

MMEX Resources Corp
Form 10-Q
December 12, 2017

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 October 31, 2017

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: 333-152608

MMEX RESOURCES CORPORATION

(Exact name of Issuer as specified in its charter)

Nevada
(State or other Jurisdiction of

26-1749145
(I.R.S. Employer

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Incorporation or Organization)

Identification No.)

3616 Far West Blvd. #117-321

Austin, Texas 78731

(Address of principal executive offices,
including zip code)

855-880-0400

(Issuer's telephone number, including area
code)

Indicate by check mark whether the registrant (1) has 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(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 issuers involved in bankruptcy proceedings during the preceding five years:

Indicate by check mark whether the registrant filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of December 12, 2017 there were 1,537,342,476 shares of Class A common stock, \$0.001 par value, issued and outstanding and 1,500,000,000 shares of Class B common stock, \$0.001 par value, issued and outstanding.

MMEX RESOURCES CORPORATION

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QUARTER ENDED OCTOBER 31, 2017

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PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

The accompanying condensed consolidated financial statements of MMEX Resources Corporation and subsidiaries (the “Company”) are unaudited and have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions for Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, the condensed consolidated financial statements contain all material adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial condition, results of operations, and cash flows of the Company for the interim periods presented.

Operating results and cash flows for any interim period are not necessarily indicative of the results that may be expected for other interim periods or the full fiscal year. These condensed consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Form 10-K for the year ended April 30, 2017 filed with the Securities and Exchange Commission (“SEC”).

Table of Contents**MMEX RESOURCES CORPORATION****Condensed Consolidated Balance Sheets**

	October 31,	April 30,
	2017	2017
	(Unaudited)	
Assets		
Current assets:		
Cash	\$ 50,297	\$ 54,513
Total current assets	50,297	54,513
Property and equipment, net	101,203	-
Deposit	900	-
Total assets	\$ 152,400	\$ 54,513
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	\$ 715,221	\$ 694,664
Accrued expenses	232,720	912,870
Accrued expenses – related party	31,633	70,670
Notes payable, currently in default	75,001	375,001
Convertible notes payable, currently in default, net of discount of \$0 and \$0 at October 31, 2017 and April 30, 2017, respectively	75,000	195,000
Convertible notes payable, net of discount of \$628,608 and \$136,284 at October 31, 2017 and April 30, 2017, respectively	335,062	8,716
Convertible preferred stock	-	137,500
Derivative liabilities	1,789,047	6,610,001
Total current liabilities	3,253,684	9,004,422
Long-term liabilities:		
Convertible note payable, net of discount of \$181,003 at October 31, 2017	3,797	-
Total liabilities	3,257,481	9,004,422
Commitments and contingencies		
Stockholders' deficit:		
Common stock; \$0.001 par value:		
Class A: 3,000,000,000 shares authorized, 1,474,263,078 and 987,616,168 shares issued and outstanding at October 31, 2017 and April 30, 2017, respectively	1,474,264	987,617

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Class B: 2,000,000,000 shares authorized, 1,500,000,000 shares issued and outstanding at October 31, 2017 and April 30, 2017, respectively	1,500,000	1,500,000
Common stock payable	-	307,978
Additional paid-in capital	27,395,630	25,551,533
Non-controlling interest	272,216	(378,443)
Accumulated (deficit)	(33,747,191)	(36,918,594)
Total stockholders' deficit	(3,105,081)	(8,949,909)
Total liabilities and stockholders' deficit	\$ 152,400	\$ 54,513

See accompanying notes to condensed consolidated financial statements.

Table of Contents**MMEX RESOURCES CORPORATION****Condensed Consolidated Statements of Operations****(Unaudited)**

	Three Months Ended		Six Months Ended	
	October 31,		October 31,	
	2017	2016	2017	2016
Revenues	\$ -	\$ -	\$ -	\$ -
Operating expenses:				
General and administrative expenses	132,581	102,651	470,711	126,241
Refinery start-up costs	165,420	-	498,531	-
Depreciation and amortization	417	62	707	386
Total operating expenses	298,418	102,713	969,949	126,627
Loss from operations	(298,418)	(102,713)	(969,949)	(126,627)
Other income (expense):				
Interest expense	(431,793)	(80,700)	(726,401)	(116,939)
Gain (loss) on derivative liabilities	(514,129)	(52,587)	3,952,554	33,108
Gain on assignment and assumption agreement	1,090,271	-	1,090,271	-
Gain on extinguishment of debt	-	-	475,587	-
Total other income (expense)	144,349	(133,287)	4,792,011	(83,831)
Income (loss) before income taxes	(154,069)	(236,000)	3,822,062	(210,458)
Provision for income taxes	-	-	-	-
Net income (loss)	(154,069)	(236,000)	3,822,062	(210,458)
Non-controlling interest in (income) loss of consolidated subsidiaries	(651,005)	453	(650,659)	915
Net income (loss) attributable to the Company	\$ (805,074)	\$ (235,547)	\$ 3,171,403	\$ (209,543)

Net income (loss) per common share – basic and diluted	\$	(0.00)	\$	(0.00)	\$	0.00	\$	(0.00)
Weighted average number of common shares outstanding:								
Basic and diluted		1,468,936,991		376,528,409		1,396,834,000		373,973,860
Diluted		1,468,936,991		376,528,409		1,467,161,534		373,973,860

See accompanying notes to condensed consolidated financial statements.

