COCA COLA CO
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 12b-25
NOTIFICATION OF LATE FILING
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(Check One): ¨ Form 10-K ¨ Form 20-F ý Form 11-K ¨ Form 10-Q ¨ Form 10-D ¨ Form N-SAR

For Period Ended: December 31, 2012
¨ Transition Report on Form 10-K
¨ Transition Report on Form 20-F
¨ Transition Report on Form 11-K
¨ Transition Report on Form 10-Q
¨ Transition Report on Form N-SAR
For the Transition Period Ended:

Read Instruction (on back page) Before Preparing Form. Please Print or Type.
Nothing in this form shall be construed to imply that the Commission has verified any information contained herein.
If the notification relates to a portion of the filing checked above, identify the Item(s) to which the notification relates:

PART I -- REGISTRANT INFORMATION
The Coca-Cola Company
(on behalf of the Western Container Corporation Retirement Savings Plan)
Full Name of Registrant

Former Name if Applicable
One Coca-Cola Plaza, NW
Address of Principle Executive Office (Street and Number)
Atlanta, Georgia 30313
City, State and Zip Code

PART II -- RULES 12B-25(b) AND (c)

If the subject report could not be filed without unreasonable effort or expense and the registrant seeks relief pursuant to Rule 12b-25(b), the following should be completed. (Check box if appropriate)

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(a) The reason described in reasonable detail in Part III of this form could not be eliminated without unreasonable effort or expense;
(b) The subject annual report, semi-annual report, transition report on Form 10-K, Form 20-F, Form 11-K or Form N-SAR, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report or transition report on Form 10-Q or subject distribution report on Form 10-D, or portion thereof, will be filed on or before the fifth calendar day following the prescribed due date; and
(c) The accountant’s statement or other exhibit required by Rule 12b-25(c) has been attached if applicable.

PART III--NARRATIVE

State below in reasonable detail why forms 10-K, 20-F, 11-K, 10-Q, 10-D, N-SAR, or the transition report or portion thereof, could not be filed within the prescribed time period.

The Form 11-K, which is the subject of this Form 12b-25 extension, is being filed in order to report the information required of the Western Container Corporation Retirement Savings Plan (the “Plan”). The Plan is unable to file timely its Form 11-K within the prescribed time period without unreasonable effort or expense. We experienced unanticipated delays in the collection and compilation of certain information necessary for preparation of the Plan’s financial statements and completion of the related audit. The Plan will file the 11-K on or before the fifteenth calendar day following the prescribed due date.

I think this is an interesting slide to start with. So we have gone back and we have taken a look how did TYSABRI do in the launch relative to three other significant products here Remicade, Enbrel, and Humira. This is what it looks like, so I think the launch was certainly very strong through the first two years. You can see when we hit the first two cases of PML in late July, that that really hit the interrupted the momentum of the business pretty significantly. That is pretty obvious from the last six months or so of performance.

Now, we have been doing a lot of things here to really regain that momentum. I am going to go through a few pieces of that, but essentially the challenge is to get back on the curve that we were on about four or five months ago.

It starts with reminding ourselves and everybody else that MS is really a devastating disease. I use this screenshot pretty frequently internally. This is from the Advisory Committee meeting in 2005, prior to TYSABRI coming back to the market. This is a screenshot of patients that paid their own way to come and testify there.

Most of these patients are already at EDSS 6 or above, as you can tell from the fact that they are in wheelchairs and scooters. So these are very well-advanced patients. They came, they paid their own money to really plead with the FDA about the need for new therapies and really put the risk-benefit in balance.

Now TYSABRI is really the first drug where there is any data that it improves multiple sclerosis. We have for years talked about slowing the disease or halting the disease, so slowing the progression of disability. But for the first time we have got real data and evidence about improving the disease.

If you look at what I call the pyramid of data on this product, you ve got the 54% reduction in disease progression, and the 68% reduction in relapse rate. So those are out of the Phase 3 trials. We also know that at two years, 37% at these patients are free of any disease activity. So that is a composite endpoint of relapses, of MRI findings of EDSS progression.

And more exciting and you will see more of this data at some of the congresses; it has been presented fairly recently: for those patients who had EDSS above 2, they showed a 69% improvement after they had been on product for some time. So this is really the first time that we have seen patients not only halt the disease progression but actually improve physical function. Critical to keep reminding people of that.

Now we ve got a very comprehensive marketing and sales program put together. Of course we use different elements of this for different audiences for different purposes, but I am going to work you around very quickly from about 7 o clock here all the way back around to 5 o clock.

We ve got a lot of customers that are here, a lot of people making the decisions. Clearly the two most important are the physician and the patient. And the patients are very influential in treatment decisions.

You know, patients are very savvy now. If they have got a debilitating disease, they are going to go to a website. We have several hundred thousand people in our direct-mail list. They look at all of the publications coming out of the Company, the press releases in the lay journals, et cetera.

We have got more than 200 people in the call center. We have more people in our call centers answering inbound questions and solving problems for patients daily than we have sales reps in the field calling on doctors. Of course, you have the sales reps, the Advisory Boards, the congresses, where folks like you may go and you may hear a lot of the top-line information.

But a lot of the real influence goes in these peer-to-peer programs and the live programming. So peer-to-peer prescribing physicians, working with their peers in a region. So somebody who is known to their peers working and talking about the product, the advantages of the product, how to deal with patients that is the most powerful selling tool for physicians and similarly for patients. Patients hearing from other patients is the most impactful.

So we keep working on that and other live programming. We are using webcasts to allow better access to the medical personnel. This is for physicians so they can really get detailed answers around specific medical questions. I think this has all been very helpful to keep turning the tide here.

You can see that this is a trace of market research on physician confidence. Answer to the question specifically TYSABRI s benefits outweigh the risk it poses to MS patients. You can see the fairly we did a great job building that confidence coming out of the launch. You can see the PML cases really interrupted that. And we are back at the hard work, and it is a nice leading indicator to see that that is starting to climb up to pre-PML levels.

Also, the neurologists increasingly think that they are going to use more and more drug over the next six months. So three-quarters of the neurologists think they are going to use significantly more TYSABRI over the next period of time than in the previous period of time. Now this is the composite; so a snapshot in Europe, late in the year, and a snapshot in the USA at the end of the year.

So that is the efficacy story and some of the leading indicators. Now I want to focus a little bit on putting PML in perspective. When the first PML cases came up in 2005, we were obviously having extensive meetings with our own neurologists and outside experts. And people were saying we don t know that much about PML; we really haven t treated patients with PML since medical school.

So as we worked with the community it was pretty evident that the level of knowledge about PML, JC virus, and the whole evolution of PML from JC virus was pretty poorly understood. So the first thing we had to do was really make sure that the data and what were the supposed effects out there really were true.

So some of the myths. PML is going to be difficult to diagnose. Well, I think we ve demonstrated that with standard tools in the physician s office and with clinical vigilance, they can in fact detect PML and detect it quite early.
There were papers at the time that the 5HT2A inhibitors might be helpful in the disease. We were not able to replicate that data after a number of tries. But in in-vitro assays we screened hundreds of compounds and mefloquine came up as a hit. So we do have a clinical trial ongoing around mefloquine. Can mefloquine be helpful in the treatment? And in fact, it has already been incorporated in the use by physicians.
PML can t be treated or cured. I think we have now given the tools for physicians to diagnose early and the treatment algorithm to rapidly intervene; and then of course that has changed the outcomes.
And the idea that PML is most often fatal. I think the evidence is going in the other direction that with vigilance, with rapid intervention, that the outcomes can be certainly not as dire as everybody had initially thought.
So when you think about redefining that experience, I think about it really around these two axes. Making sure people know how to manage the disease and really move the outcomes from the perception of it s going to be fatal to something where it s a manageable outcome and the residual morbidity may be similar to one or two exacerbations of MS. And remember, MS is a debilitating disease.
So they can diagnose it early. We have given them the algorithms and the clinical vigilance, how to read the MRIs, central reading centers to get those to, CSF samples if you have suspicion. And we can pick up an active infection at very, very low viral counts in CSF, less than 100.
Then what do you do with treatment? They know now if you see a case of a patient on TYSABRI that has new neurological symptoms, that in and of itself is unusual enough for a TYSABRI patient that you should work them up and think about do they have PML? Look at the MRIs quickly. If you have any suspicions, stop TYSABRI. Probably get the CSF sample. If it is confirmed, yes, you probably want to start on PLEX. And many of the people have done the PLEX. We have demonstrated that if you plasmapherese these patients you can get the TYSABRI offboard fairly quickly.
Some have given mefloquine. I don t know that we can demonstrate that mefloquine is helping, but it surely is not hurting, and there is enough evidence that people are willing to do that. Of course, it is a product that is on the market.
Lastly, you ve got to manage the immune reconstitution inflammatory syndrome. Right? So you have got to manage it aggressively. It is managed with steroids, but it is going to reemerge in six or eight weeks after you get the TYSABRI offboard. And if you manage that aggressively the patients will emerge on the other side of that without PML, and then you can start working on the recovery.
So now looking at the rate, certainly the rate in the label looks like about 1 in 1,000. The experience to date for people with over 12 months of exposure is about 1 in 4,000. And that number will get harder and harder as we just get more experience here with commercial product.
We are doing a lot of work on making sure we can quantify precisely what that risk is with the clinical vigilance. In the US the TOUCH program, which is the risk management program that we are required to run here in the US, gives us visibility down to the dose level on a patient-by-patient basis. So we have got near-perfect visibility of what are all the issues going on with patients in the US.
We did some stuff with the label, initially coming back out to try to reduce the rate. One was patient selection; so we contraindicated patients that have any evidence of immune dysfunction or immune suppression and recommended monotherapy.

There s a few other things that have come up and bubbled up as theories and ideas over the last couple years. One is, would drug holidays be helpful? I m going to address that on the next slide. The other one is, are there further ways to stratify patients by risk level and thereby lower the overall rate?

So let me hit first the drug holidays. I think there is an emerging consensus that drug holidays aren t recommended. So the first is, there is data that says once you take patients off TYSABRI, disease reemerges fairly quickly. So there is a consequence to these drug holidays, and you need to get far enough out with patients that TYSABRI is offboard if you have any idea that you re going to somehow improve their outcome on PML.

The second is while it sounds great to talk about the drug holiday, the fact is the rate is so low that when you run the statistics of what does it take to actually test this theory, it turns out you need at least as many patients as we have on product today or three times that. So it s really not a testable hypothesis, and you would have to run it for a couple of years to see it.

So we don t think that that is going to be a very promising avenue at this point. Those physicians that have tried it are starting to go away from it because they are seeing the patients start to have exacerbations and new MRI lesions fairly quickly after stopping the therapy.

This is some of the data. We ve got a lot of different cuts of data, but this is probably the simplest one to visualize. So this was a cohort of a little over 100 patients. This is looking at number of enhancing lesions that they had pre-study. When they were on study, they had zero, as you can see.

Then they came back in after stopping treatment, somewhere after two months, anywhere up to after six months. If you just look and drop those in different buckets of two to three months, three to four, four to six, et cetera, you can see they have a fairly rapid rise. Essentially a return to baseline of disease activity for patients that have been off by more than six months. So this goes to there is going to be a real consequence to interrupting the therapy.

We also know that unfortunately we became the tip of the spear on PML, but PML has taken more of a spotlight. It is now starting to show up in a number of other drugs. These are the drugs that have PML on the label today. I suspect more of them will pick that up in the future. These are also some of the other immunomodulatory immunosuppressants that are used by physicians. So this is going to be a characteristic of patients that have immune suppression in the MS market really across drug classes. How it varies class by class I think is impossible to say at this point in time.

It is also clear that we are going to have to do on the risk stratification more and more work on the basic science. Right? You have got to have three things that come together for JC virus to get into an active replication cycle. So you ve got to have significant immunosuppression or immune dysfunction. You obviously have to have the JC virus. But those two in and of themselves are not sufficient, because that is true for at least 50% of the patients. And certainly if you look in the HIV-AIDS area, all the patients have immunosuppression; many of them have JC virus; but still the event is fairly rare there.

So there has got to be some other things host genetics, viral genetics, or some other unknown factors. And that s where we have focused our attention. We have brought together a research consortium of the companies. You will notice that those companies, if you attach them to the drugs I showed you two slides ago, they all have an interest because they are all working with drugs that have PML in their label as well. So we are pooling the data on the patient profiles, the background characteristics, and how PML evolved for those patients. Hopefully, as time goes on this will yield some interesting results for us.

So the finish on TYSABRI. We are continuing to focus on the efficacy. We have got to put we are putting PML in context and getting people comfortable with how to look for PML, what the real risk is. And certainly the leading indicators are turning positive now.

So I am going to quickly go through the pipeline. So this is where you have to pretend for a minute that I am Cecil Pickett. So this will all sound smarter if you believe that I am Cecil. If not, well, it is going to sound like it is going to sound. Okay.

