

**MMX Mineração e Metálicos S.A. and
subsidiaries**

Consolidated financial statements
June 30, 2009 and December 31, 2008

MMX Mineração e Metálicos S.A. and subsidiaries

Consolidated financial statements

June 30, 2009 and December 31, 2008

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Consolidated balance sheets

(In thousands of U.S. dollars, except share data)

Assets	Note	June 30, 2009 (Unaudited)	December 31, 2008
Current assets			
Cash and cash equivalents		26,420	56,098
Marketable securities	3	99,973	68,570
Restricted cash	4	18,737	20,629
Trade accounts receivable	5	12,356	24,651
Recoverable taxes	6	48,330	33,895
Inventories	7	69,544	90,265
Advances to suppliers and employees		3,421	8,401
Related parties	15	-	1,641
Asset to be disposed of	12	51,804	-
Other		2,682	2,856
		<u>333,267</u>	<u>307,006</u>
Noncurrent assets			
Investments at equity basis	10	1,386	955
Property, plant and equipment, net	11	656,884	617,502
Aircraft to be disposed of	12	4,879	4,074
Held to maturity securities - financial debentures	13	57,591	48,093
Related parties	15	776	-
Recoverable taxes	6	15,244	10,901
Advances to suppliers		4,979	6,501
Inventories	7	1,472	1,229
Other receivables		2,282	220
		<u>745,491</u>	<u>689,475</u>
Total assets		<u>1,078,758</u>	<u>996,481</u>
Liabilities and shareholders' equity			
Current liabilities			
Notes payable	16	127,558	79,678
Trade accounts payable		43,437	38,723
Tax, payroll and related charges		28,558	13,517
Short-term debt	17	313,439	219,014
Accrued interest	17	15,736	13,103
Related parties	15	1,050	1,334
Derivative financial instruments	9	145,516	181,938
Other current liabilities		4,542	2,191
		<u>679,836</u>	<u>549,498</u>
Long-term liabilities			
Notes payable	16	91,406	137,639
Long-term debt	17	225,822	347,241
Asset retirement obligation	14	2,281	3,697
Stock options	21	4,022	2,669
Debentures - Related parties	18	183,006	-
Tax Payable	19	7,493	-
Other accrued liabilities		295	1,040
		<u>514,325</u>	<u>492,286</u>
Shareholders' equity (deficit)			
Shares authorized and issued - holding company:	20		
Common stock: 2009 and 2008 - 304,866,640		337,925	337,925
Additional paid-in-capital		93,784	87,791
Accumulated deficit		(615,567)	(615,567)
Accumulated other comprehensive income		68,455	144,548
		<u>(115,403)</u>	<u>(45,303)</u>
Total liabilities and shareholders' equity		<u>1,078,758</u>	<u>996,481</u>
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See accompanying notes to consolidated financial statements.

MMX Mineração e Metálicos S.A. and subsidiaries
(exploration stage companies)

Consolidated statements of operations

(In thousands of U.S. dollars, except per share and share data)
(Unaudited)

	Note	Six-month period ended June 30, 2009	Six-month period ended June 30, 2008	Second quarter period ended June 30, 2009	Second quarter period ended June 30, 2008
Net revenue					
Iron ore sales		54,591	139,057	16,587	45,661
Services rendered		-	4,483		1,446
		<u>54,591</u>	<u>143,540</u>	<u>16,587</u>	<u>47,107</u>
Cost of goods sold and services rendered		<u>(53,792)</u>	<u>(92,620)</u>	<u>(10,077)</u>	<u>16,297</u>
Gross income (loss)		799	50,920	6,510	63,404
General, sales and administrative expenses		(108,906)	(81,882)	(70,239)	(41,312)
Impairment charge		(41,205)	-	(20,727)	-
Exploration costs		<u>(382)</u>	<u>(10,310)</u>	<u>490</u>	<u>4,893</u>
Operating loss		<u>(149,694)</u>	<u>(41,272)</u>	<u>(83,966)</u>	<u>26,985</u>
Other income (expenses):					
Financial income	23	163,090	77,806	128,967	51,702
Financial expenses	24	(64,124)	(21,972)	(39,680)	(5,926)
Equity pick up		209	-	58	8,239
Total other income		<u>99,175</u>	<u>55,834</u>	<u>89,345</u>	<u>54,015</u>
Income (loss) before income taxes		<u>(50,519)</u>	<u>14,562</u>	<u>5,379</u>	<u>81,000</u>
Income tax and social contribution	19	<u>(12,904)</u>	<u>(6,155)</u>	<u>(11,410)</u>	<u>(2,763)</u>
Income (loss) before minority interest		<u>(63,423)</u>	<u>8,407</u>	<u>(6,031)</u>	<u>78,237</u>
Minority interest		-	-		<u>(14,723)</u>
Net income (loss) for the period		<u>(63,423)</u>	<u>8,407</u>	<u>(6,031)</u>	<u>63,514</u>
Net income (loss) per thousand shares of common stock - basic and diluted		<u>(0,21)</u>	<u>0,03</u>	<u>(0,02)</u>	<u>0,21</u>
Weighted average per shares outstanding - basic and diluted		<u>304,866,675</u>	<u>304,609,840</u>	<u>304,866,675</u>	<u>304,609,840</u>

See accompanying notes to consolidated financial statements.

Combined consolidated statements of shareholders' equity (deficit) and comprehensive income (loss)

(In thousands, except share data)

	Capital stock				Additional paid-in capital	Profit (deficit) accumulated during the exploration stage	Accumulated other comprehensive income (loss)	Total shareholders' equity (deficit)
	Preferred number	Common number	Preferred amount	Common amount				
Balances June 30, 2007	-	304,310,240	-	472,525	45,699	(29,442)	58,487	547,269
Share-based compensation	-	-	-	-	24,813	-	-	24,813
Stock options exercise in the year	-	299,600	-	7,792	(7,792)	-	-	-
Gain on change in the subsidiaries ownership	-	-	-	-	441,757	-	-	441,757
Loss for the period	-	-	-	-	-	(116,639)	-	(116,639)
Currency translation adjustment	-	-	-	-	-	-	80,932	80,932
Comprehensive loss	-	-	-	-	-	-	-	(35,707)
Balances at December 31, 2007	-	304,609,840	-	480,317	504,477	(146,081)	139,419	978,132
Share-based compensation	-	-	-	-	17,776	-	-	17,776
Gain on change in subsidiaries ownership (Note 8)	-	-	-	-	143,514	-	-	143,514
Net income for the period	-	-	-	-	-	8,407	-	8,407
Currency translation adjustment	-	-	-	-	-	-	85,531	85,531
Comprehensive income	-	-	-	-	-	-	-	93,938
Spin off on June 19, 2008 (Note 16)	-	-	-	(142,392)	(652,173)	19,342	(1,501)	(776,724)
Balances June 30, 2008	-	304,609,840	-	337,925	13,594	(118,332)	223,449	456,636
Share-based compensation	-	-	-	-	73,911	-	-	73,911
Stock options exercise in the year	-	256,800	-	-	286	-	-	286
Loss for the period	-	-	-	-	-	(497,235)	-	(497,235)
Currency translation adjustment	-	-	-	-	-	-	(78,901)	(78,901)
Spin off on June 19, 2008	-	-	-	-	-	-	-	-
Comprehensive Loss	-	-	-	-	-	-	-	(39,678)
Balances at December 31, 2008	-	304,866,640	-	337,925	87,791	(615,567)	144,548	(45,303)
Share-based compensation	-	-	-	-	5,993	-	-	5,993
Gain on change in subsidiaries ownership	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	(63,423)	(63,423)
Currency translation adjustment	-	-	-	-	-	-	(12,670)	(12,670)
Comprehensive Loss	-	-	-	-	-	-	-	(76,093)
Balances at June 30, 2009	-	304,866,640	-	337,925	93,784	(615,567)	68,455	(115,403)

See accompanying notes to consolidated financial statements.