Table of Contents**MMEX RESOURCES CORPORATION****Condensed Consolidated Statements of Cash Flows****(Unaudited)**

	Six Months Ended October 31,	
	2017	2016
Cash flows from operating activities:		
Net income (loss) attributable to the Company	\$ 3,171,403	\$ (209,543)
Non-controlling interest in income (loss) of consolidated subsidiaries	650,659	(915)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization expense	707	386
Stock-based compensation	227,125	47,254
Convertible note payable issued for commitment fee	80,000	-
Interest expense added to convertible note principal	38,247	-
Gain on derivative liabilities	(3,952,554)	(33,108)
Gain on assignment and assumption agreement	(1,090,271)	-
Gain on extinguishment of debt	(475,587)	-
Amortization of debt discount	475,143	-
Increase in deposits	(900)	-
Increase in liabilities:		
Accounts payable	135,039	90,766
Accrued expenses	67,433	71,955
Net cash used in operating activities	(673,556)	(33,205)
Cash flows from investing activities:		
Purchase of property and equipment	(101,910)	-
Net cash used in investing activities	(101,910)	-
Cash flows from financing activities:		
Proceeds from convertible notes payable	771,250	-
Proceeds from common stock payable	-	32,384
Net cash provided by financing activities	771,250	32,384
Net increase (decrease) in cash	(4,216)	(821)
Cash at the beginning of the period	54,513	1,030
Cash at the end of the period	\$ 50,297	\$ 209
Supplemental disclosure:		
Interest paid	\$ -	\$ -
Income taxes paid	-	-
Common stock for common stock payable	307,978	2,935,000

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Settlement of convertible preferred stock and accrued interest for common stock	200,476	-
Common stock and additional paid-in capital for derivative liabilities in cashless exercise of warrants	1,906,006	-
Common stock for accrued expenses	4,400	-
Settlement of convertible notes payable and accrued interest for common stock	124,800	-
Derivative liabilities for debt discount	1,043,220	-
Accrued interest payable added to convertible note principal	8,723	-

See accompanying notes to condensed consolidated financial statements.

Table of Contents**MMEX RESOURCES CORPORATION****Notes to Condensed Consolidated Financial Statements****Six Months Ended October 31, 2017****(Unaudited)****NOTE 1 – BACKGROUND, ORGANIZATION AND BASIS OF PRESENTATION**

MMEX Resources Corporation (the “Company” or “MMEX”) is a company engaged in the exploration, extraction, refining and distribution of oil, gas, petroleum products and electric power. We plan to focus on the acquisition, development and financing of oil, gas, refining and electric power projects in Texas, Peru, and other countries in Latin America using the expertise of our principals to identify, finance and acquire these projects. On August 30, 2017, the Company announced it has secured permit approval from the Texas Commission on Environmental Quality (TCEQ) to build a 10,000 barrel-per-day (BPD) crude distillation unit near Fort Stockton, Texas.

MMEX was formed as a Nevada corporation in 2005. The current management team led an acquisition of the Company (then named Management Energy, Inc.) through a reverse merger completed on September 23, 2010 and changed the Company’s name to MMEX Mining Corporation on February 11, 2011 and to MMEX Resources Corporation on April 6, 2016

The accompanying condensed consolidated financial statements include the accounts of the following entities, all of which the Company maintains control through a majority ownership or through common ownership:

Name of Entity	%	Form of Entity	State of Incorporation	Relationship
MMEX Resources Corporation (“MMEX”)	-	Corporation	Nevada	Parent
MCC Merger, Inc. (“MCCM”)	100%	Corporation	Delaware	Holding Subsidiary
Maple Carpenter Creek Holdings, Inc. (“MCCH”)	100%	Corporation	Delaware	Subsidiary
Maple Carpenter Creek, LLC (“MCC”)	80%	LLC	Nevada	Subsidiary
Carpenter Creek, LLC (“CC”)	95%	LLC	Delaware	Subsidiary
Armadillo Holdings Group Corp. (“AHGC”)	100%	Corporation	British Virgin Isles	Subsidiary
Armadillo Mining Corp. (“AMC”)	98.6%	Corporation		Subsidiary

As of April 13, 2016, the Company assigned AMC to an irrevocable trust (the “Trust”), whose beneficiaries are the existing shareholders of MMEX. The accounts of AMC are included in the consolidated financial statements for all periods presented due to the common ownership. AMC through the Trust controls the Hunza coal interest previously owned by MMEX.