This is a snapshot of the pipeline in 2007. I like to pick that point because it roughly coincides with when Cecil came on board. I think Cecil took a lot of great raw material, recruited in some additional folks, put some good discipline in place. And through a combination of organic development so discoveries out of our own labs put into the clinic licensing, and acquisition programs that we did on the business development side, and then execution on the pipeline, the pipeline looks much broader, deeper and much more advanced two years later. So at this point, I feel like we ve got a broad, deep, and significant pipeline.

This is just a quick illustration of how quickly the Phase 3 registration programs have grown. We had four starting in the first half of 08. We added ADENTRI, the IV program, in the second half. We will add the peg interferon program in the first half of 09. And we should add the lixivaptan heart failure, the broader indication, as well as the daclizumab MS program in Phase 3 by the end of the year.

So we will have quite a number of programs in Phase 3, and this does not include the programs we have in the CD20 space in partnership with Genentech. I am going to dance pretty quickly across a couple of these programs and just give you a quick snapshot.

RITUXAN in early RA. We have got the Phase 3 IMAGE results, a couple obviously important outcomes around RITUXAN in RA over the last year. So we ve got joint data finally. We ve got the early RA data, so the DMARD failures. So this is going to allow really RITUXAN to move up front and expand the label and have a label that is competitive with the rest of the products in this space.

This also gives you really a good demonstration of dose-response and the fact that the 1,000-milligram dose is more efficacious over time. So we are pleased with this. We will see more of this data at EULAR in June.

I will turn to BG-12. Some of you are familiar with that program, so this is dimethyl fumerate delivered orally with an enterically coated capsule. Activates the Nrf2 signaling pathway which interrupts the NFkB and pro-inflammatory cytokine signaling.

We have got Phase 2 MS data that shows 69% reduction in gad legions; and so we started Phase 3 programs in MS and we have Phase 2 program in RA as well.

The two Phase 3 programs. The first defined as a pretty classical placebo-controlled trial against two doses; primary endpoint is proportion of patients relapsing over two years. That will finish enrollment first half of this year. The second is two doses of BG-12 against glatiramer acetate also known as Copaxone to you guys and placebo. Primary endpoint there is annualized relapse rate at two years. This is important. Not only the head to head, but also it is going to allow you to have a data set that can get you an approval in Europe, where you are going to have to have an active comparator arm in one of the trials.

Then lastly, we have got a Phase 2 ongoing in rheumatoid arthritis.

The PEGgylated interferon, that is a program that we have had going on for the last couple of years. We didn t start talking about that program until really JPMorgan early this year. Eric, sorry about that; I had to say that. You re not mad at me are you, Eric? Okay.

We wanted to make sure we were finished with the Phase 1; we had good understanding of the PK and the PD of that product; and also that we had met with the FDA and the European regulators and had a defined and agreed-to path forward for registration. And indeed we do.

So this is a PEGylated version of the beta interferon 1a that we market today as AVONEX. We think this could improve convenience and compliance for the patient.

We have started the Phase 3 program or we are starting the Phase 3 program. We intend to initiate that in the middle of this year. It will be a placebo-controlled trial; primary endpoint is annualized relapse rate at one year.

Again, that is agreed to by the US and European regulators. We are going to test two doses of biweekly and a monthly subcutaneous dose. I think the subcutaneous dose will certainly be received fairly positively by patients.
Lumiliximab is a CD23 monoclonal antibody headed for CLL. The primary mode of action is apoptotic cell death. So we are in a Phase 2/3 for relapsed refractory CLL.
The clinical data on that. A relatively modestly sized clinical trial, Phase 1/2, of lumiliximab plus fludarabine cyclophosphamide and RITUXAN in relapsed patients. It doubled the complete response rate versus historical control; and importantly there was no evidence of additional toxicity or safety or tolerability issues there.
So we are in that Phase 2/3, similar design, FCR plus or minus lumiliximab in relapsed CLL. 390 patients in the Phase 2; 900 in the Phase 3. The primary endpoints in Phase 2 are complete response. In Phase 3 it ll be progression-free survival, and that one is moving along fairly rapidly.
Now I am going to switch gears, go to actually two programs. I just want to set these two programs up and how they fit together here. This is the lixivaptan and the ADENTRI program. There are a huge population of patients in the US and Europe that suffer from heart failure. The one-year mortality is very high from diagnosis, 25%; five-year is 50%. It s a segment that is growing 2.5% per year. In fact, it is really the only cardiovascular segment that really is growing.
Hyponatremia and renal insufficiency are common comorbidities in heart failure. You can see hyponatremia is about 25% of the folks, a quarter of the folks have hyponatremia; and roughly two-thirds have renal insufficiency. So lixivaptan addresses the first. ADENTRI really addresses the second.
ADENTRI is a small molecule adenosine A1 receptor antagonist. It disrupts receptors in three different places in the kidney, which disrupts the tubular glomerular feedback and preserves renal function. So you get water off, you retain the salt, and you retain renal function.
Phase 2 study tested that with furosemide plus ADENTRI and furosemide alone. We were quite pleased with those results. I don t have them here today. We will have them at the R&D day next week.
We have a couple of large trials ongoing. The first is TRIDENT, which is the IV formulation with 900 acute decompensated heart failure patients. Primary endpoint is change in body weight; and a whole range of secondary endpoints as you can see here. First patient in was August of last year.
And then we started the Phase 2, POSEIDON. We have a real Greek water thing here going. Randomized, placebo-controlled, double-blind. Again, this is the oral formulation. Primary endpoint here is safety and tolerability; secondary endpoints quality of life, exercise capacity, renal function, and concomitant meds. That one is planned for first patient in the middle of the year.
I will just finish with sort of the teaser on the HSP90 program. So we have several HSP90 programs. We have two oral molecules in the clinic today. They are both small molecule synthetic HSP90 inhibitors delivered via capsule. Those of you familiar with the HSP90, it is pretty exciting, also a very competitive space. It is a chaperone for client proteins involved in tumor cell signaling.
We have data from a Phase 2 GI stromal tumor trial which looks quite positive, and we are now expanding those trials out into other solid tumors during the course of this year. So we are pretty excited about the HSP90 space, not only in oncology but potential applications in the neurodegenerative area.
I will finish by just reminding folks that we have an extensive review of not only some of the programs I just mentioned but really many, many more, as well as some of our early programs and some of our platform technologies, next week on March 25. I hope many of you can make that review. I think you will come away with a lot more information and quite hopefully as excited about the pipeline as I am.

So, with that, I think we have do we have a few minutes for ? Six minutes? Okay. If I can answer them in two minutes each, I can do three questions. Okay.

QUESTION AND ANSWER PERIOD

Eric Schmidt ***Cowen and Company***

It is early in the year still, but (inaudible)?

Jim Mullen ***Biogen Idec President, CEO***

I only control half of that equation, and that is the half I never comment on. Okay, that was okay. We ve got still time for three questions. Okay?

Unidentified Audience Member

(Inaudible question microphone inaccessible)

Jim Mullen ***Biogen Idec President, CEO***

Well, I think that has been presented in congresses. I don t know Elizabeth, it is not on the label yet; so it is something that would really be part of the medical information if you went back to I don t think that is not going to be part of the sales aid for the sales reps. But when you get into the peer-to-peer and you get into the medical information or with the medical affairs folks, they can and do talk about it.

So we are going to have a quiet breakout next door. Yes, sir?

Unidentified Audience Member

(Inaudible question microphone inaccessible)

Jim Mullen ***Biogen Idec President, CEO***

Yes, I m going to repeat the question because we are doing the thing webcast. I should have repeated yours too, Eric. So, the question is, from us looking at business development, what would we like to add to the stable, if you will.

If I stepped back from we ve got three or four areas where we are focused from a product point of view, obviously. We ve got quite a bit in neurology. We have got an interesting pipeline in oncology. We have a number of things in, call the autoimmune disease area, rheumatology, RA, et cetera. Then we ve got this what we call an acute in-hospital setting, which captures the cardiovascular products and probably Factor IX and Factor VIII.

So I would like to see, if we are going to do things that fit in around those categories, I don t think we need any more categories than we already have. If we had things that obviously, we re a company with big powerful products; but that also means it doesn t have as much diversity as you might like. So when we have a hiccup on TYSABRI we have got a ton of volatility around the stock.

So if we had a way to build out, add to any one of these franchises, and bring in products that either have revenues today or are going to shortly have revenues in the next few years, which would help diversify the revenue base, I think that would be quite interesting.

Philosophically, you know, we always look at all these products and we say can you create a shareholder return here? What is the story that makes us believe that in our hands that we can turn one dollar into two? That is the first economic test, and then we look at all the rest of the things like accretion, dilution, and all the rest of the typical analysis. But I think we have been pretty conservative and disciplined.

Having said that, we all know we are going into a marketplace or we are in a marketplace, we have been there for a while where equity values are at a place where we haven t seen for 10 years or so. So I think there are some attractive assets out there potentially. But we will continue to apply a very disciplined approach to that of can we create a story that not only fits to our strategy, but will create incremental return for the shareholders, add to our growth rate? Yes?

Unidentified Audience Member

(Inaudible question microphone inaccessible)

Jim Mullen ***Biogen Idec President, CEO***

Yes, would I prefer something like late? I d prefer something late-stage or in-market. I think at this point not only do we have a lot of early-stage, but one of the things that is not really even evident from the pipeline chart is just one of the things that Cecil has done a fabulous job, we did two things.

We realigned our research organization around therapeutic areas. So people like and Evan Beckman is sitting right here. He is one of the therapeutic area heads, and he has got responsibility for that therapeutic area from the bench to the bedside. That has really accelerated moving exciting products from discovery into research.

So we actually have probably more ideas bubbling forward than we have the infrastructure people-wise or the financial capability to advance. So I think we are in great shape on the early side. So I am much more interested in late or in-market products. Okay.

Eric Schmidt ***Cowen and Company***

Last year at the conference, you downplayed the potential for (inaudible).

Jim Mullen - ***Biogen Idec President, CEO***

Yes, what is the outlook for future pricing? Well, I never I hate to talk about the outlook because I m usually wrong, as you just indicated, Eric. Thank you for pointing that out. I guess that is payback for the JPMorgan comment, isn t it?

Philosophically, that whole well, look. If there is shareholder value to be gained by getting that, we will do that. I think that has to be balanced off against what does this do to the overall market dynamics.

We are going to have over the next few years more competitors in the marketplace. I think that will again change the dynamics in that marketplace.

From a business planning point of view, we don t plan on these. All right? So we don t build them into our models, we don t build them into our plans. Where we believe that we can get leverage on pricing we do so whether it s in the US or outside the US.

Thanks. Appreciate it.

BREAKOUT SESSION

PARTICIPANTS

Jim Mullen

Biogen Idec President, CEO

Evan Beckman

Biogen Idec SVP Immunology R&D

Elizabeth Woo

Biogen Idec VP Investor Relations

Paul Clancy

Biogen Idec EVP, CFO

Jim Mullen ***Biogen Idec President, CEO***

All right. Should we get started? So hopefully you are here for the Biogen Idec Q&A. If you are not, you can stay; but you re at the wrong place.

I ve got Paul Clancy who is our CFO. I ve got Evan Beckman, who is the SVP of the immunology and the cardiovascular therapeutic areas, so we can try to field whatever questions you might have. As well as Elizabeth Woo, who usually bails me out when I miss a detail here.

I will be repeating the questions because this is webcast. So I am not playing for time, although this does help. Who wants to start? Yes, sir.

Unidentified Audience Member

I wasn t able to sit in on your (inaudible) but I understand that you ve got a clinical program underway now in collaboration with Cardiokine and lixivaptan.

Historically, research of the vaptans in heart failure has not led to promising results. I am kind of curious as to why you feel as though this particular molecule in this disease state is going to provide benefit(inaudible)?

Jim Mullen ***Biogen Idec President, CEO***

Sure. Evan, do you want to take that one? That s right up your alley.

Evan Beckman ***Biogen Idec SVP Immunology R&D***

Good morning, everyone. My name is Evan Beckman. The question for those on the webcast was we have a collaboration with Cardiokine on a class of molecules called vaptans. The drug that we are in clinical trials with is lixivaptan. The question was, since there have been some other molecules in the space, how do we feel that we are going to be successful with our molecule?

So I think first of all, it plays into a strength of ours. As we have gone into the cardiovascular area, gone into heart failure, we have really focused on both our programs, ADENTRI and lixivaptan, work in the kidneys. They have a strong interaction, the kidney and the heart. It s kind of cardio-renal syndrome. Physicians continue to tell us that these are just the most toughest patients to treat in heart failure, and this is where the unmet need is.

