

BROOKMOUNT EXPLORATIONS INC
Form 10-K
March 01, 2010

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

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended **November 30, 2009**

Commission File # 000-32181

BROOKMOUNT EXPLORATIONS, INC.

(Exact name of small business issuer as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

98-0201259

(IRS Employer Identification Number)

1465 Slater Road

Ferndale, Wa 98248

(Address of principal executive offices)

(206) 497-2138

(Issuer's telephone number)

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

None.

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

Common Stock, Par Value \$0.001 per share

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act:

Yes No

Indicate by check mark whether the registrant(1) has filed all reports required 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 day. x Yes o 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). o Yes x No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 o

Accelerated filer o

Non-accelerated filer o (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 Act).

o Yes x No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed fourth fiscal quarter. **\$165,818**

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. **The issuer had 40,798,740 shares of common stock issued and outstanding as of February 26, 2010.**

Documents incorporated by reference: **None.**

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PART I

Item 1.

Business

DESCRIPTION OF BUSINESS

Business Development

Our company, Brookmount Explorations, Inc., is a Nevada Corporation, and was incorporated on December 9, 1999. Since inception, we have not been involved in any bankruptcy, receivership or similar proceedings. We have not had any material reclassification, merger, consolidation, purchase or sale of a significant amount of assets not in the ordinary course of business. We have one inactive subsidiary, which is a shell company incorporated in Peru under the name Brookmount Explorations, Inc. SAC, and has no affiliated companies. Our shares are quoted on the NASD over the counter bulletin board (OTC-BB) and trade under the symbol "BMXI".

Our shares are listed on the Berlin Stock Exchange and the Frankfurt Stock Exchange under the symbol "B6T". Our executive offices are located at 1465 Slater Road, Ferndale, Washington 98248, Tel: (206)497-2138.

Pursuant to our Articles of Incorporation we are authorized to issue 200,000,000 shares of common stock, par value \$0.001 per share.

We commenced operations as an exploration stage company during the fiscal year ended November 30, 2005.

Description and Location of Property

Mercedes 100 Property

We are the beneficial owner of a 100% interest in the Mercedes 100 property, which consists of seven mineral claims (the *Property*). There are no other underlying agreements or interests in the property.

Specifics of the seven mineral claims are as follows:

Name of Claim	Claim Number	Claim Area (Hectares)
Celeste	C-010151600	1,000.00
Celeste No. 2	C-010151500	600.00
Celeste No. 4	C-010151700	200.00
Nuevo Herraaje Cuatro	C-010154100	996.96
Nueva Charo	C-010051101	446.93
Confianza	C-010079806	500.00
Mercedes 100	C-08020617x01	450.00

Geological Report: Mercedes 100 property

In March 2009 we received a geological report (the *Report*) from Gateway Solutions S.A.C (*Gateway*) entitled the *NI 43-101 Technical Report on the Mercedes 100 Base and Precious Metal (Ag, Au) Property, Junin, Peru*. The Report was prepared in accordance with the guidelines in National Instrument 43-101 *Standards of Disclosure for Mineral Projects* and by Form 43-101F1 *Technical Report* of Canada.

Description, Location and Access

The Property is located within the Central Cordillera of the Peruvian Andes in rugged terrain typical of the Andean highlands. The elevation on the Property ranges between 4,000 m to 4,750 m above sea level. The local landscape includes steep weathered mountaintops emerging from the grassy foothills. Access to the Property is excellent by road. From Lima to Concepcion, the route along the Central Highway is 277 km long and takes about 5.5 hours by truck. From Concepcion to the Property, the route is 40 km on a wide maintained gravel road. The travel time is about one hour.

The region has a mild climate during the whole year (22^o to -4^o C). The annual average temperature is 13 degrees Celsius. There are only two seasons: the rainy season from October to March along with snowfall during this period, and the dry season from April to September. The rainy season is usually accompanied with road wash-outs and lightning hazards.

Most of Junin's population is located in the city of Huancayo about 20 km to the southwest in the Mantero Valley, a fertile valley alongside the Mantaro River. Agriculture of corn, artichoke, carrot and potato, as well as craftsmanship are the main occupations in the valley. Huancayo is the cultural and commercial center of the central highlands. With a population of 430,000, it is one of the largest cities in Peru and has an infrastructure, telephones, hotels, internet and access to electric power.