On September 1, 2016, the Company entered into a stock assignment agreement with LatAm Services, LLC (“LatAm”), whose members are officers and directors of the Company, pursuant to which LatAm acquired MCCH, a wholly owned subsidiary of the Company, and MCC and CC, majority owned subsidiaries of MCCH. On September 18, 2017, the Company, the members of LatAm and William B. Short (“Short”), an unrelated individual, entered into an Assignment and Assumption Agreement pursuant to which Short acquired MCCH, MCC and CC from LatAm (Note 11). The accounts of MCCH, MCC and CC are included in the consolidated financial statements through September 18, 2017 due to the common ownership of LatAm. With the acquisition of these subsidiaries by LatAm, and subsequently by Short, MMEX has exited the Hunza coal project to focus on energy related projects under its new business plan.

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All significant inter-company transactions have been eliminated in the preparation of the consolidated financial statements.

These financial statements reflect all adjustments, consisting of normal recurring adjustments, which in the opinion of management are necessary for a fair presentation of the information contained therein.

The Company has adopted a fiscal year end of April 30.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our significant accounting policies are described in our Annual Report on Form 10-K for the year ended April 30, 2017 filed with the SEC on July 28, 2017.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its aforementioned subsidiaries and entities under common ownership. All significant intercompany accounts and transactions have been eliminated in consolidation. The ownership interests in subsidiaries that are held by owners other than the Company are recorded as non-controlling interest and reported in our consolidated balance sheets within stockholders' deficit. Losses attributed to the non-controlling interest and to the Company are reported separately in our consolidated statements of operations.

Use of Estimates

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

Derivative liabilities

In a series of subscription agreements, we have issued warrants that contain certain anti-dilution provisions that we have identified as derivatives. We have also identified the conversion feature of certain of our convertible notes payable as derivatives. We estimate the fair value of the derivatives using multinomial lattice models that value the derivative liabilities based on a probability weighted cash flow model using projections of the various potential outcomes. These estimates are based on multiple inputs, including the market price of our stock, interest rates, our stock price volatility and management's estimates of various potential equity financing transactions. These inputs are subject to significant changes from period to period and to management's judgment; therefore, the estimated fair value of the derivative liabilities will fluctuate from period to period, and the fluctuation may be material.

Property and equipment

Property and equipment is recorded at the lower of cost or estimated net recoverable amount, and is depreciated using the straight-line method over the estimated useful life of the related asset as follows:

Office furniture and equipment	10 years
Computer equipment and software	5 years

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Maintenance and repairs are charged to expense as incurred. Significant renewals and betterments will be capitalized. At the time of retirement or other disposition of equipment, the cost and accumulated depreciation will be removed from the accounts and the resulting gain or loss, if any, will be reflected in operations.

The Company will assess the recoverability of property and equipment by determining whether the depreciation and amortization of these assets over their remaining life can be recovered through projected undiscounted future cash flows. The amount of equipment impairment, if any, will be measured based on fair value and is charged to operations in the period in which such impairment is determined by management.

Fair value of financial instruments

Under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, and ASC 825, *Financial Instruments*, the FASB establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this standard did not have a material effect on the Company's financial statements as reflected herein. The carrying amounts of cash, accounts payable, accrued expenses and notes reported on the accompanying consolidated balance sheets are estimated by management to approximate fair value primarily due to the short-term nature of the instruments.

An entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value using a hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy prioritized the inputs into three levels that may be used to measure fair value:

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in markets that are not active.

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Our derivative liabilities are measured at fair value on a recurring basis and estimated as follows:

October 31, 2017	Total	Level 1	Level 2	Level 3
Derivative liabilities	\$ 1,789,047	\$ -	\$ -	\$ 1,789,047

April 30, 2017	Total	Level 1	Level 2	Level 3
Derivative liabilities	\$ 6,610,001	\$ -	\$ -	\$ 6,610,001

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Refinery start-up costs

Costs incurred prior to opening the Company's proposed crude oil refinery in Pecos County, Texas, including acquisition of refinery rights, planning, design and permitting, are recorded as start-up costs and expensed as incurred.

Basic and diluted loss per share

Basic net income or loss per share is calculated by dividing net income or loss (available to common stockholders) by the weighted average number of common shares outstanding for the period. Diluted income or loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as stock options, warrants, convertible debt and convertible preferred stock, were exercised or converted into common stock. For the three months ended October 31, 2017 and 2016 and the six months ended October 31, 2016, potential dilutive shares had an anti-dilutive effect and were not included in the calculation of diluted net loss per common shares; therefore, basic net loss per share is the same as diluted net loss per share. For the six months ended October 31, 2017, diluted weighted average number of common shares outstanding included 635,701 common shares issuable for in-the-money warrants using the treasury stock method and 69,691,833 common shares issuable for convertible debt.

Issuance of shares for non-cash consideration

The Company accounts for the issuance of equity instruments to acquire goods and/or services based on the fair value of the goods and services or the fair value of the equity instrument at the time of issuance, whichever is more reliably determinable. The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of the standards issued by the FASB. The measurement date for the fair value of the equity instruments issued is determined as the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement.

Reclassifications

Certain amounts in the consolidated financial statements for prior year periods have been reclassified to conform with the current year periods presentation.