The vaptans are well validated in terms of the clinical pharmacology. Have a brisk output in terms of urine volume. Can clearly get patients who have low sodiums, who have too much free water which is part of the disease and that interaction with the heart and kidney and get that water off.

We can raise serum sodiums in those patients who are hyponatremic; those patients who have heart failure who have low sodiums; and those patients who have other diseases which cause low sodium, such as liver failure and some tumors and others.

In terms of the early indications for hyponatremia, we actually think that is very straightforward. We have plans to include additional endpoints to hopefully give us some evidence of clinical improvement in addition to the serum sodium.

So we think that is going to be very important and we hope we can produce that information in our trials. Other trials have not been able to take advantage of some of the insights that we have.

In addition, in terms of them going after the heart failure indication, again we have a lot of insights into the trials that were done by some of the other folks. And we think in the combination of really choosing the patients well, focusing on the endpoint, and also maximizing the dose of the drug and allowing titration to really show the benefit of using lixivaptan as opposed to commonly used diuretics.

So our vision of the future and this is several years out but really we know that furosemide causes a lot of problems in its use in heart failure. We think this next generation of products, lixivaptan for the vaptan and ADENTRI, are really the drugs that should be used in this space and probably not loop diuretics. And hopefully we can show that.

Jim Mullen ***Biogen Idec President, CEO***

Yes?

Unidentified Audience Member

(Inaudible question microphone inaccessible)

Jim Mullen ***Biogen Idec President, CEO***

Have there been changes in the marketing resources dedicated to AVONEX?

Not substantial. Obviously, we are focused both with TYSABRI and AVONEX; but AVONEX is clearly a very important product and still at a number-one used product.

So no, we continue to focus on that both at the marketing level and at the sales level.

This is a tame group. Any more questions?

Unidentified Audience Member

(Inaudible question microphone inaccessible)

Jim Mullen ***Biogen Idec President, CEO***

Yes, so the question is about Phase 3 PEGylated interferon program. So we have been working on that program for a few years. We have not really talked about it until early this year, because I wanted to make sufficient progress that we actually knew it was a real program.

So the PEGylation technology was developed internally, so we don t believe that bears on any of the other patents that are out there at this point.

We have taken it through Phase 1 programs and we think we understand pretty well the pharmacokinetics and pharmacodynamics of the product. It is well behaved. It behaved as we expected it to behave.

We took those packages to the regulators in the US and Europe to ensure that we had agreement on a registration pathway. So we have agreement with the US and the European regulators.

So we will go into a fairly classically designed placebo-controlled registration trial. The endpoint is annualized relapse rate at one year. Did I get that right? Yes, okay.

Now it will take we have got to acrue, and all the patients have to be on a year. But that is what it is.

We are going to take two dose regimens in the trial. So we took three dose groups into the Phase 1s. We chose a dose out of there, and we are going to use that dose both as a biweekly and a once-a-month.

It will be delivered subcutaneously, which is, we think, going to be an important convenience improvement for patients as well. Okay?

Unidentified Audience Member

(Inaudible question microphone inaccessible)

Jim Mullen ***Biogen Idec President, CEO***

Well, the question is around enrollment of placebo-controlled trials. You are absolutely right; enrollment in placebo-controlled trials in MS is getting tougher.

We have got several of them ongoing today. The BG-12 are enrolling placebo patients. We have the ability to do these trials in probably 30 or 40 different countries now, so we know where to go to get placebo patients to run these kind of trials.

It s also important that the duration helps, because it s a year and then they re going to get flipped onto active therapy. So it is not a forever for the placebo patients either.

But I think we know how to get those done. We re spending a lot of time right now doing doing the feasibility studies and the site selection, to make sure we can get the patient flow we need to actually accrue these trials relatively quickly.

Unidentified Audience Member

(Inaudible question microphone inaccessible)

Jim Mullen ***Biogen Idec President, CEO***

Yes, okay, so the question well, I m going to repeat it, too. So the question is really about our views on healthcare reform, follow-on biologics in the US, and potential tax policy changes on corporate taxes. Did I get that right? Okay. So you know follow-on biologics, I have been very active in that. There has got to be a pathway. It is important that it be a well-structured and well-thought-through pathway.

I think the European pathway is a pretty good model for that from a regulatory point of view. And I think that is where most of the bills in the US are going, whether it is Waxman s or Eshoo s or any of the other bills.

There was a building consensus probably in the middle of last year around really all the elements to the bill, inclusive of the date of exclusivity, which was in the 12- to 14-year time frame.

Waxman has come out with an opening bid of five. I don t think it is going to get done at five. I don t know where it gets done at, but it will be a bunch of horse trading.

Interestingly, when Waxman put together the Hatch-Waxman in 84, they picked seven years of exclusivity for orphan drugs. So I think that is just going to get there will be a lot of horse trading behind the scenes and we will come up with a regulatory pathway. I don t know if that gets done this year or next year, but it will get done.

Frankly, I have always viewed it as, look, this is just something that is part of the landscape. It has got to happen biologics as it happened in small molecules. Biologics are more complex. There is going to have to be a little bit more clinical trial data to support it. And it will have to be determined almost on a case-by-case basis as the Europeans have done and I think as the FDA will do. So that is one.

Healthcare reform, you guys are reading all that we are reading. If we are going to go to it sounds like we are going to move more to the European system, frankly, with some version of comparative effectiveness. And then that will be met with access controls to the government programs, and then you can layer on top of that some kind of price controls and some either overt or less than overt or covert format here.

So I think we are just going to end up with a European-style system eventually. Maybe it won t get all the way to the European-style, but that s our outlook.

In terms of tax reform, believe it when I see it. It will be great if they lower the corporate tax rates. I think they are going to need to do that. The corporate tax rates in the US are clearly out of sync with everybody else in the world. It is causing people to shift more and more jobs and everything else offshore. So if they want to bring jobs on shore they re going to have to change the tax rate. I don t know if they will.

Unidentified Audience Member

Can you give your latest thoughts on (inaudible) relationship with Elan and any potential (inaudible)?

Jim Mullen ***Biogen Idec President, CEO***

The TYSABRI sharing relation? So the thoughts on TYSABRI sharing relation. So let me just summarize what it is. We have always had from an economics and development decision point of view it has always been 50-50. We are the marketing and sales company on the MS product in the US and outside the US, everywhere. They have represented the Crohn s business in the US.

We decided to sort of cleanly have lines like that because it made the operating issues much clearer. If there is an opportunity to continue to clarify things, of course we would look to that. But at this point, we don t really have anything that we can report on it.

Any last questions?

Unidentified Audience Member

(Inaudible question microphone inaccessible)

Jim Mullen *Biogen Idec President, CEO*

Yes, so the oral the question is really about the oral compounds coming in MS. FTY720 is what people talked about; cladribine and laquinimod being the other two.

I think there is a question with the side-effect profile on FTY720 exactly. Is it approvable, and under what conditions, and how will it be used? I suspect given the safety liabilities that are apparent on that product, it is probably going to get pushed down the treatment paradigm some.

The other products interesting products. The efficacy is so-so. They have some of their own safety liabilities. We have never been particularly excited about those products.

We took passes on those products during the 90s and I don t know that our view has changed a lot. They may come to the market. I am not particularly we are not overly concerned about that.

Obviously, we have got two of our molecules in development, one in Phase 3, BG-12. The predecessor product to that one, which is a combination product of monomethyl fumarate, dimethyl fumarate, is the number-one product prescribed for psoriasis in Germany.

The major component of that is dimethyl fumarate. We have got a ton of safety experience with that product, so we know that that is safe and tolerable, probably more so than these other products. And we will see what the efficacy profile looks like in Phase 3.

Then the other one is we have the Phase 2 program in conjunction with UCB on the VLA-4 pathway. So that is sort of the oral version of TYSABRI, if you will. You know, I think certainly the VLA-4 pathway is the bar people are going to have to jump over in terms of the efficacy profile of TYSABRI. Yes?

Unidentified Audience Member

(Inaudible question microphone inaccessible)

Jim Mullen *Biogen Idec President, CEO*

Yes, the question is on the pricing environment here in the US for products.

Well, I think as the healthcare reform comes, we get comparative effectiveness, we get all these other government programs. It looks like it marches down the lines of the Europeans, so we are going to see versions of access controls and price controls certainly through all the government programs.

It depends on how big a piece of the pie the government programs are. They are not a huge piece of our business in the MS space. They re bigger pieces of our business obviously in the oncology space.

We generally would say there is going to be more pricing pressure, more access control pressure in the future the way things are going. We never really plan on trying to take price increases as part of our base business plan. We build the business around running the business as it is.

But if we have the ability to take price increases, we will. We will try to do that, if we don t think it is going to be harmful to the business long-term.

I think the other thing you will see as the environment gets more competitive is what is the list price and what is the discounting strategies? And contracting strategies may start to evolve and change over time as well. I m not predicting anything on that, but that will be the other what typically happens in these different categories. Yes?

Unidentified Audience Member

(Inaudible question microphone inaccessible)

Jim Mullen ***Biogen Idec President, CEO***

Yes, Cecil s retirement. Let s go back to what was when Cecil was recruited in, it was with the understanding that it was a limited period of time. We asked him to do a number of things, right?

One was help build out the R&D organization, recruit some new folks, and he has done that. Help develop the folks we have in the organization that were very talented; he has done that. Really improve the thinking, the discipline around the programs and the execution; and he has done that.

So now is a good time and so we will start looking both internally and externally. We just decided we are going to look broadly.

What are we looking for? Somebody that is a high-impact R&D leader that also can integrate the business elements into the R&D.

In the highlight, now how long might it take? I don t know. It will take as long as it needs to. So Cecil is going to remain on board. There is no definitive endpoint, other than we needed to announce publicly both for external reasons and internal reasons that we were going to do that.

We are going to look and evaluate the internal candidates and the external folks. Yes?

Unidentified Audience Member

(Inaudible question microphone inaccessible)

Jim Mullen ***Biogen Idec President, CEO***

Well, yes, the pitch for coming back to town for the R&D day is not this hotel. It s the R&D.

We haven t gone through a detailed R&D pipeline discussion in a couple of years. It is an opportunity to not only get into some of the products in the pipeline that you have heard around before, but to talk to people like Evan and Al Sandrock and Greg Reyes, who lead those programs, as well as some scientists underneath that, and some of the early programs.

I think it allows you guys to get not only a lot more data and insight into specific programs, but really to walk away with a touch and feel about what is the culture, what is the enthusiasm, what is the excitement within the R&D organization.

And I think you ll be impressed. Frankly, there is a lot more stuff to talk about than there is going to be time to talk about it. As we prepare for that, we are doing a lot of how do we make sure we go in depth enough on the important things, but make sure people get a good feel of the breadth of things? And we are going to have a lot of scientists there.

Elizabeth Woo ***Biogen Idec VP Investor Relations***

But we will webcast (inaudible).

Jim Mullen ***Biogen Idec President, CEO***

Yes, we are webcasting.

Unidentified Audience Member

(Inaudible question microphone inaccessible)

Unidentified Company Representative

We haven t, but we don t intend to. That would be (inaudible) which I think has been pretty consistent with what we ve done for, gosh, 10 quarters.

Jim Mullen ***Biogen Idec President, CEO***

Yes.

Unidentified Audience Member

(Inaudible question microphone inaccessible)

Jim Mullen ***Biogen Idec President, CEO***

Back to the mic. Repeat the question.

Unidentified Company Representative

Chris asked if I could reconcile leap year to leap year and number of holidays, et cetera, et cetera, but just for the first quarter.

I think the only thing I would point everyone to is what Genentech said at their Monday R&D day. They kind of itemized the RITUXAN shipping dates, which will have a meaningful effect.

