating Activities	255,877	(224,729)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of capital asset	(245,579)	(1,300)
Increase in intangible assets	(21,882)	-
Net Cash Used in Investing Activities	(267,461)	(1,300)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	529,000	-
Repayment of note payable	(25,000)	-
Net Cash Provided by Financing Activities	504,000	-
Effect of exchange rate changes on cash	68,260	-
Net Increase (decrease) in Cash and Cash Equivalents	560,676	(226,029)

Cash and equivalents, beginning of period	104,785	863,189
Cash and equivalents, end of period	$665,461	$637,160
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	$93,280	$0

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

BRAZIL MINERALS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 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 owns 55% of Mineração Duas Barras Ltda. ("Duas Barras"). 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.

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 Annual Report on Form 10-K filed with the SEC. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for the financial statements to be not misleading have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year 2013 as reported in Form 10-K, have been omitted.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, loans, and accrued expenses. The carrying amount of these financial instruments approximates fair value due either to length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in these financial statements.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes. The Company's bank accounts are deposited in insured institutions. The funds held in U.S. banks are insured up to $250,000, and funds held in Brazilian banks are insured up to 250,000 Brazilian reais (approximately $122,375 as of March 31, 2014). As of March 31, 2014 and December 31, 2013 the Company's bank deposits were $665,461 and $104,785, respectively.

BRAZIL MINERALS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Company will recognize revenue when products are fully delivered or services have been provided and collection is reasonably assured. Proceeds of $525,000 received for future diamond sales have been recorded as deferred revenue as at March 31, 2014.

Inventory

Inventory consists of diamonds and gold and related production costs, and is stated at lower of cost or market.

Mineral Properties

Costs of exploration, carrying and retaining unproven mineral lease properties are expensed as incurred. Mineral property acquisition costs are capitalized including licenses and lease payments. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's rights. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Impairment losses are recorded on mineral properties used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. As of March 31, 2014 and 2013 the Company did not recognize any impairment losses related to mineral properties held.

Capital Assets

Capital assets consisting of the diamond and gold processing plant and other machinery are recorded at cost and depreciated over their estimated useful life of 10 years, on a straight-line basis. Capital assets consisting of computer and other office equipment are recorded at cost and depreciated over their estimated useful life of 3 years, on a straight-line basis. During the period ended March 31, 2014, depreciation expense of $15,248 had been capitalized to inventory and expensed through exploration and production costs and $108 had been expensed through depreciation expenses.

Basic Income (Loss) Per Share

The Company computes loss per share in accordance with FASB ASC 260 which requires presentation of both basic and diluted earnings per share on the face of the statement of operations. Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding common shares during the period. Diluted loss per share gives effect to all dilutive potential common shares outstanding during the period. Dilutive loss per share excludes all potential common shares if their effect is anti-dilutive.

Dividends

The Company has not adopted any policy regarding payment of dividends. No dividends have been paid during any of the periods shown.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the financial statement carrying values and their respective income tax basis (temporary differences). The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

BRAZIL MINERALS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long-Lived Assets

The Company continually monitors events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. When such events or changes in circumstances are present, the Company assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Stock-Based Compensation

Stock-based compensation is accounted for at fair value in accordance with FASB ASC 718. The Company has adopted a stock plan to attract, retain and motivate its directors, officers, employees, consultants and advisors. The Company's stock plan provides for the issuance of up to 15,000,000 common shares for employees, consultants, directors, and advisors. The Company expensed $123,402 and $Nil in stock based compensation to employees, consultants, directors, and advisors during the periods ended March 31, 2014 and 2013, respectively.

Recent Accounting Pronouncements

We have reviewed all recent accounting pronouncements issued to the date of the issuance of these financial statements, and we do not believe any of these pronouncements will have a material impact on the Company.

NOTE 2 – LOAN RECEIVABLE-RELATED PARTY AND OPTION EXERCISE

In 2012, the Company issued a loan receivable to BMI for $800,000. The loan was non-interest bearing and had no specified terms of repayment and was an advance related to the exercise of an option agreement held by BMI for a 20% share of the Duas Barras diamond production. On January 2, 2013, the Company exercised the option and the advance was deemed payment of the option. The option granted the Company 20% of the diamond production with respect to BMI's 55% interest in Duas Barras.

NOTE 3 – ACQUISITION OF DUAS BARRAS INTEREST

On March 23, 2013, upon approval by its Board of Directors, the Company entered into an agreement pursuant to which BMI sold to the BMIX Subsidiary the rights to all profits, losses and appreciation or depreciation and all other economic and voting interests of any kind in respect of the BMI's interest in Duas Barras in exchange for the issuance to BMI of 1,000,000 shares of the Company's common stock. The shares were valued at their fair market value of $0.66 per share as of March 23, 2013, the date that the agreement was entered into. As a result of the acquisition, a deemed dividend of $800,000 was recorded related to the acquisition of the option as discussed in Note 2. The net assets of Duas Barras at the date of the acquisition of the 55% equity interest in Duas Barras were $1,035,695. The acquisition was accounted for using the purchase method. As a result of the transaction, non-controlling interest of $460,663 was recognized in the financial statements.