Recently Issued Accounting Pronouncements

In July 2017, the FASB issued Accounting Standards Update (“ASU”) 2017-11, “Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Non-controlling Interests with a Scope Exception.” Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating Topic 480, “Distinguishing Liabilities from Equity,” because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable non-controlling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company is currently unable to determine the impact on its consolidated financial statements of the adoption of this new accounting pronouncement.

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Although there are several other new accounting pronouncements issued or proposed by the FASB, which the Company has adopted or will adopt, as applicable, the Company does not believe any of these accounting pronouncements has had or will have a material impact on its consolidated financial position or results of operations.

NOTE 3 – GOING CONCERN

Our financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. We have incurred continuous losses from operations, have an accumulated deficit of \$33,747,191 and a total stockholders' deficit of \$3,105,081 at October 31, 2017, and have reported negative cash flows from operations since inception. In addition, we do not currently have the cash resources to meet our operating commitments for the next twelve months, and we expect to have ongoing requirements for capital investment to implement our business plan. Finally, our ability to continue as a going concern must be considered in light of the problems, expenses and complications frequently encountered by entrance into established markets and the competitive environment in which we operate.

Since inception, our operations have primarily been funded through private debt and equity financing, as well as capital contributions by our subsidiaries' partners, and we expect to continue to seek additional funding through private or public equity and debt financing.

Our ability to continue as a going concern is dependent on our ability to generate sufficient cash from operations to meet our cash needs and/or to raise funds to finance ongoing operations and repay debt. However, there can be no assurance that we will be successful in our efforts to raise additional debt or equity capital and/or that our cash generated by our operations will be adequate to meet our needs. These factors, among others, indicate that we may be unable to continue as a going concern for a reasonable period of time.

The financial statements do not include any adjustments that might result from the outcome of any uncertainty as to the Company's ability to continue as a going concern. The financial statements also do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 4 – RELATED PARTY TRANSACTIONS

Accrued expenses (see Note 7) to related parties totaled \$31,633 and \$70,670 as of October 31, 2017 and April 30, 2017, respectively.

Table of Contents**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at:

	October 31, 2017	April 30, 2017
Office furniture and equipment	\$ 13,363	\$ 454
Computer equipment and software	26,287	24,569
Less accumulated depreciation and amortization	(22,493)	(25,023)
	17,157	-
Land	84,046	-
	\$ 101,203	\$ -

On July 28, 2017, the Company acquired 126 acres of land located near Fort Stockton, Texas for \$67,088. This 126 acre parcel is part of the 476 acre tract on which the Company intends to build a crude oil refinery. The Company also subsequently acquired certain easements related to the land parcel for \$16,958.

Depreciation and amortization expense totaled \$417 and \$62 for the three months ended October 31, 2017 and 2016, respectively, and \$707 and \$386 for the six months ended October 31, 2017 and 2016, respectively.

NOTE 6 – REFINERY PROJECT

On March 4, 2017, the Company entered into an agreement with Maple Resources Corporation (“Maple”), a related party, to acquire all of Maple’s right, title and interest (the “Rights”) in plans to build a \$450 million, 50,000 barrels per day capacity crude oil refinery in Pecos County, Texas (the “Refinery Transaction” or the “Refinery Project”). Pursuant to the Refinery Transaction, the Company agreed to acquire the Rights in exchange for the issuance of 1,500,000,000 Class B common shares. The 1,500,000,000 Class B common stock issued for the Rights were valued at \$150,000 by an independent valuation firm, with the \$150,000 expensed to refinery start-up costs.

Completion of the Refinery Project is subject to the receipt of required governmental permits and completion of required debt and equity financing.

NOTE 7 – ACCRUED EXPENSES

Accrued expenses consisted of the following at:

	October 31, 2017	April 30, 2017
Accrued payroll	\$ 30,090	\$ 30,090
Accrued consulting	31,633	75,633
Accrued interest	140,089	815,276
Other	62,541	62,541
	\$ 264,353	\$ 983,540

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Notes payable, currently in default, consist of the following at:

	October 31, 2017	April 30, 2017
Note payable to an unrelated party, maturing March 18, 2014, with interest at 10%	\$ 75,001	\$ 75,001
Note payable to an unrelated party, maturing July 15, 2010, with interest at 10%, extinguished pursuant to Assignment and Assumption Agreement (Note 11)	-	300,000
	\$ 75,001	\$ 375,001

Accrued interest payable on notes payable, currently in default, totaled \$34,634 and \$273,870 at October 31, 2017 and April 30, 2017, respectively.

Convertible notes payable, currently in default, consist of the following at:

	October 31, 2017	April 30, 2017
Note payable to an unrelated party, maturing January 27, 2012, with interest at 25%, convertible into common shares of the Company at \$3.70 per share	\$ 50,000	\$ 50,000
Note payable to an unrelated party, maturing December 31, 2010, with interest at 10%, convertible into common shares of the Company at \$1.00 per share	25,000	25,000
Note payable to an unrelated party, maturing March 1, 2013, with interest at 1.87% per month, convertible into common shares of the Company at \$0.20 per share, repaid in June 2017	-	120,000
Total	\$ 75,000	\$ 195,000

Effective June 20, 2017, the Company entered into an agreement to extinguish the \$120,000 convertible note payable and \$119,365 accrued interest payable through the issuance of 16,000,000 shares of the Company's Class A common stock, recognizing a gain on extinguishment of debt of \$114,565.