If you looked at that slide that they did, it probably lines up with the way we are thinking about the business, which will have an impact unfavorable in the first quarter.
We don t see it on RITUXAN. We don t see it as any kind of an issue as it relates to the full year. So that is the closest thing I can give you.
Jim Mullen ***Biogen Idec President, CEO***
I think we are running out of time here. Do we have are we? What do we have? Got a couple minutes. Any last questions? No. Going once okay. See, you got to put the pressure on people. Okay.
Unidentified Audience Member
(Inaudible question microphone inaccessible)
Paul Clancy ***Biogen Idec EVP, CFO***
Those were two milestone payments. The question was, there were two milestone payments that Elan paid to Biogen Idec as part of the collaboration agreement. One was sometime in 2008, one was in the first quarter of 2009.
We are taking those and amortizing those over the life of the asset essentially. So I think what you will end up seeing is a favorable impact that is relatively minimal of that combined $125 million that gets spread over our estimation of the life of the asset.
Jim Mullen ***Biogen Idec President, CEO***
Any more? Once, twice, okay. Thanks. Thanks for coming. Hopefully we will see a lot of you next week at the R&D day

oss

(492,483
)

(678,830
)
Stock purchase warrants

218,656

218,656

Accumulated deficit

(45,274,735
)

(44,235,280
)
Total Brazil Minerals, Inc. stockholders' deficit

(1,420,356
)

(518,939
)
Non-controlling interest

1,382,049

131,054

Total stockholders' deficit

(38,307
)

(387,885
)

Total liabilities and stockholders' deficit

$
1,271,447

$
1,132,857

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

BRAZIL MINERALS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(Unaudited)

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Revenue	$7,752	$18,326	$11,821	$58,512
Cost of revenue	47,461	8,573	112,293	145,599
Gross margin	(39,709)	9,753	(100,472)	(87,087)
Operating expenses:				
Professional fees	51,512	21,035	147,634	120,076
General and administrative	92,883	138,300	287,569	365,836
Compensation and related costs	50,261	16,753	146,066	65,851
Stock based compensation	-	37,500	57,568	120,646
Total operating expenses	194,656	213,588	638,837	672,409
Loss from operations	(234,365)	(203,835)	(739,309)	(759,496)
Other expense (income):				
(Gain) loss on derivative liabilities	(34,760)	(488,824)	(193,170)	(1,237,329)
Interest on promissory notes	(24,555)	22,120	91,913	121,523
Amortization of debt discounts and other fees	82,144	313,575	199,886	962,507
Other expense (income)	226,295	(1)	226,294	(14)
Total other expense (income)	249,124	(153,130)	324,923	(153,313)
Loss before provision for income taxes	(483,489)	(50,705)	(1,064,232)	(606,183)
Provision for income taxes	-	-	-	-
Net loss	(483,489)	(50,705)	(1,064,232)	(606,183)
Loss attributable to non-controlling interest	(38,762)	-	(24,777)	-
Net loss attributable to Brazil Minerals, Inc. stockholders	$(444,727)	$(50,705)	$(1,039,455)	$(606,183)
Basic and diluted loss per share				
Net loss per share attributable to Brazil Minerals, Inc. common stockholders	$-	$-	$-	$-
Weighted-average number of common shares outstanding:				
Basic and diluted	10,840,851,799	2,945,531,462	9,620,555,961	1,173,938,535
Comprehensive loss:				
Net loss	$(483,489)	$(50,705)	$(1,064,232)	$(606,183)
Foreign curreny translation adjustment	-	(168,965)	-	(299,131)
Comprehensive loss	(483,489)	(219,670)	(1,064,232)	(905,314)
Comprehensive loss attributable to noncontrolling interests	(24,777)	-	(24,777)	-
	$(458,712)	$(219,670)	$(1,039,455)	$(905,314)

Comprehensive loss attributable to Brazil
Minerals, Inc. stockholders

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

BRAZIL MINERALS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED)

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Cash flows from operating activities of continuing operations:		
Net loss	$(1,064,230)	$(606,183)
Adjustments to reconcile net loss to cash used in operating activities:		
Stock based compensation and services	57,568	111,508
Unrealized (gain) loss from change in derivative liabilities	(193,170)	(1,237,329)
Amortization of debt discounts	199,886	667,417
Amortization of deferred financing costs	507	-
Excess fair market value of common stock issued in satisfaction of related party liabilities	37,784	209,723
Gain on exchange of preferred shares for common stock to noncontrolling interests of subsidiary company	(2,964)	-
Loss on extinguishment of debt	229,426	-
Depreciation and amortization	60,576	40,164
Changes in operating assets and liabilities:		
Accounts receivable	1,586	(2,521)
Taxes recoverable	(20,529)	22,685
Prepaid expenses	(1,116)	45,648
Inventory	16,594	67,566
Deposits and advances	-	(17,891)
Accounts payable and accrued expenses	182,708	92,770
Accrued salary due to officer	104,130	-
Other noncurrent liabilities	(26,732)	-
Customer deposits	-	(12,421)
Net cash provided by (used in) operating activities	(417,976)	(618,864)
Cash flows from investing activities:		
Acquisition of capital assets	(18,492)	(10,019)
Advances to related parties	-	(23,777)
Increase in intangible assets	(26,052)	-
Net cash provided by (used in) financing activities	(44,544)	(33,796)
Cash flows from financing activities:		
Loan from officer	(28,960)	37,089
Net proceeds from sale of common stock	188,300	152,500

Payments of notes payable	-	(88,095)
Proceeds from sale of preferred stock	34,500	210,000
Proceeds from sale of subsidiary common stock to noncontrolling interests	31,000	-
Proceeds from convertible notes payable	147,500	620,566
Repayment of convertible notes payable	-	-
Net cash provided by (used in) financing activities	372,340	932,060
Effect of exchange rates on cash and cash equivalents	37,825	(185,161)
Net increase (decrease) in cash and cash equivalents	(52,355)	94,239
Cash and cash equivalents at beginning of period	64,357	19,776
Cash and cash equivalents at end of period	$12,002	$114,015
Supplemental disclosure of cash flow information:		
Cash paid for interest	$-	$-
Cash paid for income taxes	$-	$-
Supplemental disclosure of non-cash investing and financing activities:		
Purchase of equipment with note and customer deposits	$-	$82,601
Purchase of equipment offset by related party receivable	$-	$44,854
Note issued in connection with RST acquisition	$-	$124,680
Increase in non-controlling interest of RST	$-	$290,517
Share issued in connection with conversion of debt and accrued interest	$322,584	$1,081,366
Value of stock options and beneficial conversion features recorded with notes payable	$-	$132,566
Discounts on notes payable related to fair market value of derivative liability	$-	$203,780
Conversion of notes payable into preferred stock	$-	$100,000
Conversion of notes payable and accrued interest into subsidiary common stock	$156,250	$-
Conversion of Series B preferred stock into common stock of subsidiary company	$733,811	$-
Deferred financing costs accrued in relation to the issuance of debt	$5,800	$-
Discount for beneficial conversion features on convertible notes	$165,343	$-
Dividends payable to Series B preferred shareholders	$82,350	$-
Acquisition of capital assets with taxes receivable	$49,883	$-

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

BRAZIL MINERALS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION, BUSINESS AND 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, gold, sand and mortar. The Company, through subsidiaries, outright or jointly owns 10 mining concessions and 28 other mineral rights in Brazil, for diamonds, gold, and sand. The Company, through subsidiaries, owns a large alluvial diamond and gold processing and recovery plant, a sand processing and mortar plant, trucks and earth-moving capital equipment used for mining.

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its 99.99% owned subsidiary, BMIX Participações Ltda. ("BMIX Subsidiary"), which includes the accounts of its wholly-owned subsidiary, Mineração Duas Barras Ltda. ("MDB").

During the year ended December 31, 2014, the BMIX Subsidiary acquired an initial 25% interest in RST Recursos Minerais Ltda. ("RST"), and during the first quarter of 2015, it acquired an additional 25% interest in RST, thus bringing its total ownership of RST to 50%. As of March 18, 2015, RST has been consolidated within the Company's financial statements.

On April 17, 2015, the BMIX Subsidiary incorporated Hercules Resources Corporation ("HRC"). On May 27, 2015, HRC formalized title to 99.99% of Hercules Brasil Comercio e Transportes Ltda. ("Hercules Brasil"). Thus, as of December 31, 2015, Hercules Brasil is a wholly owned subsidiary and has been consolidated within the Company's consolidated financial statements.

On July 27, 2016, upon approval by its Board of Directors, the Company entered into a stock purchase and sale agreement pursuant to which HRC transferred its 99.99% equity interest in Mineração Jupiter Ltda to the Company which immediately thereafter sold such equity interest to Jupiter Gold Corporation ("JGC"), a newly created company. In addition, the Company simultaneously acquired all of the common stock of JGC. As such, the accounts and results of JGC and MJL have been included in the Company's consolidated financial statements. See Note 2 for more information.

All material intercompany accounts and transactions have been eliminated in consolidation. See subsequent events for discussion of an additional subsidiary formed subsequent to quarter end.

Going Concern
The consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company has limited working capital, has incurred losses in each of the past two years, and has not yet received material revenues from sales of products or services. These factors create substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustment that might be necessary if the Company is unable to continue as a going concern.

The ability of the Company to continue as a going concern is dependent on the Company generating cash from its operations, the sale of its stock, and/or obtaining debt financing. During the nine months ended September 30, 2016, the Company funded operations through the receipt of proceeds from revenues, and the sale of equity and debt securities. Management's plan to fund its capital requirements and ongoing operations include an increase in cash received from sales primarily of gold derived from processing in a small, low operational cost gold plant its inventory of alluvial material and gravel already mined, as well as an increase in cash received from mortar and sand sales, all of which are expected to occur within the next two quarters. Management's secondary plan to cover any shortfall is selling its equity securities and obtaining debt financing. There can be no assurance the Company will be successful in these efforts.

BRAZIL MINERALS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these consolidated financial statements have been included. Such adjustments consist of normal recurring adjustments. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2015. The results of operations for the nine months ended September 30, 2016 are not indicative of the results that may be expected for the full year.

Basis of Presentation
The consolidated financial statements of the Company have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles ("GAAP") of the United States of America and are presented in U.S. dollars.

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 contingencies at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Fair Value of Financial Instruments
The Company follows the guidance of Accounting Standards Codification ("ASC") Topic 820 – Fair Value Measurement and Disclosure. Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of our Company. Unobservable inputs are inputs that reflect our Company's assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

Level 1. Observable inputs such as quoted prices in active markets;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

As of September 30, 2016 and December 31, 2015, the Company's derivative liabilities were considered a level 2 liability. See Note 4 for a discussion regarding the determination of the fair market value. The Company does not have any level 3 assets or liabilities.

BRAZIL MINERALS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, taxes recoverable, prepaid expenses, inventory, deposits and other assets, accounts payable, accrued expenses, deferred revenue and convertible notes payable. The carrying amount of these financial instruments approximates fair value due to either length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in these consolidated 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 that the funds are not being held for investment purposes. The Company's bank accounts are deposited in FDIC insured institutions. 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 (translating into approximately $70,050 as of September 30, 2016).

Inventory
Inventory for the Company consists of rough diamonds, gold, ore stockpile, parts, supplies and related production costs and is stated at lower of cost or market. The amount of any write-down of inventories to net realizable value and all losses, are recognized in the period the write-down of loss occurs. At September 30, 2016 and December 31, 2015, all inventory consisted primarily of rough ore stockpile for gold and diamonds. No value was placed on sand.

Value-Added Taxes Receivable
The Company records a receivable for value added taxes recoverable from Brazilian authorities on goods and services purchased by its Brazilian subsidiaries. The Company intends to recover the taxes through the acquisition of capital equipment from sellers who accept tax credits as payments. On April 20, 2016, the Company's taxes receivable decreased by $50,100 with the recovery of such amount being used in the acquisition of a Mercedes Benz truck, through a state-government program.

Property and Equipment
Property and equipment are stated at cost. Major improvements and betterments are capitalized. Maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful life. At the time of retirement or other disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the statements of operations as other gain or loss, net.

The diamond and gold processing plant and other machinery are depreciated over an estimated useful life of 10 years; and computer and other office equipment over an estimated useful life of 3 years. As of September 30, 2016 and December 31, 2015, all property and equipment related to the diamond, sand and mortar processing plants and other production machinery except for approximately $1,300 in computer equipment. Accumulated depreciation as of September 30, 2016 and December 31, 2015, was $253,995 and $157,381, respectively.

Mineral Properties

Costs of exploration, carrying and retaining unproven mineral lease properties are expensed as incurred. Mineral property acquisition costs, including licenses and lease payments, are capitalized. 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 September 30, 2016 and December 31, 2015, the Company did not recognize any impairment losses related to mineral properties held.

BRAZIL MINERALS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Intangible Assets

For intangible assets purchased in a business combination, the estimated fair values of the assets received are used to establish their recorded values. For intangible assets acquired in a non-monetary exchange, the estimated fair values of the assets transferred (or the estimated fair values of the assets received, if more clearly evident) are used to establish their recorded values, unless the values of neither the assets received nor the assets transferred are determinable within reasonable limits, in which case the assets received are measured based on the carrying values of the assets transferred. Valuation techniques consistent with the market approach, income approach and/or cost approach are used to measure fair value. Intangible assets consist of mineral right agreements held by MDB, RST, and MJL.

Impairment of Long-Lived Assets

For long-lived assets, such as property and equipment and intangible assets subject to amortization, 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.

Revenue Recognition
The Company recognizes revenue when products are fully delivered or services have been provided and collection is reasonably assured. Typically, the Company records revenues upon delivery of the products to the customer. As of September 30, 2016 and December 31, 2015, the Company had deposits of $0 and $0, respectively, related to proceeds received for future diamond and gravel sales which have been recorded as customer deposits. See Note 4 and 6 for additional information related to these agreements.