MMX Mineração e Metálicos S.A. and subsidiaries
(exploration stage companies)

Consolidated statements of cash flows

(In thousands of U.S. dollars)
(Unaudited)

	Six-month period ended June 30, 2009	Six-month period ended June 30, 2008	Second quarter ended June 30, 2009	Second quarter ended June 30, 2008
Cash flows from (used in) operating activities				
Net income (loss) for the period	(63,423)	8,407	(6,031)	63,514
Adjustments to reconcile loss to net cash provided by (used in) operating activities:				
Depreciation, amortization and accretion	3,194	25,804	621	13,004
Share-based compensation	7,356	27,362	4,488	18,201
Minority interests	-	-	-	14,723
Equity pick-up	(209)	-	(58)	(8,239)
Exchange variation gain	(124,349)	(49,447)	(128,740)	(41,519)
Derivative financial instruments	(67,680)	(2,516)	(32,162)	(5,889)
Impairment charge	41,205	-	20,727	-
(Increase) decrease in assets:				
Marketable securities	(16,709)	(163,690)	(65,331)	103,499
Restricted cash	5,578	18,633	3,428	22,414
Trade accounts receivable	16,055	(60,889)	10,583	(35,765)
Debentures	(1)	-	(1)	-
Recoverable taxes	(9,278)	(19,716)	(7,625)	(11,243)
Inventories	36,057	(22,037)	2,149	(24,535)
Related Parties	1,112	-	362	-
Advances to suppliers	8,835	39,593	7,082	35,846
Other	(1,191)	(5,239)	(1,253)	(10,605)
Increase (decrease) in liabilities:				
Trade accounts payable	(2,744)	52,148	14,601	76,513
Taxes, payroll and related charges	11,822	(4,084)	9,329	7,901
Other current liabilities	-	(3,386)	(3,333)	3,488
Other accrued liabilities	5,843	(432)	315	(5,301)
Other payables	2,974	2,649	9,938	2,649
Net cash from (used in) operating activities	<u>(145,552)</u>	<u>(156,840)</u>	<u>(160,911)</u>	<u>218,656</u>
Cash flows used in investing activities				
Additions to property, plant and equipment	(14,252)	(421,136)	(2,914)	(175,664)
Additions to intangible assets	-	(30,444)	-	(30,237)
Purchase of net asset in connection with acquisition - mainly mining rights	-	(5,110)	-	(5,110)
Net cash used in investing activities	<u>(14,252)</u>	<u>(456,690)</u>	<u>(2,914)</u>	<u>(211,011)</u>
Cash flows from financing activities				
Notes payable and debt:				
Loans obtained:				
Short-term	172,262	406,687	172,262	-
Long-term	-	106,349	(38,423)	291,244
Loans paid short-term	(177,725)	(248,723)	(110,471)	(149,321)
Notes payable obtained	53,387	173,104	247	38,062
Notes payable paid	(97,148)	-	(27,144)	-
Debentures - Related parties	171,190	-	171,190	-
Related parties	(512)	1,175	325	3,849
Gain on the consolidated subsidiary ownership	-	143,514	-	-
Minority interests	-	12,795	-	(57,433)
Net cash from (used in) financing activities	<u>121,454</u>	<u>594,901</u>	<u>167,985</u>	<u>126,401</u>
Increase (decrease) in cash and cash equivalents	<u>(38,350)</u>	<u>(18,629)</u>	<u>4,160</u>	<u>134,046</u>
Cash decrease by the exclusion of subsidiaries' cash previously consolidated and the inclusion of subsidiary purchased				
Cash decrease by the Company's spin off		(188,938)		(188,938)
Effect of exchange rate changes on cash and cash equivalents	8,672	22,893	8,145	22,338
	<u>(29,678)</u>	<u>(184,674)</u>	<u>12,305</u>	<u>(32,554)</u>
Cash and cash equivalents, beginning of the period	56,098	200,567	14,115	48,447
Cash and cash equivalents, end of the period	<u>26,420</u>	<u>15,893</u>	<u>26,420</u>	<u>15,893</u>
	<u>(29,678)</u>	<u>(184,674)</u>	<u>12,305</u>	<u>(32,554)</u>
Supplementary disclosure of cash flow information				
Interest paid during the period	19,084	10,762	12,356	8,072
Company's spin off on June 19, 2008		(776,724)		(776,724)

See accompanying notes to consolidated financial statements.

MMX Mineração e Metálicos S.A. and subsidiaries (exploration stage companies)

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June 30, 2009 and December 31, 2008

(In thousands of U.S. dollars, unless otherwise stated)

1 Summary of significant accounting policies and practices

i. Carve-out

On March 31, 2008, the controlling shareholder of MMX Mineração e Metálicos (“MMX”), certain members of the Management of MMX and Anglo American Participações e Mineração Ltda. (“Anglo American Participações”), a wholly owned subsidiary of Anglo American plc (“Anglo American”), entered into a Share Purchase and Sale Agreement (“Agreement”), whereby Anglo American Participações agreed to purchase, and the controlling shareholder and certain members of management of MMX agreed to sell, common shares representing approximately 63.47% of the share capital of IronX Mineração S.A. (“IronX” - currently denominated Anglo Ferrous Brazil S.A.). IronX is a publicly-held company, owner of 51% of the share capital of MMX Minas-Rio Mineração S.A. (“MMX Minas-Rio”) and 70% of MMX Amapá Mineração Ltda. (“MMX Amapá”), after the conclusion of the corporate reorganization of MMX (“Reorganization”). The Reorganization also involved the transfer to IronX of 100% of the stock capital of MMX Metálicos Amapá Ltda. (“MMX Metálicos Amapá”) and Bay Service Serviços Portuários Ltda. (“Bay Service”).