Accrued interest payable on convertible notes payable, currently in default, totaled \$80,366 and \$190,343 at October 31, 2017 and April 30, 2017, respectively.

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Convertible notes payable consist of the following at:

	October 31, 2017	April 30, 2017
Note payable to an accredited investor, maturing May 15, 2018, with interest at 8%, convertible into common shares of the Company at a defined variable exercise price	\$ 115,000	\$ -
Note payable to an accredited investor, maturing May 16, 2018, with interest at 8%, convertible into common shares of the Company at a defined variable exercise price	60,000	-
Note payable to an accredited investor, maturing May 24, 2018, with interest at 8%, convertible into common shares of the Company at a defined variable exercise price	173,000	-
Note payable to an accredited investor, maturing December 12, 2017, with interest at 8%, convertible into common shares of the Company at a defined variable exercise price	80,000	-
Note payable to an accredited investor, maturing March 30, 2018, with interest at 12%, convertible into common shares of the Company at a defined variable exercise price	125,000	-
Note payable to an accredited investor, maturing June 1, 2018, with interest at 12%, convertible into common shares of the Company at a defined variable exercise price	115,000	-
Note payable to an accredited investor, maturing June 20, 2018, with interest at 12%, convertible into common shares of the Company at a defined variable exercise price	123,500	-
Note payable purchased by an accredited investor pursuant to a Convertible Note Purchase and Assignment Agreement, maturing April 19, 2018, with a one-time interest charge of 12%, convertible into common shares of the Company at a defined variable exercise price	172,170	-
Note payable to an accredited investor, maturing October 19, 2017, with interest at 12%, convertible into common shares of the Company at a defined variable exercise price, extinguished pursuant to a Convertible Note Purchase and Assignment Agreement	-	145,000
Total	963,670	145,000
Less discount	(628,608)	(136,284)
Net	\$ 335,062	\$ 8,716

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Effective April 19, 2017 the Company issued and delivered to JSJ Investments, Inc. a 12% convertible note payable to JSJ Investments, Inc. (“JSJ”) in the principal amount of \$145,000. The note was issued at a discount, resulting in the receipt of \$138,000. The Company can redeem the note at any time prior to 90 days from the issuance date at a redemption price of 120% plus accrued interest. The redemption price thereafter increases to 125%, plus accrued interest, until the 120th day from issuance. The note is due and payable on the October 19, 2017 at a redemption price of 150% plus accrued interest. The holder of the note, at its option, may convert the unpaid principal balance and accrued interest into shares of the Company’s Class A common stock at a 40% discount from the lowest trading price during the 20 days prior to conversion. Prior to the 180th day after issuance, the conversion price cannot be less than a floor of \$.03 per share of common stock. The note also contains penalty provisions in the event of default in repayment of the note (if not converted by the holder into shares of common stock) after 180 days from issuance. Pursuant to a Convertible Note Purchase and Assignment Agreement dated October 16, 2017 Vista Capital Investments, LLC (“Vista”) purchased from JSJ the convertible note with a principal balance of \$145,000 and \$8,723 accrued interest payable. No gain or loss was recognized on this transaction.

Effective May 15, 2017, the Company issued and delivered to Eagle Equities LLC an 8% convertible redeemable note in the principal amount of \$115,000. The note was issued at a discount, resulting in the receipt of \$105,000. The Company can redeem the note at any time prior to 90 days from the issuance date at a redemption price of 125% plus accrued interest. The redemption price thereafter increases to 135%, plus accrued interest, until the 120th day from issuance and to 150%, plus accrued interest, until the 180th day from issuance. The note is due and payable on May 15, 2018. During the first 6 months the note is in effect, the holder of the note, at its option, may convert the unpaid principal balance of, and accrued interest on, the note into shares of the Company’s Class A common stock at a fixed price of \$0.03 per share. Beginning the 6 month anniversary of the note, the holder of the note, at its option, may convert the unpaid principal and accrued interest into shares of the Company’s Class A common stock a 40% discount from the average of the three lowest trading prices during the 25 days prior to conversion. The note also contains penalty provisions in the event of default in repayment of the note (if not converted by the holder into shares of common stock) after 180 days from issuance.

Effective May 16, 2017, the Company issued and delivered to Crown Bridge Partners, LLC (“Crown Bridge”) an 8% convertible redeemable note in the principal amount of \$60,000. The note was issued at a discount, resulting in the receipt of \$54,000. The note is due and payable on May 16, 2018. The other terms of the note are identical to the terms of the May 15, 2017 convertible redeemable note described above.