Costs of Goods Sold
Included within costs of goods sold are the costs of cutting and polishing rough diamonds, and costs of production such as diesel fuel, labor, and transportation.

Stock-Based Compensation

The Company records stock-based compensation in accordance with ASC Topic 718, Compensation - Stock Compensation. ASC 718 requires companies to measure compensation cost for stock-based employee compensation at fair value at the grant date and recognize the expense over the employee's requisite service period. Under ASC 718, volatility is based on the historical volatility of our stock or the expected volatility of the stock of similar companies. The expected life assumption is primarily based on historical exercise patterns and employee post-vesting termination behavior. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

We use the Black-Scholes option-pricing model, which was developed for use in estimating the fair value of options. Option-pricing models require the input of highly complex and subjective variables including the expected life of options granted and the expected volatility of our stock price over a period equal to or greater than the expected life of the options. Because changes in the subjective assumptions can materially affect the estimated value of our employee stock options, it is management's opinion that the Black-Scholes option-pricing model may not provide an accurate measure of the fair value of our employee stock options. Although the fair value of employee stock options is determined in accordance with ASC Topic 718 using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

BRAZIL MINERALS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

Foreign Currency
The Company's foreign subsidiaries use a local currency as the functional currency. Resulting translation gains or losses are recognized as a component of accumulated other comprehensive income. Transaction gains or losses related to balances denominated in a currency other than the functional currency are recognized in the consolidated statements of operations. Net foreign currency transaction losses included in the Company's consolidated statements of operations were negligible for all periods presented.

Income Taxes
We account for income taxes in accordance with ASC Topic 740, Income Taxes. ASC 740 requires a company to use the asset and liability method of accounting for income taxes, whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all of, the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. As of September 30, 2016 and December 31, 2015, the Company's deferred tax assets had a full valuation allowance.

Under ASC 740, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company has identified the United States Federal tax returns as its "major" tax jurisdiction.

Basic Income (Loss) Per Share
The Company computes loss per share in accordance with ASC Topic 260, Earnings per Share, 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. As of September 30, 2016, the Company's potentially dilutive securities relate to common stock issuable in connection with convertible notes payable, options and warrants. Dilutive loss per share for the three and nine months ended September 30, 2016 excludes all potential common shares if their effect is anti-dilutive. As of September 30, 2016, if all holders of preferred stock, convertible notes payable, options and warrants exercised their right to convert their securities to common stock, the common stock issuable would be in excess of the Company's authorized, but unissued shares of common stock.

Other Comprehensive Income

Other comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, other than net income and including foreign currency translation adjustments.

BRAZIL MINERALS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Recent Accounting Pronouncements

In April 2015, the FASB issued Accounting Standard Update ("ASU") 2015-03, Simplifying the Presentation of Debt Issuance Costs. This update requires capitalized debt issuance costs to be classified as a reduction to the carrying value of debt rather than a deferred charge, as is currently required. This update will be effective for the Company for all annual and interim periods beginning after December 15, 2015 and is required to be adopted retroactively for all periods presented, and early adoption is permitted. The Company adopted this ASU with no impact on the accompanying consolidated financial statements as the issuance costs were already accounted for as a reduction of the carrying value of the debt.

In August 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-15, "Presentation of Financial Statements Going Concern", which requires management to evaluate, at each annual and interim reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued and provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and interim periods thereafter. The guidance is not expected to have a material impact on the Company's financial statements.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. The amendments in this update simplify the presentation of deferred taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. These amendments may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The amendments are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The guidance is not expected to have a material impact on the Company's financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 840), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this standard are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, for a public entity. Early adoption of the amendments in this standard is permitted for all entities and the Company must recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

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

NOTE 2 –ACQUISITIONS

RST Recursos Minerais Ltda

In June 2014, the Company entered into an agreement to purchase 25% of the equity of RST for cash payments of 250,000 Brazilian Reais and the issuance of shares of the Company's common stock valued at 100,000 Brazilian

Reais. In connection with this agreement the Company issued 1,428,572 shares of common stock with a value of $43,868 and made cash payments of $107,858. At December 31, 2014, the investment was accounted for using the equity method. Effective March 18, 2015, the Company purchased an additional 25% of RST from a third party for R$400,000 or $124,680. Under the terms of the agreement, the Company is to make monthly payments ranging from R$75,000 to R$100,000 beginning March 25, 2015. As of December 31, 2015, all required payments had been made. In December 2015, the 1,428,572 shares of common stock previously issued with a value of $43,868 were returned to the Company. The Company reversed the initial amount of the investment recorded upon return.

BRAZIL MINERALS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As a result of the additional 25% acquired, the Company owns 50% of RST and has consolidated the operations in the Company as of March 18, 2015. The remaining 50% ownership is held by Brazil Mining, Inc. ("BMI"), an entity controlled through management and stock ownership by the Company's Chief Executive Officer. On the date of consolidation, the Company determined the fair market value of RST to be $570,548. The fair market value was based upon the average price paid by the Company for the 50% ownership, including the relief of monies advanced to RST and increasing for the non-controlling interest which represents 50%. The Company allocated 100% of the fair market value to the mineral rights held by RST. Since the date of acquisition, the value of the Brazilian Reais has decreased significantly, thus, has the value of the Company's intangibles.

The purpose of the Company's acquisition of RST was due to the quality of its mineral assets, close proximity to the Company's MDB diamond and gold processing plant, and attractive acquisition price. Pro-forma financial statements have not been provided as the assets, liabilities and operations of RST are not significant. The Company expects the future expected cash flows to exceed the carrying value of the assets due to the close proximity to MDB's plant which is expected to shorten the exploration period as new plant and equipment do not need to be procured.

Jupiter Gold Corporation and Mineração Jupiter Ltda

On July 27, 2016, upon approval by its Board of Directors, the Company entered into a stock purchase and sale agreement pursuant to which HRC transferred its 99.99% equity interest in MJL to the Company which immediately thereafter sold such equity interest to JGC. In addition, the Company simultaneously agreed to pay the sum of $4,000, equal to the par value of 4,000,000 shares of JGC common stock.

Subsequent to the agreement, the Company transferred approximately 40% of its ownership in JGC to noncontrolling interests through both sales of JGC common stock at $1.00 per share to outside investors and conversions of certain of the Company's notes payable and preferred stock into JGC common stock. As a result of these transactions, a noncontrolling interest of $1,267,394 was recognized in the consolidated financial statements.

NOTE 3 – COMPOSITION OF CERTAIN FINANCIAL STATEMENT ITEMS

Intangible Assets

Intangible assets consist of mining rights at MDB and RST and are not amortized as the mining rights are perpetual. The carrying value was $630,842 and $508,865 at September 30, 2016 and December 31, 2015, respectively.

Accounts Payable and Accrued Liabilities

	As of September 30, 2016	As of December 31, 2015
Accounts payable and other accruals	$ 245,377	$ 354,467
Deposits on purchases of common stock	150,000	-

Accrued interest	87,806	116,870
Total	$483,183	$471,337

BRAZIL MINERALS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – CONVERTIBLE PROMISSORY NOTES PAYABLE

Convertible Notes Payable - Fixed Conversion Price

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 $0.001 per share at an exercise price of $0.125 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 was payable on September 30, 2015 (the "Maturity Date"), which as of the date of this filing is past due and in technical default. However, no demands for payment have been made. Interest was 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 $0.10 of principal and interest converted. A debt discount related to the value of the warrants in the amount of $10,252 was recorded and was being amortized over the life of the note. During the nine months ended September 30, 2016 and 2015, $0 and $1,025 of the discount was amortized to interest expense, respectively. As of December 31, 2015, the discount was fully amortized.

In January 2015, the Company issued four convertible promissory notes totaling $200,000 in proceeds and options to purchase an aggregate of 40,000,000 shares of the Company's common stock at an exercise price of $0.005 per share for a period of three years. The convertible promissory notes incur interest at 10.0% and are due January 30, 2018. The convertible promissory notes are convertible at the option of the holder at a rate of $0.0024 per share. A debt discount related to the relative fair market value of the options in the amount of $22,423 and an implied beneficial conversion features of $22,423 were recorded, totaling $44,846 and are being amortized over the life of the notes. During the nine months ended September 30, 2016 and 2015, $27,406 and $17,440 of the discount was amortized to interest expense, respectively. As of September 30, 2016, the discount was fully amortized to interest expense, and the notes were converted into 80,000,000 shares of the Company's common stock, 192,000 shares of JGC common stock, and 384,000 stock purchase warrants for JCG common stock. The 192,000 shares of JGC common stock were valued at $192,000, or $1.00 per share, which represents fair market value as of such date. The 384,000 warrants are exercisable at $1.50 for a two year period from issuance. The JGC warrants were valued at $37,426 using the Black-Scholes option pricing model and the following assumptions: an exercise price of $1.50, a stock price of $1.00 on the date of grant, an expected dividend yield of 0%, an expected volatility of 40.0%, a risk free interest rate of 0.71% and an expected term of 2.0 years. As a result, a noncontrolling interest of $229,426 was recorded in the consolidated financial statements.

In January 2015, the Company purchased machinery and equipment from a third party making an initial deposit of $10,910 (R$35,000), issuing notes payable totaling $38,963 (R$125,000) payable in five equal monthly installments starting March 15, 2015 and $43,638 in customer deposits (R$140,000) in which are to be satisfied through gravel produced by MDB. The note payable was convertible into common stock of the Company at the market rate on the date of issuance and thus a beneficial conversion feature was not recorded. In June 2015, the Company cancelled this agreement returning the machinery and equipment and forfeiting amounts already paid to the seller.

In June 2015, the Company issued three convertible promissory notes and received an aggregate $100,000 in proceeds. The convertible promissory notes incur interest at 10.0% per annum and are due December 31, 2016. The convertible promissory notes are convertible at the option of the holder at a 40% discount to the average of the five lowest closing prices of the Company's common stock over the previous 20 days. In addition, the notes conversion rate has a ceiling of $0.03 and a floor of $0.000033. A debt discount related to the beneficial conversion feature of $87,720 was recorded and is being amortized over the life of the notes. As of September 30, 201, the discount was fully amortized to interest expense, and the notes were converted into 100 shares of Series B Preferred Stock; see Note 5.

BRAZIL MINERALS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Convertible Notes Payable - Variable Conversion Price

On December 29, 2015, the Company filed with the Nevada Secretary of State a Certificate of Designations, Preferences and Rights of Series C Convertible Preferred Stock ("Series C Stock") to designate 1,000,000 shares of a new series of preferred stock. The Series C Stock has an original issue price of $1,000 per share. Cumulative dividends on such shares are payable annually (or upon conversion of such stock into Common Stock) in Common Stock at the rate of $0.04 per share per annum. The holders of Series C Stock shall be entitled to vote on all matters as one class with the holders of Common Stock, with the holders of Series C Stock being entitled to such number of votes as shall equal the number of whole and fractional shares of Common Stock into which such share is then convertible. At any time until December 31, 2016 each holder of Series C Stock may elect to convert all or a portion of the preference amount into shares of Common Stock at a conversion price which is the lower of $0.00008 or the volume weighted average price of the Company's Common Stock for the 90 trading days before a notice of conversion with a floor of $0.00004. On December 31, 2016, all outstanding shares of Series C Stock shall automatically convert into Common Stock at the applicable conversion price.

On December 29, 2015, the Company issued 200,000 shares of Series C Stock in exchange for 1,000,000,000 shares of common stock in which had been previously sold for $80,000 in proceeds. In connection with the exchange, the Company recorded other expense of $170,000 due to the Series C Stock having an estimated fair market value of $250,000 on the date of the exchange. The Company estimated the fair market value of the Series C Stock based upon the number of common shares it could be converted into.

On July 30, 2016, the Company entered into an agreement with the holders of its Series C Preferred Stock whereby the holders exchanged 200,000 shares preferred stock for 125,000 shares of Jupiter Gold Corporation common stock. As a result, a noncontrolling interest of $125,000 was recorded in the consolidated financial statements.

Nine Months Ended September 30, 2016 Transactions

During the nine months ended September 30, 2016, the Company issued 350,000,000 shares of common stock for cash proceeds of $21,000. In addition, the Company received cash deposits in 150,000 for the sale of common stock. At September 30, 2016, the Company recorded the amount as a current liability.

During the nine months ended September 30, 2016, the Company issued 418,242,912 shares of common stock to its CEO in satisfaction of amounts payable. The shares were valued based upon the closing market price of the Company's common stock on the date the service was complete. In addition, the Company has agreed to issue additional shares of common stock if the effective price of a future common stock transaction decreases.

See Note 4 for discussion of additional common stock issuances.

Nine Months Ended September 30, 2015 Transactions

During the nine months ended September 30, 2015, the Company issued 7,409,184 shares of common stock with a fair market value of $24,808 to consultants in lieu of cash payments. The shares were valued based upon the closing market price of the Company's common stock on the date the service was complete.