Reorganization of MMX

As a result of the Reorganization, the shares in IronX and LLX Logística S.A. (“LLX”) owned by MMX were distributed directly to the shareholders of MMX, in the same proportion as their equity interests in the share capital of MMX. Accordingly, the Company’s equity in IronX and LLX are shown as a deduction from shareholders equity, as the income and cash flow statements of these entities have been eliminated. See Note 20.

MMX Mineração e Metálicos S.A. and subsidiaries

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(In thousands of U.S. dollars, unless otherwise stated)

ii. Description of business

MMX Mineração e Metálicos S.A. (“the Company” or “MMX”) is a holding company of a group of subsidiaries.

The object of MMX is to engage in the following main businesses: mining, transformation, transportation and sale of iron ore; manufacture transformation, transportation and sale of steel inputs; as well as construction.

Either directly or through subsidiary companies, MMX develops projects in the areas of mining, logistics and industrial processing of metallic products and steel inputs with added value, always based on iron ore mined by the Company itself. MMX has mineral resources resulting from the acquisition of and filing for mining rights whereby the Company itself performs the prospecting work and mines the iron ore.

iii. Current six month- period developments

a. Issuance of Debentures

On April 2, 2009, the Company issued 45,620 private and perpetual debentures purchased the main share holder and other related parties, in the total value of \$233,757 (equivalents to \$456,200 thousand on the issuing date), pursuant to the approval of the Board on March 30, 2009.

The Debentures have no maturity date, do not bear interest and are redeemable upon the transfer of the Company’s controllership.

The total amount of \$ 183,170 was fully paid up June 30, 2009.

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b. Resumption of the operation of MMX Corumbá Mineração and adjustments in its activities in Mato Grosso do Sul

On April 5, 2009, MMX informed the resumption of the operation of its iron ore mine located in Corumbá, of the subsidiary MMX Corumbá. The Company had brought operations in the State to a standstill in December 2008 due to the scenario of the sector since the middle of last year, characterized by reduction of the demand for ore and its by-products in the country and the rest of the world, because of the international financial crisis.

Despite the return of mining activities, the Company decided to maintain the suspension of the operation of the metallic products unit, of the subsidiary MMX Metálicos Corumbá. The resumption of its production continues contingent upon the recovery of the panorama of the iron and steel sector in Brazil and in the world. Likewise, the planting activities of the forest unit in Mato Grosso do Sul, which has a planted area of 6 thousand hectares, will continue at a standstill with the upkeep of the Planted area maintained.

The subscription of Debentures will be in cash upon their subscription and their maturity of the perpetual type under the terms of paragraph 3 of art.55 of Law 6,404.

The debentures will be perpetual, all in accordance with §3° of article 55 of Law 6.404/76, and their maturity will occur exclusively under the following situations: (a) liquidation, dissolution, winding up, voluntary bankruptcy or bankruptcy; (b) transfer of control of the Company or of any of its successors after giving effect to a spin-off, amalgamation or merger, all in accordance with article 254-A of Law 6.404/76, unless the price-per-share equal to or greater than R\$3,00 (three reais).

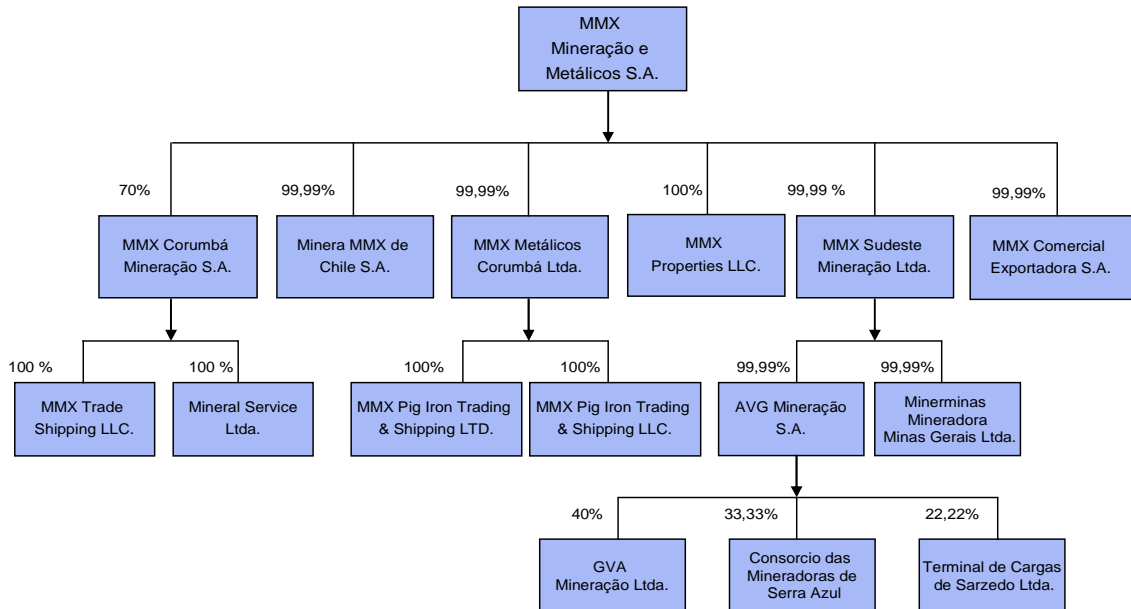
The proceeds from the issuance of the debentures will be used to finance part of the debt of the Company, and therefore improving its short-term cash flow profile. This transaction confirms the commitment of MMX's controlling shareholder with the proper development of the Company's businesses.

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The Company holds the following corporate interests at June 30, 2009:



As of June 30, 2009, MMX had direct and indirect participation in the following projects through its subsidiary companies:

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a. *MMX Corumbá System*

The Company, through its subsidiary MMX Corumbá Mineração Ltda. (“MMX Corumbá”), is the holder and lessee of mining rights in the City of Corumbá, State of Mato Grosso do Sul. MMX Corumbá is in the current phase of limited production of iron ore through the operation of its two mines. During the fourth quarter of 2006, the subsidiary started exporting iron ore.

On November 7, 2008 MMX disclosed that adoption of measures to suit the scenario of slower global economic growth, to adjust their programs for the production of metal and iron ore, which resulted in a reduction in the rate of its operations in the last quarter of 2008. This decision helped to reduce the operating expenses and avoid an increase in inventories. For this, the MMX fully suspended from the end of November 2008, the activities of the plant, and Corumba Mine, located in the state of Mato Grosso do Sul. The suspension was temporary and did not result in layoffs with MMX Corumbá’s activities expected to resume on April 1, 2009. The activities of MMX Metálicos Corumbá have been suspended until May 1, 2009.

Also as a result of the global economic slow-down, MMX decided to postpone indefinitely its investments in the Corumbá Billets Plant.

b. *MMX Sudeste System*

On December 4, 2007, the Company acquired 99.99% of the shares in the limited liability company EDRJ111 Participações Ltda., the legal name of which was changed to AVX Mineração e Participações Ltda. (“AVX”) and whose corporate object is engaging in the mining and sale of mineral products, being further empowered to hold equity stakes in the capital of other companies.