Effective May 24, 2017, the Company issued and delivered to GS Capital Partners, LLC an 8% convertible note in the principal amount of \$173,000. The note was issued at a discount, resulting in the receipt of \$158,000. The note is due and payable on May 24, 2018. The Company can redeem the note at any time prior to 60 days from the issuance date at a redemption price of 118% plus accrued interest. The redemption price thereafter increases to 125%, plus accrued interest, until the 120th day from issuance and then to 133%, plus accrued interest, until the 180th day from issuance. The note cannot be prepaid after the 180th day after issuance. The holder of the note, at its option, may convert the unpaid principal balance and accrued interest into shares of the Company’s Class A common stock at a 40% discount from the lowest trading price during the 20 days prior to conversion. Prior to the 180th day after issuance, the conversion price cannot be less than a floor of \$.03 per share of common stock. The note also contains penalty

provisions in the event of default in repayment of the note (if not converted by the holder into shares of common stock). The Company entered into an amendment of the note with GS Capital which extends the redemption period of the note by an additional 75 days, during which period the redemption premium will be 47%.

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On June 12, 2017, the Company entered into an Equity Purchase Agreement with Crown Bridge. Pursuant to the terms of the Equity Purchase Agreement, Crown Bridge has committed to purchase up to \$3,000,000 of our common stock for a period of up to 24 months commencing upon the effectiveness of a registration statement covering the resale of shares issuable to Crown Bridge under the Equity Purchase Agreement. The Equity Purchase Agreement allows the Company to deliver a put notice to Crown Bridge stating the dollar amount of common stock that it intends to sell to Crown Bridge on the date specified in the put notice. The amount of each put notice is limited to a formula that is equal to the lesser of (i) \$100,000 or (ii) 150% of the average dollar value of the trading volume of the Company's stock, measured at the lowest price during the trading period, for the seven days prior to the purchase of shares by Crown Bridge. The purchase price of shares issued in respect of each put notice is 80% of the average of the three lowest trading prices in the seven trading days immediately preceding the date on which the Company exercises its put right. The Company is required to file a registration statement with the SEC on Form S-1 within 45 days of the date of the Equity Purchase Agreement covering the resale of shares to be issued under such agreement and to use its best efforts to cause the registration statement to become effective within 90 days of such date.

In connection with the Equity Purchase Agreement, the Company issued to Crown Bridge, as a commitment fee, an \$80,000 convertible promissory note which matures on December 12, 2017. The note bears interest at a rate of 8% per annum. The Company is entitled to redeem the note at a redemption price of 125% plus accrued interest during the first 90 days after issuance. The redemption price then increases to 135% until the 120th day after issuance and then increases to 150% until the 180th day after issuance, after which the date the note may not be redeemed. If the note is not redeemed or the Company is otherwise in default, Crown Bridge may convert the unpaid balance into shares of the Company's Class A common stock at a conversion price equal to the lesser of (i) the closing price of the Company's Class A common stock on the issuance date of the note or (ii) 60% of the average of the three lowest trading prices during the 25-day period prior to the notice of conversion.

On July 7, 2017, the Company issued and delivered to JSJ a second 12% convertible note payable to JSJ in the principal amount of \$125,000. The note was issued at a discount, resulting in the receipt of \$118,750. The Company can redeem the note at any time prior to 90 days from the issuance date at a redemption price of 120% plus accrued interest. The redemption price thereafter increases to 125%, plus accrued interest, until the 120th day from issuance, and thereafter increases to a redemption price of 145% plus accrued interest until the 180th day after issuance and 150% plus accrued interest until the maturity date of March 30, 2018. The holder of the note, at its option, may convert the unpaid principal balance and accrued interest into shares of the Company's Class A common stock at a price of no lower than \$0.03 per share of common stock until the 180th day after issuance and thereafter at a price 40% discount from the lowest trading prices during the 20 days prior to conversion. The note also contains penalty provisions in the event of default in repayment of the note (if not converted by the holder into shares of common stock) on the maturity date of March 30, 2018. The Company agreed with JSJ to use any proceeds from draws on our prospective equity line of credit or sale of assets to first repay the note issued to JSJ in April 2017 and second to repay the July 7, 2017 note.

On September 7, 2017, the Company completed the funding of a 12% convertible note in the principal amount of \$115,000 issued to Auctus Fund, LLC. The Company received \$105,000 of note proceeds after payment of \$10,000 of the fees and expenses of the lender and its counsel. The Company can redeem the note at any time prior to 90 days

from the issuance date at a redemption price of 125% plus accrued interest. The redemption price thereafter increases to 135%, plus accrued interest, until the 180th day after issuance. The holder of the note, at its option, may convert the unpaid principal balance of, and accrued interest on, the note into shares of the Company's common stock at a price equal to the lesser of (i) the lowest trading price during the previous 25 trading day period ending on the latest complete trading day prior to the date of the note and (ii) 55% of the average of the two lowest trading prices for the Company's common stock during the 25 trading day period ending on the latest complete trading day prior to the conversion date. The note also contains penalty provisions in the event of default in repayment of the note (if not converted by the holder into shares of common stock) on the maturity date of June 1, 2018.