The town of Concepcion located approximately 20 km south west of the Property has lodging, stores and restaurants. The villages of Libertad and Comas are the closest settlements to the Property; however, they do not offer any modern services. Most of their inhabitants perform a subsistence level of farming and herding of sheep, llamas and alpacas.

The nearest electrical power line is located 4.5 km from the Property along the main gravel road. Currently, no electricity is available on the Property.

Exploration History

Written records of the Property's exploration and development history are scarce; however, it is clear that a considerable amount of development was performed during previous operations.

In a report on the Property commissioned by us in March 2004 from Guillermo Salazar, a professional geologist, of Calgary, Alberta, he describes:

"Artisanal operations some pre-dating the start of the Spanish Empire in Peru, when, silver and gold at first, then lead and zinc as well, were exploited from the Herrahe IV Claim. More recent operations were carried out by a German company that operated at the Victor I and Victor II mines in the 1980's."

In 1997 Adrian Mann, a veteran professional geologist registered in the Province of Alberta, and in England, reported that of the mineralized structures which have been recognized on the Property, seven have some underground development. Two, the Kelly and Victor II veins, have more than 500 metres of combined longitudinal development. Total primary longitudinal development is approximately 930 m, of which 800 m is on-vein. In addition 250 m of rising, most of it on vein, and 230 m of sub-development have been done, plus well over 600 m of trenching.

Mann spent one week on the Property from 26 June to 2 July, 1997, mapping trenches, outcrops and over 750 metres of underground workings. Furthermore, he channel sampled several surface and underground veins. His report is illustrated with several maps and cross-sections displaying the results. Mann's underground plans are the only remaining maps of the Victor II mine and the Property.

In 2004 we hired G. Salazar M.A., P.Geo "to design a first stage drill program to test the perceived geological potential of the Mercedes 100 Group of Claims". He produced one generalized map displaying the location of the

proposed drill holes and general trend of the various vein systems. He took several samples of the veins and recommended an exploration program including proposed drill hole collars. Four samples from the Herrahe IV showing returned significant gold results.

Mineralization

Over fifteen distinct mineralized structures have been discovered on the Property; several of which are characterized by elevated metal contents. During his three days of field work, Gateway sampled the following vein systems: Monica, Omar, Victor II and Kelly; however, most of Gateway's attention was directed to the Victor II and Kelly Veins, both showing considerable exploitation and lacking exploration. The following is a brief description of the veins sampled by Gateway and by other certified professional geologists.

VICTOR II VEIN

The Victor II vein is by far the most developed and exposed structure of the Property. Mining development consists of three levels; however, only two levels were visited by Gateway. Level 1 comprises a 260 m on-vein drift adit whereas Level 2, also an on-vein drift adit, is approximately 300 m long. Level 0 comprises a 50 m cross-cut adit. In total there is over 400 m of along strike underground development with promising downdip and along strike potential.

Mann (1997) best describes the mineralization as follows:

"The Victor II deposit follows much the same pattern as the other veins. A shear bounded propylitic bleached alteration zone is contained between two well defined clay filled shears in unaltered medium- to coarse-grained gneissic granite. This is intruded in places by finer grained more mafic dykes, porphyritic in part.

Within the alteration zone are one or more subparallel pale grey and milky to off-white quartz veins containing pyrite-galena-sphalerite in variable concentrations. The thickness of the alteration zone ranges from 100 cm to perhaps 800 cm, and is generally constant, or gently changing. The veins follow a different pattern. They range in thickness from 1 cm up to 80 cm, generally, but not universally, on one side of a shear within the alteration zone, commonly bounded on both walls by shears.

The veins are discontinuous, pinching out to an un-mineralized shear, or blowing out to maximum thickness without apparent pattern or periodicity. Mineralization hops from one side wall of the alteration zone to the other, from side wall to centre zone. The veins bifurcate and coalesce, pinch out and reappear, randomly within the same alteration zone. In short, individual veins are difficult to follow for further than 80 m: the alteration zone persists from hundreds of metres."

KELLY VEIN

Development on the vein is restricted to 90 m of on-vein drift adit. The Kelly structure is a southwest trending, steeply dipping well-mineralized vein hosted in a shear zone within granite. It is a 15 cm to 40 cm quartz vein containing pyrite, sphalerite and galena. The vein can be followed 200 m along its strike; however, further exploration is needed in order to identify its full extend and economic continuity.

The west wall of the shear zone displays 40-85 cm of intense argillic alteration within the granite host rock while the east wall is unaltered.