BRAZIL MINERALS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Convertible Customer Deposits

In July 2015, as discussed below in Note 6, the Company has previously provided customers with the option to convert their deposits of diamonds into common stock if the diamonds are not delivered on the scheduled timeline.

Derivative Liabilities

In connection with convertible notes payable the Company records derivative liabilities for the conversion feature. The derivative liabilities are valued on the date of issuance of the convertible note payable and revalued at each reporting period. During the nine months ended September 30, 2015, the Company recorded derivative liabilities of $667,658 based upon the following Black-Scholes option pricing model average assumptions: an exercise price of $0.0015 to $0.00005, our stock price on the date of grant ($0.0033 to $0.0001), expected dividend yield of 0%, expected volatility of 217.53% to 313%, risk free interest rate of 0.12% and an expected term of 0.50 years. Upon initial valuation, the derivative liability exceeded the face value of the convertible note payable of $302,111, a day one loss on derivative liability of $372,878 was recorded. No derivative liabilities were recorded during the nine months ended September 30, 2016.

On September 30, 2016, the derivative liabilities were revalued at $88,175 resulting in a gain of $193,170 related to the change in fair market value of the derivative liabilities. The derivative liabilities were revalued using the Black-Scholes option pricing model with the following average assumptions: an exercise price of $0.00005, our stock price on the date of valuation ($0.0002), expected dividend yield of 0%, expected volatility of 446%, risk-free interest rate of 0.45%, and an expected term of 0.25 years.

Future Potential Dilution

Most of the Company's convertible notes payable contain adjustable conversion terms with significant discounts to market. As of September 30, 2016, the Company's convertible notes payable from holders indicating desire to convert into equity are convertible into an aggregate of approximately 3.2 billion shares of common stock. Due to the variable conversion prices on some of the Company's convertible notes, the number of common shares issuable is dependent upon the traded price of the Company's common stock. As of September 30, 2016, if all holders of convertible notes payable exercised their right to the common stock, the Company would have an obligation to issue shares of its common stock in excess of its authorized, but unissued shares of common stock. In November 2016, the Company amended its Articles of Incorporation to increase its authorized number of shares of common stock by 2.5 billion shares to fifteen (15) billion shares.

NOTE 5 – STOCKHOLDERS' DEFICIT

Authorized and Amendments

On March 21, 2016, the Company amended its Articles of Incorporation to increase the authorized number of shares of its common stock to ten (10) billion shares. On August 23, 2016, the Company further amended its Articles of Incorporation to increase the authorized number of shares of its common stock to twelve and one half (12.5) billion shares.

As of December 31, 2015, the Company had seven (7) billion common shares authorized with a par value of $0.001 per share.

BRAZIL MINERALS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Series A Preferred Stock

On December 18, 2012, the Company filed with the Nevada Secretary of State a Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock ("Series A Stock") to designate one share of a new series of preferred stock. The Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock provides that for so long as Series A Stock is issued and outstanding, the holders of Series A Stock shall vote together as a single class with the holders of the Company's Common Stock, with the holders of Series A Stock being entitled to 51% of the total votes on all such matters regardless of the actual number of shares of Series A Stock then outstanding, and the holders of Common Stock are entitled to their proportional share of the remaining 49% of the total votes based on their respective voting power.

Series B Preferred Stock

On August 26, 2015, the Company filed with the Nevada Secretary of State a Certificate of Designations, Preferences and Rights of par value $0.001 Series B Convertible Preferred Stock ("Series B Stock") to designate 1,000,000 shares of a new series of preferred stock. The Series B Stock has an original issue price of $1,000 per share. Cumulative dividends on such shares are payable annually (or upon conversion of such stock into Common Stock) in Common Stock at the rate of 10% per stated share value per annum. The holders of Series B Stock shall be entitled to vote on all matters as one class with the holders of Common Stock, with the holders of Series B Stock being entitled to such number of votes as shall equal the number of whole and fractional shares of Common Stock into which such share is then convertible. At any time until December 31, 2016 each holder of Series B Stock may elect to convert all or a portion of the preference amount into shares of Common Stock at a conversion price which is a 40% discount to the average of the lowest 5 closing prices of the Common Stock in the 20 calendar day period before a notice of conversion is given, but the conversion price shall not be higher than $.03 nor lower than $.000033. On December 31, 2016, all outstanding shares of Series B Stock shall automatically convert into Common Stock at the applicable conversion price. During the nine months ended September 30, 2016, the Company accrued dividends of $82,350, recorded as interest expense which increased the dividends payable balance to $92,783 at September 30, 2016.

During the year ended December 31, 2015, the Company issued 273 shares of Series B Stock for $270,000 in cash proceeds. In addition, six shares of Series B Stock were issued to a placement agent.

As discussed in Note 4, during the year ended December 31, 2015, the Company issued 100 shares of Series B Stock in satisfaction of $100,000 in convertible notes payable. In connection with the exchange, the Company recorded other expense of $66,667 due to the Series B Stock having an estimated fair market value of $166,667 on the date of the exchange. The Company estimated the fair market value of the Series B Stock based upon the number of common shares it could be converted into.

See Note 6 for discussion related to the exchange of customer deposits received in connection with the delivery of diamonds for 668 shares of Series B Stock.

During the three months ended September 30, 2016, the Company entered into an agreement with the holders of its Series B Preferred Stock whereby the holders exchanged 471.3 shares preferred stock for 785,248 shares of Jupiter Gold Corporation common stock and options to purchase common stock of Jupiter Gold. The options were issued in two tranches. The first tranche of 581,548 options are exercisable at $1.50 for a one year period from issuance. The second tranche of 785,248 options are exercisable at $1.50 for a two year period from issuance. The options were valued at $97,349 using the Black-Scholes option pricing model and the following assumptions: an exercise price of $1.50, a stock price of $1.00 on the date of grant, an expected dividend yield of 0%, an expected volatility of 40.0%, a risk free interest rate of 0.56%-0.72% and an expected term of 1.0-2.0 years. As a result, a noncontrolling interest of $980,847 was recorded in the consolidated financial statements.

BRAZIL MINERALS, INC.
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Series C Preferred Stock

On December 29, 2015, the Company filed with the Nevada Secretary of State a Certificate of Designations, Preferences and Rights of Series C Convertible Preferred Stock ("Series C Stock") to designate 1,000,000 shares of a new series of preferred stock. The Series C Stock has an original issue price of $1,000 per share. Cumulative dividends on such shares are payable annually (or upon conversion of such stock into Common Stock) in Common Stock at the rate of $0.04 per share per annum. The holders of Series C Stock shall be entitled to vote on all matters as one class with the holders of Common Stock, with the holders of Series C Stock being entitled to such number of votes as shall equal the number of whole and fractional shares of Common Stock into which such share is then convertible. At any time until December 31, 2016 each holder of Series C Stock may elect to convert all or a portion of the preference amount into shares of Common Stock at a conversion price which is the lower of $0.00008 or the volume weighted average price of the Company's Common Stock for the 90 trading days before a notice of conversion with a floor of $0.00004. On December 31, 2016, all outstanding shares of Series C Stock shall automatically convert into Common Stock at the applicable conversion price.

On December 29, 2015, the Company issued 200,000 shares of Series C Stock in exchange for 1,000,000,000 shares of common stock in which had been previously sold for $80,000 in proceeds. In connection with the exchange, the Company recorded other expense of $170,000 due to the Series C Stock having an estimated fair market value of $250,000 on the date of the exchange. The Company estimated the fair market value of the Series C Stock based upon the number of common shares it could be converted into.

On July 30, 2016, the Company entered into an agreement with the holders of its Series C Preferred Stock whereby the holders exchanged 200,000 shares preferred stock for 125,000 shares of Jupiter Gold Corporation common stock. As a result, a noncontrolling interest of $125,000 was recorded in the consolidated financial statements.

Nine Months Ended September 30, 2016 Transactions

During the nine months ended September 30, 2016, the Company issued 350,000,000 shares of common stock for cash proceeds of $21,000. In addition, the Company received cash deposits in 150,000 for the sale of common stock. At September 30, 2016, the Company recorded the amount as a current liability.

During the nine months ended September 30, 2016, the Company issued 418,242,912 shares of common stock to its CEO in satisfaction of amounts payable. The shares were valued based upon the closing market price of the Company's common stock on the date the service was complete. In addition, the Company has agreed to issue additional shares of common stock if the effective price of a future common stock transaction decreases.

See Note 4 for discussion of additional common stock issuances.

Nine Months Ended September 30, 2015 Transactions

During the nine months ended September 30, 2015, the Company issued 7,409,184 shares of common stock with a fair market value of $24,808 to consultants in lieu of cash payments. The shares were valued based upon the closing market price of the Company's common stock on the date the service was complete.

BRAZIL MINERALS, INC.
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During the nine months ended September 30, 2015, the Company issued 230,043,183 shares of common stock to its CEO in satisfaction of amounts payable. The shares were valued based upon the closing market price of the Company's common stock on the date the service was complete.

During the nine months ended September 30, 2015, the Company issued 750,897,439 shares of common stock for cash proceeds of $152,500.

Common Stock Options

In January 2015, options to purchase 400,000,000 shares of common stock were issued in connection with $200,000 in convertible notes payable. See Note 4 for additional information. The options expire on January 30, 2018 and have an exercise price of $0.005 per share. The fair value of the options was $79,111, of which $22,423 was allocated to the options based upon the relative fair market value. The options were valued using the Black-Scholes option pricing model with the following assumptions: our stock price on date of grant ($0.0024), expected dividend yield of 0%, expected volatility of 176.16%, risk-free interest rate of 1.70%, and an expected term of 3.00 years.

During the nine months ended September 30, 2015, the Company granted options to purchase an aggregate of 12,922,854 shares of common stock to non-management directors. The options were valued at $39,200 in total. The options were valued using the Black-Scholes option pricing model with the following average assumptions: our stock price on date of grant ($0.0018), expected dividend yield of 0%, expected volatility of 176%, risk-free interest rate of 1.70%, and an expected term of 5.00 years.

During the nine months ended September 30, 2016, the Company granted options to purchase an aggregate of 313,340,000 shares of common stock to non-management directors. The options were valued at $25,000 in total. The options were valued using the Black-Scholes option pricing model with the following average assumptions: our stock price on date of grant ($0.0001), expected dividend yield of 0%, historical volatility of 113%, risk-free interest rate of 1.13%, and an expected term of 5.00 years.

See Note 6 discussion regarding options issued in connection with future diamond sales.

Common Stock Warrants

In June 2015, in connection with a common stock raise, the Company issued warrants to purchase an aggregate of 31,153,846 shares of the Company's common stock that expire on August 31, 2017 and have an exercise price of $0.001 per share. The value of the warrants was approximately $30,000 based upon Black-Scholes option pricing model. No entry was required as the warrants were issued in connection with raising capital and thus would have

offset any proceeds received.

BRAZIL MINERALS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases offices in Pasadena, California, U.S., and in the municipality of Olhos D'Agua, Brazil. Such costs are immaterial to the consolidated financial statements.

Mine Option

On July 30, 2013, the BMIX Subsidiary acquired for zero cost an option to develop and own up 75% of a vanadium, titanium, and iron property in the state of Piauí in Brazil in exchange for the performance over a period of time of certain defined geological research steps, as well as the payment, over a period of time, of 875,000 Brazilian reais in cash ($269,675 as of September 30, 2016) and the equivalent of 125,000 Brazilian reais in common stock ($38,525 as of September 30, 2016). To date the option has not been exercised.

Diamond Delivery Agreements

On March 4, 2014, the Company received proceeds of $500,000 from a sale of polished and GIA graded diamonds pursuant to an agreement with two buyers that agreed to receive these diamonds over a period of one year. One of the buyers has expertise and a long and successful history of investments in natural resources. As part of this transaction, the Company pledged with a third party collateral agent an aggregate of 11,000,000 shares of its common stock, valued at approximately $990,000 at the time the transaction was consummated, in order to secure the delivery of the diamonds. The number of shares pledged is subject to periodic adjustment as diamonds are delivered and as the market price of our common stock may change. The Company also issued to the buyers two-year options to purchase an aggregate of 3,000,000 shares of its common stock at an exercise price (subject to adjustment upon the occurrence of certain events) of $0.12 per share, a premium of 33% above the stock price when the transaction was consummated. These options initially expired on March 4, 2016 and have an exercise price of $0.12, which was reduced to $0.08 per share in October 2014 and the expiration date extended to March 4, 2018. The fair value of the options was $93,280 was calculated using the Black-Scholes option pricing model with the following assumptions: our stock price on date of grant ($0.09), expected dividend yield of 0%, expected volatility of 77.56%, risk-free interest rate of 0.78%, and an expected term of 2 years. In July 2015, the Company extended these agreements until December 31, 2016. Under the new agreements, quarterly the Company is required to deliver diamonds with $15,000 in aggregate Rappaport value. If the diamonds are not delivered, then the customer has the option of converting the required value at 50% of market. Due to the variable conversion price, the Company is recording a derivative liability upon each tranche becoming convertible. As of September 30, 2015, total amounts convertible into common stock were $35,158. In addition, the collateral shares for this contract were increased to 465,293,570. During the year ended December 31, 2015, the Company did not deliver any of the diamonds.