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On September 18, 2017, the Company completed the funding of a 12% convertible note in the principal amount of \$123,500 issued to Power Up Lending Group Ltd (“Power Up”). The Company received \$112,500 of note proceeds after payment of \$11,000 of the fees and expenses of the lender and its counsel. The Company can redeem the note at any time prior to 30 days from the issuance date at a redemption price of 120% plus accrued interest. The redemption price thereafter increases by an additional 5% each 30 days thereafter until the 180th day after issuance (at which date the note cannot thereafter be prepaid). The holder of the note, at its option, may convert the unpaid principal balance of, and accrued interest on, the note into shares of the Company’s common stock at a price equal to 61% of the average of the two lowest trading prices for the Company’s common stock during the 20 trading day period ending on the latest complete trading day prior to the conversion date. The note also contains penalty provisions in the event of default in repayment of the note (if not converted by the holder into shares of common stock) on the maturity date of June 20, 2018.

Pursuant to a Convertible Note Purchase and Assignment Agreement dated October 16, 2017 Vista Capital Investments, LLC (“Vista”) purchased from JSJ the April 19, 2017 convertible note with a principal balance of \$145,000 and \$8,723 accrued interest payable. The Company issued a replacement convertible note to Vista dated October 16, 2017 in the principal amount of \$153,723, maturing on April 19, 2017. No gain or loss was recognized on this transaction. A one-time 12% interest charge of \$18,447 was added to the note principal. The holder of the note, at its option, may convert the unpaid principal balance of, and accrued interest on, the note into shares of the Company’s common stock at a 40% discount from the lowest trading price during the 20 days prior to conversion. The Company may prepay the note at a 45% redemption premium during the first 90 days after issuance.

The long-term convertible note payable at October 31, 2017 is comprised of a convertible note issued to Vista by the Company on October 19, 2017 in the principal amount of \$184,800, less discount of \$181,003. The Company issued and delivered to Vista a convertible note in the original maximum principal amount of \$550,000 (consisting of an initial advance of \$165,000 on such date and possible future advances). The initial advance was issued at a discount, resulting in the receipt of \$160,000, \$65,000 of which was paid to JSJ as a prepayment penalty for the first JSJ note purchased by Vista. A one-time 12% interest charge of \$19,800 was added to the note principal. The holder of the note, at its option, may convert the unpaid principal balance of, and accrued interest on, the note into shares of the Company’s common stock at a 40% discount from the lowest trading price during the 25 days prior to conversion. The Company may prepay the note at a 45% redemption premium during the first 90 days after issuance. The maturity date for each advance is two years from the date of advance.

Accrued interest payable on convertible notes payable totaled \$25,089 and \$524 at October 31, 2017 and April 30, 2017, respectively.

The Company has identified the conversion feature of its convertible notes payable as a derivative and estimated the fair value of the derivative using a multinomial lattice model simulation and considering the existence of a tainted equity environment (see Note 10).

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NOTE 9 – CONVERTIBLE PREFERRED STOCK

As of April 30, 2017, the Company had \$137,500 face value of Armadillo Mining Corporation preferred stock issued in June 2011 to two unrelated parties, with accrued dividends payable of \$350,539. The preferred stock carried a 25% cumulative dividend and had a mandatory redemption feature on December 31, 2011 at a price of \$1.25 per share.

Effective June 19, 2017, the Company entered into agreements with the holders of the outstanding convertible preferred stock pursuant to which \$137,500 principal, \$359,957 accrued dividends payable and \$4,571 derivative liabilities were extinguished through the issuance of a total of 24,750,000 shares of the Company's Class A common stock, recognizing a gain on extinguishment of debt of \$302,595.

In connection with the settlement of the preferred stock on June 19, 2017, the Company issued 11,250,000 shares of its Class A common stock to a non-related consultant. The shares were valued at \$91,125, based on the closing market price of the stock on the date of issuance, and included in general and administrative expenses. No gain or loss was recorded on the settlement.

NOTE 10 – DERIVATIVE LIABILITIES

In a series of subscription agreements, the Company issued warrants that contain certain anti-dilution provisions that have been identified as derivatives. In addition, the Company identified the conversion feature of certain convertible notes payable and convertible preferred stock as derivatives. As of October 31, 2017, the number of warrants or common shares to be issued under these agreements is indeterminate; therefore, the Company concluded that the equity environment is tainted and all additional warrants and convertible debt are included in the value of the derivative.

The Company estimates the fair value of the derivative liabilities at the issuance date and at each subsequent reporting date, using a multinomial lattice model simulation. The model is based on a probability weighted discounted cash flow model using projections of the various potential outcomes.