HERRAJE IV VEIN

The shear zone is characterized by a 90 cm to 250 cm core alteration zone containing reticulating quartz veins and veinlets of pyrite and galena. The structure can be traced for several hundreds of metres and perhaps kilometers. The argillic alteration is not only restricted to the shear zone but also extends several centimeters into the country rock.

The Herrahe IV vein showing is located north of the Ahuigrande mountains in a remote and under-explored metal-enriched zone of the Property. Further exploration and sampling is required in order to fully appreciate the potential of this structure and area.

MONICA VEIN

The Monica structure was only examined on surface. A collapsed adit precluded any underground sampling. The Monica vein is associated with a 50-60 cm argillic alteration zone bound by a shear zone cutting the granite. The 300 m long and 25-30 cm wide vein is composed of cryptocrystalline cherty quartz hosted in a coarse-grained grey white granite country rock. Only a trace amount of very fine-grained sulphide mineral was identified.

Three surface samples were taken within the structure; however, no anomalous metal concentrations were identified. Mann also reported poor results for his surface samples. Underground sampling is necessary in order to test the potential of this vein system.

CHARO VEIN

A total of 60 m of on strike development has been carried out to date. The underground workings are currently inaccessible because of a cave-in. The surface expression of the vein is characterized by a natural gully 2 to 3 meters wide. A close association exists between the melanocratic rocks of the intrusion and the vein.

The intersection of the Charo and Monica structures is characterized by brecciated and propylitized rock although, unfortunately, most of it is buried under glacial deposits. None of Gateway's in situ surface samples returned economic values. Stripping, trenching and drilling is required in order to verify if the mineralizing fluids have also invaded the breccia zone.

POLVORIN VEIN

Development on the vein is restricted to 30 m of on-vein drift adit. On surface the vein forms a linear gully which can be followed for at least 350 m. Little is known about the Polvorin mineralization. Underground mapping shows that the structure mostly comprises a strong shear zone displaying argillic alteration rather than a true vein. However, a 25 cm by 70 cm exposure of solid sulfides contained in a cross fracture has been identified on surface. Mann also notes that there is some sulphide and iron-stained altered material in the talus of the gully. No detailed mineralogical description of the mineralization exists and no sample data was available to Gateway.

VICTOR I VEIN

Development

on the vein is restricted to 22 m of on-vein drift adit. On surface, the vein forms a linear gully which can be followed for at least 350 m. Little is known about the Victor I mineralization. Underground mapping shows a spatial correlation between the argillic alteration and mafic rocks. In this case, the mafic rocks appear to form a tabular andesitic dyke subparalleling the vein structure.

Proposed Exploration Plan - Mercedes 100 Property

The Report prepared by Gateway summarizes the results of previous exploration on the Mercedes 100 property and makes a recommendation for further exploration work.

In the Report, Gateway recommends a two stage exploration program as follows:

STAGE I

The exploration approach at the Property must include further development of the Victor II vein, comprising the continued development of the deepest 01 Level together with the mining of a deeper level either via the sinking of a winze or mining a crosscut access from surface. Gateway proposes that some 300m to 400m of development (maximum 2m x 2m section) should be allowed for in the exploration budget whilst carrying out other activities.

Grass-root exploration over the unexplored portions of the Property accompanied by detailed work over the known mineralized structures is needed.

A 1:5,000 geological map of the Ahuigrande valley and 1:250 geological maps of the underground workings should be produced. The underground workings should be made safe, washed and surveyed before the geological mapping starts. The Monica and Charo adits should be reopened and sampled.

A regional mapping crew with a mobile camp should be formed and funded to accomplish a 1: 10,000 geological map of the Property. The regional geological mapping should be accompanied by a 350 sample rock geochemistry survey especially within the regional fault zones located to the north. Exploration north of the Ahuigrande Mountains is strongly recommended. Favorable areas identified should be immediately investigated and prioritized. These prospective zones should be mapped at a scale of 1:2,000 and thoroughly sampled using appropriate methods. Indirect methods such as geophysical studies or soil geochemistry surveys may be necessary at this stage if there is poor rock exposure; however, priority should be given to exposing and sampling outcrops.

If economic mineralization is found during development activities, there exists the option that this mineral could be mined and sent for treatment at the nearby Sinhaycocha Mine and this will help fund on-going exploration activities.

At the same time, the prospect is being prepared for mining and, as other mineralization is found that might also be developed through mining services already established on site. This would be the fastest and probably most economic way of proving up this property.