Through its subsidiary AVX, on December 13, 2007 the Company acquired 99.99% of the shares issued by AVG Mineração S.A. (“AVG”) for the total amount of \$224,000. AVG is an operational company, which produces iron ore in the location known as Conjunto das Farofas, in the municipalities of Brumadinho and Igarapé, State of Minas Gerais.

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The Company, by means of a subsidiary of MMX Sudeste, AVG, agreed with LGA - Mineração e Siderurgia Ltda. ("LGA") the terms and conditions for a legal transaction (the "Agreement") referring to the purchase of mining rights held by LGA, for an area of 755.65 hectares in the municipality of Bom Sucesso, state of Minas Gerais (the "Mining Right" or the Bom Sucesso Mine").

On July 3, 2008, MMX, through AVG, a subsidiary of MMX Sudeste, completed the acquisition of mineral rights of the Bom Sucesso mine, held by LGA.

For the acquisition of the mining rights AVG will pay LGA the amount equivalent to \$193,300 in four installments, the last of which fall due on January 5, 2010. Additional disbursements may be made depending on the results of exploration to be made as part of a geologic survey program that the Company will carry out on the mining right within 18 months. Accordingly, should the mineral resources volume, as specified in the Agreement, exceed 241.6 million tons, AVG will pay LGA the amount of US\$0.80 per additional ton measured.

The Company will, in parallel, start the exploration and engineering studies to establish the amount of investment necessary for developing the Bom Sucesso Mine. MMX intends to convey the Bom Sucesso Mine production by railroad down to the LLX Porto Sudeste, in the state of Rio de Janeiro.

On December 22, 2008, the Company, through its subsidiary AVG, won the competition organized by the Companhia Siderurgica Nacional S.A. ("CSN") for private use of the Cargo Terminal of the Porto Itaguaí in Rio de Janeiro, for shipment of iron ore produced in the MMX Sudeste System. This contract, which has duration of 3 years from January 2009 and may be renewed for another three years, provides for shipments of 1.2 million tonnes of iron ore in 2009 and 2 million tonnes per year thereafter, until 2011.

On December 26, 2008 the Company through its subsidiary MMX Sudeste, celebrated the third amendment to the contract of purchase of the shares of AVG, which anticipated the payment of two installments of the purchase price of \$45,000 each. The first installment was settled for \$41,669 and the second for \$37,454 paid on December 29, 2008. A gain on the settlement of the liability of \$13,210 was recognized in the statements of operations in 2008.

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On May 19, 2009 MMX disclosed the main terms of strategic partnership with Wuhan Iron and Steel Co. (“WISCO”)

WISCO offered to buy 9,09% of the Company’s capital through a new issuance of common shares amounting to \$ 120,000 and, in connection with that, WISCO also may buy 23% of the Company’s interests in MMX Sudeste, through the issuance of new shares, amounting to \$280,000.

Additionally, MMX will simultaneously negotiate a long term contract for selling iron ore to WISCO.

c. MMX Chile System

On June 11, 2008, MMX acquired 99.99% of the common shares of Minera MMX de Chile S.A. (“MMX Chile”), organized in Santiago, Chile to acquire mining rights in Chile.

During the period from June to September 2008, MMX Chile acquired exploration rights located in the third region of Atacama, called “Bella Lula I uno al dieciséis” and “Teatinos Uno Al Diez”.

In this period MMX Chile also acquired an option agreement for mining rights called “Fortuna Una Al Cuatro”, located in La Comuna Y Provincia de Copiapó and entered into an agreement with Andes Pacific Development S.A., involving another exploration right located in “Provincia de Chânaral”.

These mining rights are located close to the Chilean coast.

The conclusion of exploration campaign which is expected to be finalized by the first quarter of 2009.

The amount of \$26,500 has already been paid and the amount of \$2,500 was paid on February 27, 2009. The remaining balance amount will be paid upon the conclusion of the geological plotting.

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Geological plotting and the environmental license are already in progress, and the mineralogy exploration and definition program is estimated to last two years, and should be started during 2009.

On January 7, 2009 MMX Chile canceled the option agreement for mining rights located in the third region of Atacama, called “Teatinos Uno Al Diez”.

d. *MMX Amapá System*

This system made part of the partial spin off of the Company occurred on June 19, 2008 and, consequently is not part of the Company’s operations as from this date.

e. *MMX Minas-Rio System*

This system made part of the partial spin off of the Company occurred on June 19, 2008 and, consequently is not part of the Company’s operations as from this date.

f. *Other operations*

On August 1, 2007, the Company acquired all of in the capital stock of Nacional Ferrosos S.A., whose corporate name was changed on August 30, 2007 to MMX Comercial Exportadora S.A. (“MMX Comercial Exportadora”), that has as its business purpose the commercialization of iron ore.

On May 29, 2007, the Company acquired the mining rights to explore iron ore in Bahia and in Piauí, through the acquisition of 120,000 quotas with a par value of R\$1 each, equivalent to 24% of equity interest in Bahia Ferro Mineração Ltda. (“Bahia Ferro”). Accordingly to the shareholder agreement, such interest grants the control to the Company and, consequently, the subsidiary’s financial statements were consolidated. This purchase had generated goodwill, amounting to \$5,471, on which the Company’s Management had considered a full impairment charge accounted for in 2007. On September 11, 2008, the Company discontinued this investment.

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iv. Management of capital risk

The Company considers its share capital and contributed surplus as capital, which at June 30, 2009 totaled \$431,709 (December 31, 2008 - \$425,716).

The objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to continue development of its business and related properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

The Company manages its capital structure in order to ensure sufficient resources are available to meet day to day operating requirements and to have the financial ability to grow its operations through iron ore. Methods used by the Company to manage its capital, taking into consideration changes in economic conditions, include issuing new share capital or obtaining debt financing. The Company is not subject to any externally imposed capital requirements. The Company's Board of Directors takes full responsibility for managing the Company's capital and does so through quarterly board meetings, review of financial information and regular communication with Officers and senior management

v. Going concern

The Company is dependent upon the financial support of the shareholders or capital infusions from third parties until operations are profitable.

Management is pursuing additional sources of financing to support the operation as well as seeking reduction of production costs and administrative expenses. The Company also is dependent on the recovery of iron ore prices and improvement in the general international market conditions. In the absence of financial support, reduction of costs and expenses and general improvements market conditions there are substantial uncertainties about the Company's and subsidiaries' ability to conduct its planned principal operations as a whole. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the possible inability of the Company and its subsidiaries to continue as going concern.

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2 Summary of significant accounting policies

a. Impairment of comparison analysis among the periods presented

The comparative and consolidated analysis among the periods presented are impaired due to the partial spin-off made on June 2008, as mentioned in Note 1 and detailed in Note 20.

b. Basis of presentation and consolidation

The consolidated financial statements include the accounts of the Company and all majority owned subsidiaries in which the Company directly or indirectly has either: (a) a majority of the equity of the subsidiary or otherwise has management control; or (b) the Company has determined itself to be the primary beneficiary of a variable interest entity in accordance with FIN 46 (R).