During the six months ended October 31, 2017, we had the following activity in our derivative liabilities:

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	Warrants	Convertible Notes	Preferred Stock	Total
Balance, April 30, 2017	\$ 6,299,670	\$ 304,675	\$ 5,656	\$ 6,610,001
New issuances of debt	-	1,043,220	-	1,043,220
Debt conversions and warrant exercises	(1,906,006)	-	(5,614)	(1,911,620)
Change in fair value of derivative liabilities	(3,982,685)	30,173	(42)	(3,952,554)
Balance, October 31, 2017	\$ 410,979	\$ 1,378,068	\$ -	\$ 1,789,047

Key inputs and assumptions used in valuing the Company's derivative liabilities as of October 31, 2017 are as follows:

- Stock prices on all measurement dates were based on the fair market value
- Risk-free interest rates ranging from 1.38% – 1.721%
- The probability of future financing was estimated at 100%
- Computed volatility ranging from 114% to 118%

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These inputs are subject to significant changes from period to period and to management's judgment; therefore, the estimated fair value of the derivative liabilities will fluctuate from period to period, and the fluctuation may be material.

NOTE 11 – ASSIGNMENT AND ASSUMPTION AGREEMENT

On September 1, 2016, the Company entered into a stock assignment agreement with LatAm Services, LLC (“LatAm”), whose members are officers and directors of the Company, pursuant to which LatAm acquired MCCH, a wholly owned subsidiary of the Company, and MCC and CC, majority owned subsidiaries of MCCH (see Note 1). On September 18, 2017, the Company, the members of LatAm and William B. Short (“Short”), an unrelated individual, entered into an Assignment and Assumption Agreement pursuant to which Short acquired the member interests in LatAm, thereby acquiring all the assets and assuming all the liabilities of MCCH, MCC and CC. Prior to the Assignment and Assumption Agreement with Short on September 18, 2017, the accounts of MCCH, MCC and CC were consolidated with those of the Company and its other subsidiaries. The following is a summary of the accounts purchased or assumed by Short (there was no book value to the assets):

Liabilities assumed:	
Accounts payable	\$ 95,655
Accrued expenses	254,575
Note payable, currently in default	300,000
Total liabilities assumed	650,230
Additional paid- in capital	550,041
Total	1,200,271
Value of common shares issued	(110,000)
Gain	\$ 1,090,271

Short agreed to assume all liabilities and hold the Company harmless from any and all liabilities (contingent or otherwise). In consideration therefor, the Company issued Short 10,000,000 shares of its Class A common stock, valued at \$110,000, or \$0.011 per share, equal to the market value of the stock on the date of the agreement, which amount was recorded as reduction in the gain recognized. With the acquisition of these subsidiaries by LatAm and subsequently by Short, MMEX has exited the Hunza coal project to focus on energy related projects under its new business plan.

NOTE 12 – STOCKHOLDERS’ DEFICIT

Authorized Shares

On March 31, 2017, the Company amended its articles of incorporation to provide for an increase in the authorized shares of common stock from 3,000,000,000 to 5,000,000,000 shares. In addition, the articles of incorporation were amended to provide for two classes of common shares: (i) Class A Shares, having one vote per share, and (ii) Class B Shares, with 10 votes per share. All of the currently outstanding shares of common stock were reclassified as Class A Shares, except that the common shares issued in the refinery transaction discussed in Note 6 were classified as Class B Shares. Other than the provisions of the voting rights, the two classes of shares of common stock will have equal terms and conditions.

Table of Contents*Stock Issuances*

During the six months ended October 31, 2017, the Company issued a total of 486,646,910 shares of its Class A common stock: 62,846,918 shares for common stock payable of \$307,978; 29,250,000 shares for services valued at \$337,125; 440,000 shares valued at \$4,400 in payment of accrued expenses of \$44,000 resulting in a gain on extinguishment of debt of \$39,600; 353,359,992 shares in the cashless exercise of warrants and extinguishment of derivative liabilities of \$1,906,006; 24,750,000 shares valued at \$200,476 in the extinguishment of preferred stock of \$137,500, accrued interest payable of \$359,957 and derivative liabilities of \$5,614 resulting in a gain on extinguishment of debt of \$302,595 and 16,000,000 shares valued at \$124,800 in the extinguishment of a convertible note payable of \$120,000 and accrued interest payable of \$119,365 resulting in a gain on extinguishment of debt of \$114,565.

Stock Options

On March 7, 2012, the Company issued a total of 2,000,000 stock options exercisable at \$0.35 per share for a period of ten years from the date of grant. The Company did not grant any stock options during the six months ended October 31, 2017.

A summary of stock option activity during the six months ended October 31, 2017 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Outstanding, April 30, 2017	2,000,000	\$ 0.35	4.85
Granted	-	\$ -	-
Canceled / Expired	(2,000,000)	\$ 0.35	-
Exercised	-	\$ -	-
Outstanding, October 31, 2017	-	\$ -	-

Effective June 1, 2017, the holders of the options surrendered them to the Company and the options were cancelled.

Warrants

The Company has issued warrants to investors in a series of subscription agreements in equity financings or for other stock-based compensation. Certain of the warrants contain anti-dilution provisions that the Company has identified as derivatives. We estimate the fair value of the derivatives using multinomial lattice models that value the warrants based on a probability weighted cash flow model using projections of the various potential outcomes and considering the existence of a tainted equity environment (see Note 10).

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A summary of warrant activity during the six months ended October 31, 2017 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Outstanding, April 30, 2017	395,261,211	\$ 0.01	4.91