Six geodesic stations (B-type) should be established on the Property. An IGN benchmark (A-type) is located in Huancayo and should be used as the reference. A 3D model of the Ahuigrande valley using high resolution color satellite imagery combined with the accurate topographic control should be purchased. This will greatly improve project planning during future exploration and developments stages. A Property wide field communication system should be temporarily installed in order to increase productivity and security.

An appropriate-sized temporary base camp should be purchased or rented and established on the Property for at least 12 months. It should include an office, kitchen, sleeping quarters and showers. The proper licenses should be obtained as quickly as possible.

The results of Stage I should be reported in a NI 43-101 compliant Mineral Resource Estimate.

Gateway proposes the following budget for Stage I:

Salaries	Qty.	Price (\$US/ Month)	Time (Month)	Subtotal \$US
P. Geo. (Canada) IIII	1	8,000	6	48,000
Geo III	1	3,000	5	15,000
Geo II	2	1,950	4	15,600
Geotech II	4	1,000	4	16,000
Helpers	8	500	4	16,000
		Subtotal:		110,600

Specialized Surveys and Contracts	Qty.	Price (\$US/ Month)	Subtotal \$US
Topographic Survey (1 m): Surface	1	30,000	30,000
Satellite Imagery (QuickBird)	1	5,000	5,000
Mine Survey	1	20,000	20,000
Road construction and repair	1	10,000	10,000
Geodetic Stations and Baseline	1	8,500	8,500
NI 43-101 Report	1	18,000	18,000
Trenching	1	5,000	5,000
Victor II Rehabilitation	1	10,000	10,000
Victor II Exploration Development (per metre)	300	300	90,000
		Subtotal:	196,500

Equipment Rental and Operating Costs	Qty.	Price (\$US/ Month)	Time (Month)	Subtotal \$US
Truck 4X4	2	2,600	6	31,200
Fuel	2	500	6	6,000
Base camp rental (25 person)	1	4,000	6	24,000
Mobile camp rental	1	1,000	3	3,000
Radio Com System Rental	1	1,500	6	9,000
Camp operations	1	4,000	6	24,000
		Subtotal:		97,200

Analytical Costs	Qty.	Price (unit) (\$US/ Month)	Subtotal \$US
Sample Handling	1,000	2.50	2,500
Sample Assays	1,000	48	48,000
Gateway Quality Control Protocol (15% of sample)	150	65	9,750
		Subtotal:	57,750

Subtotal	462,050
10% contingency	47,205
TOTAL:	508,255

STAGE II

Stage II consists of 2,500 m exploration drilling on newly identified regional targets. Salazar also recommended a drilling program with similar goals. The base camp should be expanded in order to accommodate the increased activity.

Gateway proposes the following budget for Stage II:

Salaries	Qty.	Price (\$US/ Month)	Time (Month)	Subtotal \$US
P. Geo. (Canada) IIII	1	8,000	4	32,000
Geo III	2	4,000	4	32,000
Geotech II	4	1,000	4	16,000
Helpers	10	500	4	20,000
		Subtotal:		100,000

Specialized Surveys and Contracts	Qty.	Price (\$US/ Month)		Subtotal \$US
HQ diamond drilling (per metre)	2,500	110		275,000
Road construction	1	40,000		40,000
		Subtotal:		315,000

Equipment Rental and Operating Costs	Qty.	Price (\$US/ Month)	Time (Month)	Subtotal \$US
Trucks with fuel	1	3,000	4	12,000
Camp and operation	1	7,500	4	30,000
Radio Com System	1	1,500	4	6,000
		Subtotal:		48,000

Analytical Costs	Qty.	Price (unit) (\$US/ Month)		Subtotal \$US
Sample Analyses	1,000	55		55,000
Over-limits	400	15		6,000
Quality Control Protocol (15% of sample)	150	65		9,750
		Subtotal:		70,750
		Subtotal		485,750

10% contingency	48,575
TOTAL:	534,325

Acquisition and Maintenance of Mineral Rights in Peru

The general mining law of Peru defines and regulates all mining activity, from sampling and prospecting to commercialization, exploitation and processing. Mining concessions are granted in defined areas generally ranging from 100 to 1,000 hectares in size. Mining titles are irrevocable and perpetual, as long as the titleholder maintains payment of government fees. No royalties or other production-based monetary obligations are imposed on holders of mining concessions. Instead, a holder of mineral concessions must pay an annual maintenance fee of \$3.00 per hectare for each concession actually acquired or for a pending application by June 30 of each year. The concession holder must sustain a minimum level of annual commercial production of greater than \$100 per hectare in gross sales within eight years of the granting of the concession or, if the concession is not yet in production, the annual rental increases to \$4.00 per hectare for the ninth through fourteenth years of the granting of the concession and to \$10.00 per hectare thereafter. The concession will terminate if the annual fee is not paid for three years in total or for two consecutive years. The term of the concession is indefinite as long as the property is maintained by payment of rental fees.