All significant transactions and balances among the all the companies within the consolidation have been eliminated.

The companies within MMX's Group were at the exploration stage up to December 31, 2007 and, therefore, statements and notes included information accumulated as from the inception (January 16, 2001), as required by SFAS 7 – Accounting and reporting by Development Stage Enterprises. As from the first quarter of 2008, majority part of the consolidated companies within the MMX's Group are no longer at the exploration stage, beginning their operations as from the first quarter in 2008. Therefore, all 2008 consolidated financial statements do not consider information accumulated as from the inception.

In the opinion of the management of the Company, the accompanying consolidated financial statements contain all adjustments (which are normal recurring accruals) necessary to present fairly its financial position as of June 30, 2009, and its consolidated results of operations and cash flows for the six- month period ended June 30, 2009 and 2008. The interim financial statements shall be read in conjunction with the Company's Annual Report for the year ended December 31, 2008.

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which differ in certain respects from Brazilian

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accounting principles applied by the Company and its subsidiaries in their statutory financial statements. U.S. generally accepted accounting principles vary in certain significant respects from accounting principles generally accepted in Canada (“Canadian GAAP”). The Company has presented the nature of such differences in Note 27 to the consolidated financial statements.

The Company and its subsidiaries (collectively “the Companies”) maintain their statutory accounting records in local currency, the real. The U.S. dollar amounts presented in the consolidated financial statements have been remeasured (translated) from the local currency amounts in accordance with the criteria set forth in Statement of Financial Accounting Standards (“SFAS”) no. 52 - Foreign Currency Translation.

The Companies determined the local currency (real) as their functional currency and have translated all assets and liabilities into U.S. dollars at the current exchange rate at June 30, 2009 and December 31, 2008 (R\$1,9516 and R\$2,337 to US\$1.00, respectively), and all amounts in the statements of operations and cash flows at the average rates prevailing during each of the months within the period June 30, 2009 and 2008, including amounts relative to local currency indexation and exchange variances on assets and liabilities denominated in foreign currency. The related translation adjustments are included in accumulated other comprehensive income (loss), a component of shareholders’ equity (deficit).

The subsidiaries in which minority interest exist have presented losses exceeding the minority interest in the equity capital of these subsidiaries, such excess applicable to the minority interest was charged against statements of operations, as there is no obligation for the minority interest to make good such losses. However, if future earnings do materialize, the statements of operations will be credited to the extent of such losses previously absorbed.

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c. Use of estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and with respect to the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of inventories, property, plant and equipment, intangibles, deferred income tax assets, environmental liabilities, asset retirement obligations, valuation of derivative instruments, share-based compensation and fair value of financial instruments. Actual results could differ from those estimates. The Company reviews the estimates and assumptions periodically.

d. Recently adopted accounting standards

FASB Statement 157, Fair Value Measurements (“SFAS 157”)

In September 2006, the FASB issued SFAS 157, which became effective for the Company on January 1, 2008. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements but would apply to assets and liabilities that are required to be recorded at fair value under other accounting standards.

In February 2008, the FASB issued FASB Staff Position (FSP) FSP 157-2, “Effective Date of FASB Statement 157”, which became effective for the Company on January 1, 2008. This FSP delays the effective date of SFAS 157, for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

The Company implemented SFAS 157 and FSP 157-2 effective on January 1, 2008 with no material impact due to the implementation, other than additional disclosures.

SFAS 157 and FSP 157-2 require disclosures that categorize assets and liabilities measured at fair value on a recurring basis into one of three different levels depending on the observability of the inputs applied in the measurement. Level 1 inputs are quoted prices in

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active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability reflecting the Company's assumptions about pricing by market participants.

The disclosure requirements of SFAS 157 and FSP 157-2 were applied to the Company's derivative instruments recognized in accordance with SFAS 115.

The Company's derivatives, cash and cash equivalents, restricted cash and marketable securities fair values were recognized in accordance with exchanged quoted prices as the balance sheet date for identical assets in active markets, and, therefore, were classified as Level 1. (See Note 9).

The fair values of Company's debts and notes payable were calculated using observable market interest rates and discounting the future cash flows, and, therefore, were classified as Level 2. (See Note 9).

e. Recently issued accounting standards

FASB Statement 159 “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS 159”)

In February 2007, the FASB issued SFAS 159, that permits the measurement of certain financial instruments at fair value. Entities may choose to measure eligible items at fair value at specified election dates, reporting unrealized gains and losses on such items at each subsequent reporting period. SFAS 159 is effective for fiscal years beginning after November 15, 2007. SFAS 159 became effective for the Company on January 1, 2008 with no impact to its consolidated financial statements.

FASB Statement No. 141 (revised 2007), Business Combinations (“SFAS 141-R”)

In December 2007, the FASB issued SFAS 141-R, which will become effective for business combination transactions having an acquisition date on or after January 1, 2009. This standard requires the acquiring entity in a business combination to recognize the assets

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acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date to be measured at their respective fair values. SFAS 141-R changes the accounting treatment for the following items: acquisition-related costs and restructuring costs to be generally expensed when incurred; in-process research and development to be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition to be generally recognized in income tax expense; acquired contingent liabilities to be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined 'under existing guidance for non-acquired contingencies. SFAS 141-R also includes a substantial number of new disclosures requirements. The impact on the application of SFAS 141-R in the consolidation financial statements will depend on the business combinations arising during 2009 and thereafter.

FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial statements, an amendment of ARB No. 51 ("SFAS 160")

In December 2007, the FASB issued SFAS 160, that establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 requires the recognition of a noncontrolling interest (minority interest) as equity in the combined financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in combined net income on the face of the income statement. Certain changes in a parent's ownership interest are to be accounted for as equity transactions and when a subsidiary is deconsolidated, any noncontrolling equity investment in the former subsidiary is to be initially measured at fair value. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest and is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company's presentation of income statement and balance sheet will be significantly changed by the application of SFAS 160.

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FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (“SFAS 161”)

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133.” This statement requires enhanced disclosures about the use of derivative instruments, the accounting for derivative instruments under SFAS 133 and related interpretations, and the impact of derivative instruments and related hedged items on financial position, financial performance, and cash flows, particularly from a risk perspective. SFAS 157 is effective for fiscal years beginning after November 15, 2008. Adoption of this statement is not expected to have a material impact on the Company’s financial position or results of operations.

FASB Statement 165 “Subsequent Events”

In May 2009, the FASB issued No 165, “Disclosures about Subsequent Events”. This Statement should not result in significant changes in the subsequent events that an entity reports—either through recognition or disclosure—in its financial statements. This Statement introduces the concept of financial statements being available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. SFAS 165 beginning after June 15, 2009. Adoption of this statement is not expected to have a material impact on the Company’s financial position and recognition disclosure.