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BRAZIL MINERALS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On April 30, 2014, the Company entered into Subscription Agreements with four investors (the "Buyers"), pursuant to which the Buyers agreed to pay to the Company an aggregate of $500,000 and the Company agreed to deliver to the Buyers from time to time on or before December 31, 2015, polished and GIA-graded diamonds of at least 0.4 carats having a certain aggregate Rappaport value. The Company agreed to pledge with third party collateral agents for the Buyers an aggregate of 8,000,000 shares of its common stock, valued at approximately $800,000 at the time the transaction was consummated, in order to secure the delivery of the diamonds. The number of shares pledged is subject to periodic adjustment as diamonds are delivered and as the market price of the Company's stock may change. As of December 31, 2014, the required reserve was 123,076,923 shares of common stock. On the date of the agreement, the Company reserved for the Buyers or their designees, an aggregate of 3,750,000 shares of the Company's common stock (the "Shares") and two year options to purchase an aggregate of 1,875,000 shares of Common Stock at an exercise price of $0.12 per share, payable in cash to the Company (the "Options"). The fair value of the options was $57,662 was calculated using the Black-Scholes option pricing model with the following assumptions: our stock price on date of grant ($0.09), expected dividend yield of 0%, expected volatility of 77.56%, risk-free interest rate of 0.11%, and an expected term of 2 years. The common stock issued was valued at $348,750 based upon the closing market price of the Company's common stock. Since the agreement contained various elements, the Company allocated the $47,544 to the options, $287,552 to the shares issued and $164,904 to deferred revenue based upon the relative fair market value. In July 2015, the Company extended these agreements until December 31, 2016. Under the new agreements, quarterly the Company is required to deliver diamonds with aggregate Rappaport values ranging from $10,000 to $20,000. If the diamonds are not delivered, then the customer has the option of converting the required value at 50% of market. Due to the variable conversion price, the Company is recording a derivative liability upon each tranche becoming convertible. As of September 30, 2015, total amounts convertible into common stock were $40,000. A total of 200,000,000 in collateral shares were issued for this contract. There were no deliveries under this contract during the year ended December 31, 2015.

On December 30, 2015, the diamond agreements described were exchanged for 668 shares of Series B Stock. Under the terms of the agreement, all obligations under the agreement to deliver diamonds and other guarantees were removed, including the derivative liability. On the date of the exchange the Company determined that the value of the Series B Stock was $1,113,333 based upon the number of common shares the Series B Stock is convertible into. The agreement relieved $543,630 in customer deposits, $182,300 in derivative liabilities less a remaining discount of $68,057, a total relief of $657,873. The Company recorded the excess value of the Series B Stock issued of $455,460 as a loss on extinguishment.

NOTE 7 - RELATED PARTY TRANSACTIONS

Brazil Mining, Inc.

Previously the Company had amounts due from Brazil Mining, Inc. ("BMI"), a related party through common management. The loans did not incur interest and were due on demand. During the year ended December 31, 2015, BMI transferred equipment with a carrying value of $44,854 to the Company as a partial offset to the amounts due. During December 2015, in satisfaction of the remaining receivable, BMI transferred the rights to two mineral right

properties. At the time of the transfer, the Company's subsidiary RST retained a 50% ownership in these rights, thus, the value of the two mineral rights transferred is included within consolidation of RST. Thus, the Company recorded other expense of $93,580 during the year ended December 31, 2015 as the assets had already been reflected at their fair market value on the Company's financial statements. The Company agreed to the transaction to ensure there were no potential violations of the Sarbanes Oxley Act as the Company's CEO also controls BMI though management and stock holdings.

BRAZIL MINERALS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Chief Executive Officer

As of September 30, 2016 and December 31, 2015, amounts payable to the Chief Executive Officer for accrued salaries, retirement contributions, and advances made included within related party payable were $231,344 and $160,214, respectively. During 2015, $25,000 of the balance was converted into shares of the Company's common stock at a 50% discount to market. In addition, the agreement included a true up provision which requires the Company to issue additional shares of common stock after conversion or true up at the lowest effective common stock transaction for a period of up to 250 trading days. See common stock issuances above for disclosure of amounts converted and shares issued.

The following is a roll forward of amounts due to the Chief Executive Officer for the nine months ended September 30, 2016:

Balance at December 31, 2015	$160,214
Salary Accrual	112,500
401(k) Contribution Accrual	40,500
Advances to the Company	7,740
Repayments	(85,570)
Issuance of Common Stock	(4,040)
Balance at September 30, 2016	$231,344

NOTE 8 - SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 Subsequent Events, the Company has analyzed its operations subsequent to June 30, 2016 to the date these consolidated financial statements were issued, and has determined that it does not have any material subsequent events to disclose in these consolidated financial statements, except as noted below.

The Company increased its authorized shares to 15 billion on November 3, 2016.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and the notes to those financial statements appearing elsewhere in this Report.

This Quarterly Report contains forward-looking statements. Forward-looking statements for Brazil Minerals, Inc. reflect current expectations, as of the date of this Quarterly Report, and involve certain risks and uncertainties. Actual results could differ materially from those anticipated in these forward- looking statements as a result of various factors. Factors that could cause future results to materially differ from the recent results or those projected in forward-looking statements include: unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production; market fluctuations; government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection; competition; the loss of services of key personnel; unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of infrastructure as well as general economic conditions.

General or Recent Developments

Description of Business

Brazil Minerals, Inc. ("Brazil Minerals", the "Company", "we", "us", or "our"), together with its subsidiaries, is engaged in the business of acquiring controlling positions or significant positions with oversight roles in companies in Brazil in the minerals area or in industries related to minerals. We consolidate the results of our controlled subsidiaries in this Annual Report.

Our progress has been steady, and can be measured in at least two quantifiable ways. First, in terms of mineral assets, in early 2013, our initial year of operations under the current business model and management team, we had 3 mineral rights. As of September 30, 2016, we had 38 mineral rights, as follows:

a) 10 mineral rights that are mining concessions, the highest level of mineral right in Brazil ("Concessão de Lavra");

b) 8 mineral rights that have status just below mining concession ("Requerimento de Lavra"), which allows us to apply for both an upgrade to mining concession and to conduct limited commercial mining;

c) 8 mineral rights in the research permit phase ("Autorização de Resquisa"); and

d) 12 mineral rights in the phase of application for research permit ("Requerimento de Pesquisa").

Please refer to the table below for details on each of these mineral rights.

DNPM Mineral Right Number	Mineral Right Status	Location	Subsidiary	Area of Mineral Right (in acres)	Minerals Currently Requested in Mineral Right Document
806.569/1977	Mining Concession ("MC")	Jequitinhonha River Valley, state of Minas Gerais state, Brazil ("JRV")	MDB	422	diamond, gold, sand
830.797/1982	MC	JRV	RST	102	diamond, gold
830.062/1980	MC	JRV	RST	1,177	diamond, gold
817.734/1968	MC	JRV	RST	5,202	diamond, gold
807.497/1968	MC	JRV	RST	1,178	diamond, gold
003.048/1956	MC	JRV	RST	905	diamond, gold
003.047/1956	MC	JRV	RST	1,343	diamond, gold
003.046/1956	MC	JRV	RST	1,039	diamond, gold
003.045/1956	MC	JRV	RST	1,295	diamond, gold
003.044/1956	MC	JRV	RST	678	diamond, gold
830.749/1981	Application for Mining Concession ("AMC")	JRV	RST	591	diamond, gold
830.746/1981	AMC	JRV	RST	55	diamond, gold
830.921/1980	AMC	JRV	RST	276	diamond, gold
830.919/1980	AMC	JRV	RST	318	diamond
804.492/1977	AMC	JRV	RST	986	diamond, gold
802.267/1977	AMC	JRV	RST	1,310	diamond, gold
831.742/1987	AMC	JRV	RST	294	diamond
830.998/1984	AMC	JRV	RST	730	diamond
880.239/2009	Research Permit ("RP")	Apuí, state of Amazonas state, Brazil	BMIXP	24,708	gold
831.380/2014	RP	JRV	BMIXP	1,375	diamond, gold, gravel, sand
831.398/2014	RP	JRV	BMIXP	994	diamond, gold, gravel, sand
832.052/2006	RP	JRV	MDB	982	diamond, gold

830.899/2013	RP	JRV	RST	1,443	diamond, gold
830.898/2013	RP	JRV	RST	671	diamond, gold
833.685/2006	RP	JRV	RST	130	diamond, gold
832.108/2005	RP	JRV	RST	657	diamond, gold
832.059/2014	Application for Research Permit ("ARP")	JRV	BMIXP	1,152	diamond, gold, gravel, sand
832.060/2014	ARP	JRV	BMIXP	1,052	diamond, gold, gravel, sand
832.043/2007	ARP	JRV	BMIXP	19	diamond
833.938/2006	ARP	JRV	BMIXP	1,236	diamond, gold
860.807/2016	ARP	Crixás, state of Goiás, Brazil	MJ	4,925	gold
831.883/2016	ARP	Paracatu, state of Minas Gerais, Brazil	MJ	795	gold
831.942/2016	ARP	Itabira region, state of Minas Gerais, Brazil	MJ	4,069	gold
880.133/2016	ARP	Apuí, state of Amazonas, Brazil	MJ	23,043	gold
880.134/2016	ARP	Apuí, state of Amazonas, Brazil	MJ	23,207	gold
880.135/2016	ARP	Apuí, state of Amazonas, Brazil	MJ	23,080	gold
831.665/2016*	ARP	Diamantina region, state of Minas Gerais, Brazil	MJ	358	manganese
831.642/2016*	ARP	Diamantina region, state of Minas Gerais, Brazil	MJ	4,612	manganese

Table Legend:

Ref: Mineral Right Status
MC: Mining Concession
AMC: Application for Mining Concession
RP: Research Permit
ARP: Application for Research Permit

Ref: Location
JRV: Jequitinhonha River valley, state of Minas Gerais, Brazil
Apuí: Apuí region, state of Amazonas, Brazil
Crixás: Crixás municipality, state of Goiás, Brazil
Paracatu: Paracatu municipality, state of Minas Gerais, Brazil
Diamantina: Diamantina region, state of Minas Gerais, Brazil
Itabira: Itabira region, state of Minas Gerais, Brazil

Ref: Subsidiary
MDB: Mineração Duas Barras Ltda.
RST: RST Recursos Minerais Ltda.
BMIXP: BMIX Participações Ltda.
MJ: Mineração Jupiter Ltda., 100% owned by Jupiter Gold Corporation, a subidiary of Brazil Minerals

Ref: Expiration Date of Mineral Right
n/a (1): not applicable; mining concessions are in perpetuity under current law
n/a (2): not applicable; final research report approved or submitted by the mining department
n/a (3): not applicable; in analysis at the mining department
n/a (4): not applicable; awaiting research permit to begin timeline

* These two mineral rights for manganese will be transferred out of MJ and into another subsidiary.

The second manner in which we expanded as a company from 2013 to now is in the product mix output from our Brazilian subsidiaries. In 2013 we produced and sold rough diamonds and gold. In 2014 we added polished diamonds. In 2015 we added sand and mortar, a product made from our sand.

From 2013 to today, we have been taking shape as a holding company owner of different subsidiaries. As of September 30, 2016, we owned the approximate following stakes:

(1) 100% of BMIX Participações Ltda ("BMIXP");
(2) 100% of Mineração Duas Barras Ltda ("MDB");
(3) 50% of RST Recursos Minerais Ltda. ("RST");
(4) 100% of Hercules Brasil Ltda. ("HBR");
(5) 60% of Jupiter Gold Corporation ("JGC").

Major Events in the Third Quarter of 2016

1) Operational Focus

During the third quarter of 2016, Brazil Minerals focused its operational effort primarily in this area:

Development of Portable, Scalable, Higher Yield and Lower Cost Gold and Diamond Recovery Operations

During the third quarter of 2016 the Company successfully tested centrifugation as a means of recovery of gold.. Material which had been considered waste after processing in the gravity-based gold separation columns present in Brazil Minerals' original plant yielded recoverable gold after processing in centrifuges in amounts that indicated centrifugation to be significantly higher yielding. An initial small gold-recovery processing plant that uses two small centrifuges was delivered to Brazil Minerals at the end of the third quarter and placed in one of its mining concessions for gold. The operation is simple, utilizing two to three workers and a diesel-powered portable generator and produces gold from final alluvial material.