The Peruvian Constitution and the Civil Code protect a mineral title holder by granting it the same rights as a private property holder. The holder's rights are distinct and independent from the ownership of the land on which it is located, even when both belong to the same person. Mining rights are defensible against third parties, transferable, chargeable and may be the subject of any contract or transaction.

Compliance with Government Regulation

The General Mining Law of Peru is the primary body of law with regards to environmental regulations. It is administered by the Ministry of Energy and Mines (the *MEM*). The MEM can require a mining company to prepare an environmental evaluation, an environmental impact assessment, a program for environmental management and adjustment and a closure plan. Mining companies are also subject to annual environmental audits.

A mining company that has completed its permitted exploration program must submit an impact study when applying for a new concession, to increase the size of its existing processing operations by more than 50% or to execute any other mining project. A company must also set forth its plan for compliance with the environmental laws and regulations, including its planned mining works, investments, monitoring systems, waste management control and site restoration. The plan is considered approved if the MEM does not respond after 60 days of filing. If the MEM or an "interested party" can show just cause, the plan may be modified during first year.

A mining company must also submit a closure plan for each component of its operations. The closure plan must outline the measures that will be taken to protect the environment over the short, medium and long term from solids, liquids and gasses generated by the mining works. The General Mining Law of Peru has in place a system of sanctions or financial penalties that can be levied against a mining company not in compliance with the environmental regulations.

Competitive Conditions

The mineral exploration business is a competitive industry. We are competing with many other exploration companies looking for minerals. We compete with numerous other companies which have resources far in excess of ours. Being a junior mineral exploration company, we compete with such other companies for financing and joint venture partners and exploration resources including professional geologists, camp staff, and mineral exploration

supplies.

Raw Materials

The raw materials needed for our exploration program will include items such as camp equipment, sample bags, first aid supplies, groceries and propane. All of these types of materials are readily available from a variety of suppliers in either the town of Concepcion or Huancayo.

Dependence on Major Customers

We have no customers.

Intellectual Property and Agreements

We have no intellectual property such as patents or trademarks. Additionally, we have no royalty agreements or labor contracts.

Government Approvals and Regulations

Exploration activities are subject to various national, state, foreign and local laws and regulations in Peru, which govern prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste

disposal, protection of the environment, mine safety, hazardous substances and other matters. We believe that we are in compliance in all material respects with applicable mining, health, safety and environmental statutes and the regulations passed thereunder in Peru.

The effect of these existing regulations on our business is that we are able to carry out our exploration program as we have described in this Form 10-K. However, it is possible that future governments could change the regulations that could limit our ability to explore our claims; however, we believe this is highly improbable.

Costs and Effects of Compliance with Environmental Laws

We currently have no costs to comply with environmental laws concerning our exploration program.

Employees

We do not have any full time employees and the directors and officers devote such time as is required to the affairs of our company. Once a major exploration program commences we will need our officers to devote more time to our activities or we will be required to hire consultants to undertake the work.

Item 1A.

Risk Factors

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

Item 1B.

Unresolved Staff Comments

None.

Item 2.

Properties

Our office is located at 1465 Slater Road, Ferndale, WA 98248.

We also have seven mineral claims located in Peru, as described in the section *Description of Business* .

Item 3.

Legal Proceedings

We are not presently a party to any litigation.

Item 4.

Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of our security holders, through the solicitation of proxies or otherwise, during the fourth quarter of the fiscal year covered by this report.

PART II

Item 5.

Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market Information

The principal United States market for our common equity is the OTC-BB, a quotation medium for subscribing members. Our common stock is quoted for trading on the OTC BB under the symbol BMXI and on the Berlin and Frankfurt Stock Exchanges under the symbol "B6T".

Our shares of common stock were listed for quotation on the OTC-BB as of December 23, 2004. These quotations reflect inter-dealer prices, without mark-up, mark-down or commission, and may not represent actual transactions.

We file our audited and interim unaudited financial statements with the United States Securities and Exchange Commission (the "SEC") on Forms 10-K and 10-Q.

The public