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3 Marketable securities and restricted cash

Marketable securities represent amounts invested in exclusive funds managed by financial institutions and linked to federal government securities and private securities (“CDB”) of first-class financial institutions, as well as private securities (Bank Credit Notes and Debentures) issued by companies and financial institutions, all having average profitability equivalent to DI Cetip (CDI - Interbank Deposit Certificate).

The portfolio of marketable securities is broken down as follows:

Financial institution	Nature of investments			Total June 31, 2009	Total December 31, 2008
	Government Bonds	Purchase and sales commitment	CDB (a)		
Exclusive funds:					
Banco UBS Pactual	47	96,764	3,082	99,893	68,498
Total exclusive funds	47	96,764	3,082	99,893	68,498
Other marketable securities:					
Banco Itaú	-	-	-	-	72
Pactual CI	-	-	1	1	-
BPN Paribas Brasil	-	-	79	79	-
ABN Amro	-	-	257	257	2,149
Total other marketable securities			337	337	2,221
Total marketable securities	47	96,764	3,419	100,230	70,719
Restricted cash (b)	-	-	(257)	(257)	(2,149)
Total marketable securities, net	47	96,764	3,162	99,973	68,570

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- (a) Bank deposit certificates issued by Brazilian banks
- (b) The amount of \$257 refers to the interest earning deposits made in a checking account on behalf of the Company as part of the payment for the acquisition of the real estate named “Fazenda Caruara”, located in the Municipality of São João da Barra, State of Rio de Janeiro. The release of this amount is subject to a future condition, pursuant to the rules set forth in the purchase and sale agreement, in guarantee of the contingency liabilities of the seller.

Exclusive funds, which are regularly reviewed by independent auditors, are subject to obligations limited to the payment of services rendered by asset management, attributed to the operation of investments, such as custody and auditing fees and other expenses. There are no material financial obligations, nor Company’s assets, to guarantee such obligations.

4 Restricted cash

In June 2009, two standby letters of credit given as a guarantee to the barge transportation logistic service agreement with Interbarge were due. Due to of the adverse market scenario and raising of prices in bank credit lines, the Company has decided to replace the standby letters of credit with cash collateral through an escrow account (Account Pledge Agreement) with Citibank, in the value of \$18,480.

Additionally, the Company holds a portion of its marketable securities as restricted cash, as mentioned in Note 3, in the amount of \$257 (\$2,149 at December 31, 2008).

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5 Trade account receivable

Trade accounts receivable are related to iron ore and pig iron sales, transport fees and are broken down as follows:

	June 30, 2009	December 31, 2008
Domestic	2,056	1,387
Foreign	<u>10,300</u>	<u>23,264</u>
Total	<u><u>12,356</u></u>	<u><u>24,651</u></u>

6 Recoverable taxes

Recoverable taxes are comprised of the following:

	June 30, 2009	December 31, 2008
Withholding taxes (“IRRF”)	22,251	6,353
Value added tax (“ICMS”)	14,446	11,868
Income taxes (“IRPJ”)	12,383	15,742
Social Contribution (“CSLL”)	4,078	3,085
Tax for Social Security Financing (“COFINS”)	8,328	5,977
Other	<u>2,088</u>	<u>1,771</u>
Total	<u><u>63,574</u></u>	<u><u>44,796</u></u>
Current assets	<u><u>48,330</u></u>	<u><u>33,895</u></u>
Non-current assets	<u><u>15,244</u></u>	<u><u>10,901</u></u>

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7 Inventories

The inventories are comprised by finished goods of iron ore and pig iron, raw material and warehouse, as follows:

	June 30, 2009	December 31, 2008
Finished goods	68,681	87,356
Raw material	30	562
Warehouse	2,305	3,576
Total	<u>71,016</u>	<u>91,494</u>
Current assets	<u>69,544</u>	<u>90,265</u>
Non-current assets	<u>1,472</u>	<u>1,229</u>

8 Financial instruments

The Company's subsidiaries have derivative financial instruments to manage their exposure on its foreign currency denominated debt instruments. The Company's subsidiaries do not enter into derivative financial instruments for any purpose other than cash flow hedging purposes. That is, the subsidiaries do not speculate by using derivatives. In order to reduce the impact of fluctuations in the exchange rate, the subsidiaries have adopted a policy of entering into swap contracts.

By using derivative financial instruments to manage exposures to changes in exchange rates, the subsidiaries expose themselves to credit risks and market risks. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the subsidiaries, which creates a credit risk for the subsidiaries. When the fair value of a derivative contract is negative, the subsidiaries owe

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the counterparty and, therefore, they do not possess a credit risk. The subsidiaries reduce their credit risk in derivative financial instruments by entering into transactions with high quality counterparties.

Market risk, in this case, is the adverse effect on the value of a financial instrument that results from a change in currency exchange rates, managed by establishing and monitoring parameters that limit the types and degree of market risks that may be undertaken.

Management monitors and evaluates its overall position daily in order to evaluate financial results and impact on the subsidiaries' cash flows. All financial derivative instruments are marked-to-market at each balance sheet date, with the impact of changes in their fair value recorded as financial income (expenses).

Credit risks

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure arises principally from its short term investments and concentrate awaiting settlement. Historically, the Company has not experienced any losses related to individual customers and does not believe it is exposed to a significant concentration of credit risk.

Interest earning bank deposits held are basically, in exclusive funds managed by financial institutions and backed on federal government securities and private securities (CDB) of prime financial institutions, as well as private securities (Bank Credit Notes - CCB and Debentures) issued by companies and financial institutions, all having average profitability equivalent to DI Cetip (Interbank Deposit Certificate - CDI), and are subject to the credit risk of the respective corporate and financial institutions issuers of such securities.

Interest rate risk

The results of the Company and its subsidiaries are susceptible to variations arising from financing and loan operations contracted at floating interest rates.

The Company and its subsidiaries use derivative financial instruments to protect or reduce volatility the financial costs of the financing operations and investments.

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Exchange rate risk

The Company's revenues, in their largest portion, will be generated in U.S. dollars and most of its capital investment needs (CAPEX) are in reais. As a strategy to prevent and reduce the effects of the exchange rate fluctuation, Management has adopted the policy of using currency forward options to economically hedge the exchange rate volatility in the related assets.

The results of the Company and its subsidiaries are susceptible to significant variations, due to the effects of the volatility of the foreign exchange rate on assets and liabilities denominated in foreign currencies, especially the U.S. dollar, which closed the six-month period ended June 30, 2009 with a variation of (16,49%).

The Company also uses offsetting foreign currency, assets and liabilities to reduce the impact of exchange rate variations.

During the six-month period ended June 30, 2009 and 2008, loss of \$18,354 and gain of, \$13,823 respectively, were effectively realized and unrealized gains of \$36,422 and \$2,088 respectively, for the same period mentioned above were recorded in the statements of operations.