Subsequent to the end of the third quarter of 2016, this small plant is being expanded with the addition of machines and structures that will allow it to process thicker material, containing gravel and stones. It is also being outfitted to permit recovery of diamonds. Thicker material has higher gold concentration and contains diamonds.

Brazil Minerals has mining areas spread over 60 miles along the banks of the Jequitinhonha River in Brazil, a well-known area for exploration of gold and diamonds. The Company envisions, over time, the deployment of several portable, scalable and low-cost, but highly efficacious plants to recover gold and diamonds from various locations simultaneously.

2) Improvements in Capital Structure

During the third quarter of 2016, Brazil Minerals continued to materially improve its capital structure as follows:

i) Removal of Significant Variable-Rate Noteholder

The entirety of the convertible debt from St. George Investments, LLC, a short-term oriented variable-rate noteholder has been extinguished. The Company has remaining convertible debt from one short-term oriented holder; all of the notes from such investor have a fixed floor price.

ii) Initial Formation of Mineral-Specific Subsidiaries

Mineral-specific subsidiaries allow certain investors interested in one particular mineral (gold, manganese, etc.) to be able to more directly invest and/or partner in that mineral. Brazil Minerals intends to maintain an ongoing ownership stake in each such subsidiary and also intends that each subsidiary provide ongoing royalty payments to Brazil Minerals on revenue-generation from projects. The first such subsidiary is JGC, incorporated in the third quarter of 2016. JGC, through its subsidiary MJ, has since obtained six mineral rights for gold which were not owned by Brazil Minerals previously.

iii) Extinguishment of $200,000 in Principal plus Accrued Interest

The holders of certain of Brazil Minerals' convertible notes in an aggregate principal amount of $200,000 exchanged all such notes and their accrued interest into an aggregate of 80 million Brazil Minerals common shares plus securities of JGC. These notes would have matured on January 1, 2018, at which point Brazil Minerals would have to pay the $200,000 principal plus accrued interest. With the exchange described above, the entire liability comprising the $200,000 in principal and its accrued interest has been extinguished.

iv) Extinguishment of 100% of Preferred C and 44% of Preferred B

Brazil Minerals eliminated a large amount of preferred stock from its balance sheet during the third quarter of 2016. In particular, the Company eliminated 100% of its Preferred C Convertible Stock and approximately 44% of its Preferred B Convertible Stock by exchange of such Brazil Minerals preferred stock for securities of JGC, with cancellation of the preferred stock. Such elimination of Brazil Minerals preferred stock prevented a substantial potential dilution of the Brazil Minerals common shareholders since the preferred stock was convertible to common stock.

v) Improvement in Book Value

The Company has been involved in a concentrated effort to improve its financial condition. The Company's book value, while still a negative number, has increased since December 31, 2014 as shown below.

Date	Book Value
12/31/2014	($1,962,472)
12/31/2015	($387,885)
09/30/2016	($38,307)

Results of Operations

Quarter Ended September 30, 2016 Compared to Quarter Ended September 30, 2015

In the quarter ended September 30, 2016, we had revenues of $7,752 as compared to revenues of $18,326 in the quarter ended September 30, 2015, a decline of 57.70%. This result is due to the fact that the Company was awaiting deployment of a gold retrieval unit to restart production of gold.

Our consolidated cost of goods sold in the third quarter of 2016 was $47,461, consisting entirely of production-related expenses as compared to our consolidated cost of goods sold in the third quarter of 2015 of $8,573. These costs included labor, diesel, and machine rentals. Certain expenses were fixed or unavoidable in the third quarter of 2016 even though we had considerably less revenue than in the third quarter of 2015.

Our gross loss in the third quarter of 2016 was $39,709, as compared to our gross profit of $9,753 in the third quarter of 2015, a decline of 507.15%. This result was primarily due a decline in revenues and increase in costs of goods sold for the reasons detailed above.

We had an aggregate of $194,656 in operating expenses in the third second quarter of 2016, as compared to an aggregate of $213,588 in operating expenses in the third quarter of 2015, a decrease of 8.86%. This decrease was mostly due to lower general and administrative expenses, and no stock-based compensation, which more than compensated for higher professional fees and compensation and related costs.

In the third quarter of 2016, we had total other expenses of $249,124 as compared to ($153,130) in total other expenses in the third quarter of 2015. This change was mostly due to much lower gain on derivative liabilities, a gain on interest on promissory notes, and much lower amortization of debt discount and other fees, and higher other expense in the quarter ended September 30, 2016.

In the third quarter of 2016, we experienced a net loss attributable to Brazil Minerals of $444,727, as compared to a net loss attributable to Brazil Minerals of $50,705 in the third quarter of 2015. This result was mostly due to the much higher total other expense and also higher operating expenses in the third quarter of 2016. On a per share basis (both basic and diluted), in both the third quarter of 2016 and the third quarter of 2015 we had net loss attributable to Brazil Minerals of $0.00. The higher net loss attributable to Brazil Minerals in the third quarter of 2016 was due to lower revenues, higher loss from operations and higher other expenses.

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

In the nine months ended September 30, 2016, we had revenues of $11,821 as compared to revenues of $58,512 in the quarter ended September 30, 2015, a decline of 79.80%. This result is due to the fact that the Company was awaiting deployment of a gold retrieval unit to restart production of gold in 2016.

Our consolidated cost of goods sold in the first nine months of 2016 was $112,293, consisting entirely of production expenses as compared to our consolidated cost of goods sold in the first nine months of 2015 of $145,599, a decline of 22.88%. These costs included labor, diesel and machine rentals.

Our gross loss in the first nine months of 2016 was $100,472, as compared to our gross loss of $87,087 in the first nine months of 2015, a decline of 15.37%. This result was primarily due a decline in gross revenues which was slightly offset by a decline in cost of goods sold during the nine months ended September 20, 2016, for the reasons detailed above.

We had an aggregate of $638,837 in operating expenses in the nine months ended September 30, 2016, as compared to an aggregate of $672,409 in operating expenses in the nine months ended September 30, 2015, a decrease of 4.99%. This decrease was mostly due to lower professional fees, which more than offset increases in general and administrative expenses, compensation and related costs and stock-based compensation.

In the nine months ended September 30, 2016, we had total other expenses of $324,923 as compared to $153,313 in total other income in the nine months ended September 30, 2015. This change was mostly due to a much lower gain on derivative liabilities in the nine months ended September 30, 2016 which more than compensated for lower amortization of debt discounts and lower interest on promissory notes in the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015.

In the nine months ended September 30, 2016 we experienced a net loss attributable to Brazil Minerals of 1,039,455, as compared to a net loss attributable to Brazil Minerals of $606,183 in the nine months ended September 30, 2015. This result was mostly due to the higher total other expenses and lower revenues in the nine months ended September 30, 2016 which more than offset lower costs of goods sold in the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015. On a per share basis (both basic and diluted), in both the nine months ended September 30, 2016 and the nine months ended September 30, 2015 we had net loss attributable to Brazil Minerals of $0.00.

Net cash used in operating activities was $368,092 in the first nine months of 2016, as compared to $618,864 in the first nine months of 2015. This was primarily due to the Company's mining a smaller surface area, as it developed its strategy of smaller, lower-cost but more efficient recovery plants in 2016. Net cash used in investing activities was $94,428 in the first nine months of 2016, as compared to $33,796 in the first nine months of 2015. This was primarily because of the acquisition of both certain capital equipment and intangible assets, such as mineral rights, in 2016. The Company acquired Net cash provided by financing activities was $372,340 in the first nine months of 2016, as compared to $932,060 in the first nine months of 2015. This was due to the fact that the Company needed to raise lesser funds from equity in debt in 2016.

Liquidity and Capital Resources

As of September 30, 2016, we had total current assets of $205,209 compared to total current liabilities of $1,117,510 for a current ratio of 0.18 to 1 and a working capital deficit of $912,301. By comparison, on September 30, 2015, we had total current assets of $262,429 compared to current liabilities of $1,404,594 for a current ratio of 0.19 to 1 and a working capital deficit of $1,142,165. This difference is explainable primarily by both a decrease in convertible debt and preferred stock outstanding.

In 2016 our principal sources of liquidity were the issuance of equity and debt securities. In 2015, our principal source of liquidity had been issuances of debt securities.

During the first quarter of 2016, we received an aggregate of $118,000 in gross proceeds from the sale of common stock in various transactions, none greater than $30,000 in size.

During the second quarter of 2016, we received $41,200 and $29,500 from sales of common stock in separate transactions or groups of transactions and $30,000 from the sale of a convertible note with a fixed-floor.

During the third quarter of 2016, we received a total of $25,000 from sales of Brazil Minerals' common stock, $20,000 from sales of Brazil Minerals' preferred stock, $31,000 from sales of common stock of a subsidiary of Brazil Minerals in separate transactions and a total of $110,000 from sales of convertible notes with a fixed-floor. All of these notes and all of Brazil Minerals' short-term oriented convertible debt are owned by only one relatively small entity. The Company does not expect this level of intake of debt to be the norm going forward.

We believe that, as the small portable plant for gold and diamond processing is finalized with the addition of the structure enabling it to process thicker material, funds generated from sales of gold, primarily, and diamonds, over time, recovered from such initial unit, plus sales of our mortar and sand, will generate enough revenues to make us cash flow positive, although no assurance of this can be given. In the meantime, we will rely on financing from the issuance of equity and/or debt, and/or sales of shares in mineral-specific subsidiaries, the availability of which on terms satisfactory to us is not assured.

The Company has no plans for any significant acquisitions in 2016 or in the foreseeable future that would require cash payments to be made by the Company while it is not cash flow positive.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our financial instruments consist of cash and cash equivalents, loans to a related party, accrued expenses, and an amount due to a director. 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 our financial statements. If our estimate of the fair value is incorrect at September 30, 2016, it could negatively affect our financial position and liquidity and could result in our having understated our net loss.

Recent Accounting Pronouncements

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles. Our significant accounting policies are described in Note 1 of the financial statements. 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 us.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the third quarter of 2016, we received $45,000 from sale of our common and preferred stock in separate transactions. The equity purchasers and amounts sold were as follows. We sold $20,000 in our Series B Convertible Preferred stock to Matthew Taylor in July of 2016. We sold $10,000 in our restricted common stock to Benjamin Khowong in July of 2016. We sold $8,000 in our restricted common stock to Craig Kincaid in July of 2016. We sold $7,000 in our restricted common stock to Peter Goldy in July of 2016.

All of the above shares were issued in accordance with exemptions from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act") under Section 4(a)(2) of the Securities Act by virtue of being offered without employing any means of general solicitation and issued to purchasers which represented to the Company that they are accredited investors and that they were acquiring the shares for investment and could bear the economic risk of the investment. All proceeds of the above described transactions were for use in the normal course of business of the Company.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), the Company is not required to provide the information required by this Item as it is a "smaller reporting company," as defined by Rule 229.10(f)(1).

Item 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the design, operation, and effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of September 30, 2016. On the basis of that evaluation, management concluded that our disclosure controls and procedures designed to provide reasonable assurance that the information required to be disclosed in reports filed or submitted pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "Commission"), and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure were effective.

(b) Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control system is designed to provide reasonable assurance to management and to our Board of Directors regarding the preparation and fair presentation of published financial statements. Our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on his evaluation under the framework in Internal Control—Integrated Framework, he concluded that our internal control over financial reporting was effective as of September 30, 2016.

(c) Changes in Internal Control over Financial Reporting

The Company added a full-time internal resource in Brazil to supplement and support outside accounting personnel it uses.

(d) Limitations of the Effectiveness of Internal Controls

The effectiveness of the Company's system of disclosure controls and procedures and internal control over financial reporting is subject to certain limitations, including the exercise of judgment in designing, implementing and evaluating the control system, the assumptions used in identifying the likelihood of future events, and the inability to eliminate fraud and misconduct completely. As a result, there can be no assurance that the Company's disclosure controls and procedures and internal control over financial reporting will detect all errors or fraud. However, the Company's control systems have been designed to provide reasonable assurance of achieving their objectives, and the Company's Principal Executive Officer and Principal Financial Officer have concluded that the Company's disclosure controls and procedures and internal control over financial reporting are effective at the reasonable assurance level.

PART II OTHER INFORMATION

Item 6. EXHIBITS

(a) Exhibits

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS –	XBRL Instance Document
101.SCH –	XBRL Taxonomy Extension Schema Document
101.CAL –	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF –	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB –	XBRL Taxonomy Extension Label Linkbase Document
101.PRE –	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned there unto duly authorized.

BRAZIL MINERALS, INC.

Date: November 21, 2016 By: /s/ Marc Fogassa
Marc Fogassa
Chief Executive Officer