BRAZIL MINERALS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

NOTE 3 – ACQUISITION OF DUAS BARRAS INTEREST (continued)

The net assets upon the above acquisition consisted of the following:

Cash	$56,914
Inventory	497,002
Equipment	508,105
Intangible assets	163,918
Liabilities assumed	(190,244)
Net assets	$1,035,695

NOTE 4 – CONVERTIBLE PROMISSORY NOTES PAYABLE

On September 30, 2013, the Company issued and sold to two accredited investors for $100,000 four units of securities, each unit consisting of a $25,000 convertible promissory note and warrants to purchase 50,000 shares of the Company’s common stock until December 31, 2019. The notes bear interest at 10% per annum. The note payable can be converted into common shares of the Company at $0.125 per share. The conversion price of the warrants is $0.15 per share and the warrants expire on December 31, 2019. During the period ended March 31, 2014, $25,000 of the note was repaid. The Company recorded an original issue discount of $53,701 related to the issuance of the convertible note. As of March 31, 2014, $40,276 of the original issue discount has been amortized during the life of the note.

The total debt discount was comprised of the debt discount related to the warrants, the convertible note, and stock and cash given in exchange for issuing the convertible notes. The fair value of the debt discount related to the warrants granted was $12,007 and was calculated using the Black-Scholes option pricing model with the following assumptions: our stock price on date of grant ($0.11), expected dividend yield of 0%, expected volatility of 76.15%, risk-free interest rate of 1.43%, and expected term of 6.25 years. The fair value of the debt discount related to the convertible note was $20,694 and was calculated using the Black-Scholes option pricing model with the following assumptions: our stock price on the date of grant ($0.11), expected dividend yield of 0%, expected volatility of 87.67%, risk-free interest rate of 0.07%, and expected term of .67 years. The fair value of the stock and cash given in consideration for issuing the convertible notes was $11,000 and $10,000, respectively. The convertible notes called for the payment of one-half of the stock and cash upon issuing the convertible notes and the remainder upon the repayment of the notes. As of March 31, 2014, $5,500 in stock and $5,000 in cash had been satisfied and the remainder due is reflected in accounts payable.

On January 7, 2014, the Company issued to a family trust a Senior Secured Convertible promissory note in the principal amount of $244,000 (the “Note”) and warrants to purchase an aggregate of 488,000 shares of the Company’s Common Stock, par value $.001 per share at an exercise price of $.125 per share through December 26, 2018 (the “Warrants”). The Company received gross proceeds of $244,000 for the sale of such securities. The outstanding principal of the Note bears interest at the rate of 12% per annum. All principal on the Note is payable on March 31, 2015 (the “Maturity Date”). Interest is payable on September 30, 2014 and on the Maturity Date. The Note is convertible at the option of the holder into Common Stock of the Company at a conversion rate of one share for each $.10 of principal and interest converted.

On January 24, 2014, the Company issued and sold a convertible promissory note in the amount of $27,500, bearing interest at 10% per annum and due on December 31, 2014. The note payable is convertible into common shares of the Company at the lower of $0.07 per share or 60% of the average weighted share price in the 20 days before the conversion date. On issuance, an original issue discount of $ 2,500 was recorded which is being amortized over the term of the note payable. A derivative liability was recorded related to the conversion feature of the note in the amount of $22,757.

BRAZIL MINERALS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

NOTE 4 – CONVERTIBLE PROMISSORY NOTES PAYABLE (continued)

The derivative liability was calculated using the Black-Scholes option pricing model with the following assumptions: our stock price on the date of grant ($0.10), expected dividend yield of 0%, expected volatility of 93.50%, risk-free interest rate of 0.12%, and expected term of .75 years.

On February 21, 2014, the Company issued and sold a convertible promissory note in the amount of $ 222,500, bearing interest at 10% per annum and due on December 21, 2014. The note payable is convertible into common shares of the Company at $0.11 per share. On issuance, an original issue discount of $ 22,500 was recorded which is being amortized over the term of the note payable.

On March 31, 2014, the Company issued and sold a convertible promissory note in the amount of $ 63,000, bearing interest at 10% per annum and due on March 31, 2015. The note payable is convertible into common shares of the Company at the lower of $0.11 per share or 60% of the average weighted share price in the 20 days before the conversion date. On issuance, an original issue discount of $ 3,000 was recorded which is being amortized over the term of the note payable. A derivative liability was recorded related to the conversion feature of the note in the amount of $55,251. The derivative liabi