9 Fair value of financial instruments

The following estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data and to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. Certain assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value. The estimated fair values of financial instruments, comprised by levels according to SFAS 157, are as follows:

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	As of June 30, 2009					
	Level 1		Level 2		Level 3	
	Carrying Amounts	Fair value	Carrying amounts	Fair Value	Carrying amounts	Fair Value
Financial assets:						
Cash and cash equivalents	26,420	26,420	-	-	-	-
Marketable securities	99,973	99,973	-	-	-	-
Restricted cash	18,737	18,737	-	-	-	-
Debentures	57,591	57,591	-	-	-	-
Financial liabilities:						
Debt:						
In foreign currency	-	-	536,904	540,196	-	-
In local currency	-	-	2,357	878	-	-
Debentures – Related parties	-	-	183,006	183,006	-	-
Derivatives financial instruments	-	-	(145,516)	(145,516)	-	-
Notes payable:						
In foreign currency	-	-	218,964	218,964	-	-

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Criteria, assumptions and limitations used to calculate the market value

Cash and cash equivalents

The accounting value approximates the market value of the trading securities due to the short-term maturity of these instruments.

Marketable securities and restricted cash

Both carrying amount and fair value of the marketable securities, including “the part restricted as collateral”, are calculated based on current market rates applicable for such type of debt securities.

Debt

The fair value of the Company’s debt is estimated by discounting the future cash flows of each instrument at rates currently offered to the Company for similar debt instruments of comparable maturities by the Company’s bankers.

Notes payable

The fair value of notes payable is calculated and recorded through the discounting of the Company’s cash flows using a market interest rate of 8%, whenever the notes do not include an explicit interest rate. This results in reflecting a more favorable condition that would otherwise have been available to the subsidiary. The fair value of notes payable with explicit interest rates, approximates the carrying value due to the short-term maturity of such notes. (See note 16)

Derivatives financial instruments

The fair value is determined based on quotations provided by the financial institutions which issued the financial instruments.

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The following table presents the estimated fair values of the Company's derivative financial instruments:

	Fair value	
	June 30, 2009	December 31, 2008
Currency transactions:	-	
For a \$25,000 amount (Banco Bradesco), maturing April 1, 2009	-	(7,546)
For a \$20,000 amount (Banco Unibanco), maturing April 1, 2009	-	(6,005)
For a \$50,000 amount (Banco Unibanco), maturing May 4, 2009	-	(14,917)
For a \$50,000 amount (Banco Pactual), maturing August 3, 2009	(5,583)	(13,914)
For a \$50,000 amount (Banco Itau BBA), maturing August 3, 2009	-	(13,814)
For a \$50,000 amount (Banco Itau BBA), maturing August 3, 2009	(5,456)	(13,764)
For a \$100,000 amount (Banco Unibanco), maturing August 3, 2009	(10,454)	(27,268)
For a \$85,000 amount (Banco Bradesco), maturing August 3, 2009	(8,410)	(22,804)
For a \$5,000 amount (Banco Bradesco), maturing August 3, 2009	(1,041)	-
For a \$10,000 amount (Banco Itau BBA), maturing August 3, 2009	(1,857)	-
For a \$10,000 amount (Banco Unibanco), maturing August 3, 2009	(1,827)	-
For a \$10,000 amount (Banco Unibanco), maturing August 3, 2009	(1,812)	-
For a \$10,000 amount (Banco Unibanco), maturing August 3, 2009	(1,822)	-
For a \$10,000 amount (Banco Itau BBA), maturing August 3, 2009	(1,751)	-
For a \$10,000 amount (Banco Bradesco), maturing August 3, 2009	(2,050)	-
For a \$10,000 amount (Banco Bradesco), maturing August 3, 2009	(1,807)	-
For a \$15,000 amount (Banco Itau BBA), maturing August 3, 2009	(1,618)	-
For a \$20,000 amount (Banco Itau BBA), maturing August 3, 2009	(3,695)	-
For a \$20,000 amount (Banco UBS), maturing August 3, 2009	(3,733)	-
For a \$20,000 amount (Banco Itau BBA), maturing August 3, 2009	(3,575)	-
For a \$30,000 amount (Banco UBS), maturing August 3, 2009	(5,450)	-
For a \$35,000 amount (Banco Itau BBA), maturing August 3, 2009	(3,775)	-
For a \$40,000 amount (Banco Itau BBA), maturing August 3, 2009	(7,516)	-
For a \$70,000 amount (Banco Unibanco), maturing August 3, 2009	(12,579)	-
For a \$30,000 amount (Banco Bradesco), maturing August 3, 2009	(2,968)	(8,535)
For a \$35,000 amount (Banco UNIBANCO), maturing August 3, 2009	(3,525)	(9,439)
For a \$25,000 amount (Banco Itau BBA), maturing February 2, 2009	-	(7,104)
For a \$30,000 amount (Banco Bradesco), maturing August 3, 2009	-	(8,049)
For a \$5,000 amount (Banco Unibanco), maturing August 3, 2009	(1,096)	-

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	<u>Fair value</u>	
	June 30, 2009	December 31, 2008
For a \$5,000 amount (Banco Unibanco), maturing August 3, 2009	(1,099)	-
For a \$5,000 amount (Banco Unibanco), maturing August 3, 2009	(1,107)	-
For a \$5,000 amount (Banco Unibanco), maturing August 3, 2009	(1,074)	-
For a \$5,000 amount (Banco Unibanco), maturing August 3, 2009	(1,072)	-
For a \$5,000 amount (Banco Unibanco), maturing August 3, 2009	(1,055)	-
For a \$5,000 amount (Banco Unibanco), maturing August 3, 2009	(1,053)	-
For a \$50,000 amount (Merrill Lynch), maturing July 1, 2009	(4,934)	(13,549)
For a \$50,000 amount (Merrill Lynch), maturing July 1, 2009	(4,934)	(13,550)
For a \$39,024 amount (UBS), maturing February 2, 2009	-	(1,680)
For a \$10,000 amount (Merrill Lynch), maturing July 1, 2009	(2,090)	-
For a \$5,000 amount (Merrill Lynch), maturing July 1, 2009	(1,041)	-
For a \$5,000 amount (Merrill Lynch), maturing July 1, 2009	(1,041)	-
For a \$5,000 amount (Merrill Lynch), maturing July 1, 2009	(1,036)	-
For a \$10,000 amount (Merrill Lynch), maturing July 1, 2009	(2,036)	-
For a \$10,000 amount (Merrill Lynch), maturing July 1, 2009	(2,031)	-
For a \$10,000 amount (Merrill Lynch), maturing July 1, 2009	(2,023)	-
For a \$10,000 amount (Merrill Lynch), maturing July 1, 2009	(2,021)	-
For a \$10,000 amount (Merrill Lynch), maturing July 1, 2009	(2,021)	-
For a \$10,000 amount (Merrill Lynch), maturing July 1, 2009	(2,011)	-
For a \$15,000 amount (Merrill Lynch), maturing July 1, 2009	(2,974)	-
Others	(15,463)	-
Total	<u>(145,516)</u>	<u>(181,938)</u>

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10 Investments in non-consolidated companies

As of June 30, 2009 and December 31, 2008 the investments in subsidiaries companies accounted for under the equity method consist of 22.22% of the common stock of Terminal de Cargas de Sarzedo Ltda. (“TCS”), 40% of the common stock of GVA Mineração Ltda. (“GVA”) and 33.33% of the common stock of Consórcio das Mineradoras de Serra Azul.

The summary financial information for the investments as of June 30, 2009 and 2008 are as follows:

	<u>June 30, 2009</u>		<u>December 31, 2008</u>	
	TCS	GVA	TCS	GVA
Financial position:				
Current assets	1,452	1,823	1,190	664
Other noncurrent assets	-	-	-	-
Property, plant, and equipment, net	<u>7,558</u>	<u>-</u>	<u>6,007</u>	<u>-</u>
	<u>9,010</u>	<u>1,823</u>	<u>7,197</u>	<u>664</u>
Current liabilities	2,669	1,847	2,893	610
Long-term liabilities	-	-	60	-
Shareholders' equity	<u>6,341</u>	<u>(24)</u>	<u>4,244</u>	<u>54</u>
	<u>9,010</u>	<u>1,823</u>	<u>7,197</u>	<u>664</u>

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	<u>June 30, 2009</u>		<u>December 31, 2008</u>	
	<u>TCS</u>	<u>GVA</u>	<u>TCS</u>	<u>GVA</u>
Statements of income				
Operating loss	1,605	(81)	5,100	(770)
Other income	(95)	-	(542)	-
Income tax	<u>(412)</u>	<u>-</u>	<u>(1,066)</u>	<u>-</u>
	<u>1,098</u>	<u>(81)</u>	<u>3,492</u>	<u>(770)</u>

The financial information for Consorcio das Mineradoras de Serra Azul has not been presented in the table above due to the insignificant amounts.

In June 2009 the Company's investment in these subsidiaries totaled \$1,386

MMX Mineração e Metálicos S.A. and subsidiaries

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(In thousands of U.S. dollars, unless otherwise stated)

11 Property, plant and equipment

	Annual depreciation - depletion rates (%)	June 30, 2009			December 31, 2008		
		Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
		Mining rights	(*)	513,005	(6,584)	506,421	428,756
Asset retirement obligation	(*)	1,596	-	1,596	3,243	-	3,243
Land	-	33,595	-	33,595	28,373	-	28,373
Forest	(**)	18,874	-	18,874	13,354	-	13,354
Building and improvements	8	8,669	(855)	7,814	5,663	(633)	5,030
Machinery and equipment	10	71,382	(11,186)	60,196	98,281	(15,414)	82,867
Furniture and fixture	10	2,032	(399)	1,633	1,858	(291)	1,567
Vehicles	20	5,808	(3,420)	2,388	4,941	(1,626)	3,315
Data processing equipment	20	2,005	(624)	1,381	2,264	(579)	1,685
Construction in progress		20,072	-	20,072	49,912	-	49,912
Provision for recoverability of assets	(a)	-	-	-	-	-	-
Other	20	3,980	(1,066)	2,914	6,083	(636)	5,447
Total		681,018	(24,134)	656,884	642,728	(25,226)	617,502

(*) Units of production method.

(**) The depletion of the forest reserves will be calculated based on the volume of timber cut in relation to the potential existing volume.

(a) During the six month period ended June, 2009, the Company has recognized impairment charges of \$41,205, related to property plant and equipment of the subsidiary MMX Metálicos Corumbá due to the suspension of its operations for an undetermined period. Additionally, those assets were transferred to current asset as items to be disposed of.

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During the six - month period ended June 30, 2009 and 2008, the Company had capitalized interest in the amount of \$2,203 and \$5,048 respectively.

All property, plant and equipment items are located in Brazil and will be employed in the mining business. The Company's management believes that the net remaining balance of its fixed assets, after the recognition of the impairment is recoverable through cash flows from its future operations.

Mining rights

Mining rights are detailed as follows:

Subsidiary	State	Mining right	June 30, 2009	December 31, 2008
Acquisitions:				
MMX Corumbá(a)	Mato Grosso do Sul	Iron ore	14,837	12,390
AVG(b)	Minas Gerais	Iron ore	11,574	9,665
AVG (c)	Minas Gerais	Iron ore	154,239	128,803
AVG (d)	Minas Gerais	Iron ore	179,207	149,752
Minerminas (d)	Minas Gerais	Iron ore	110,593	92,357
Mineral Service (d)	Mato Grosso do Sul	Iron ore	12,170	10,163
MMX Chile (e)	Chile		29,616	24,984
Other			769	642
			<u>513,005</u>	<u>428,756</u>
Accumulated depletion:				
MMX Corumbá			(921)	(737)
AVG			(5,622)	(4,442)
Minerminas			(41)	(868)
			<u>(6,584)</u>	<u>(6,047)</u>
Total			<u>506,421</u>	<u>422,709</u>

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- (a) Located in the Municipality of Corumbá, acquired by the subsidiary MMX Corumbá in August 2005, at an initial cost of \$12,500, which was fully paid in 2005.
- (b) Mining right acquired by Companhia de Mineração Serro da Farofa (“CEFAR”), in the location known as Conjunto das Farofas, in the municipalities y Brumadinho and Igarapé, State of Minas Gerais.
- (c) Mining right acquired “Mine de Bonsucesso” by AVG in July, 2008 in the location known the municipalities y Bonsucesso, state of Minas Gerais
- (d) The acquisition of Minerminas, AVG and Mineral Services resulted in the purchase price allocation of \$307,975 to the mining rights at the acquisition date.
- (e) MMX Chile acquired exploration rights located in the third region of Atacama, called “Bella Lula I uno al dieciséis” in an area of 100 hectares and “Teatinos Uno Al Diez” in an area of 96 hectares. In this period MMX Chile also acquired the option agreement of mining rights called “Fortuna Una Al Cuatro”, located in La Comuna Y Província de Copiapó and entered into an agreement with Andes Pacific Development S.A., involving another exploration right located in “Província de Chânaral”.

Aircraft lease-back operation

The subsidiary MMX Metálicos acquired an aircraft in February 2006, at the price of \$6,000, and, subsequently, on May 16, 2006, the subsidiary signed an aircraft sale-lease-back agreement in the amount of \$5,400, for a term of 120 months and with a residual value of \$1,350.

In December 2008, the Board of Directors decided to sell the Aircraft. The net amount (cost less accumulated depreciation) of this asset was reclassified from property, plant and equipment to asset to be disposed of.

MMX Mineração e Metálicos S.A. and subsidiaries

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12 Asset available for sale

The activities of Iron and Steel Production Plant of MMX Metálicos Corumbá were suspended for an indefinite period. An Impairment charge was accounted for to reduce assets' book value to their realizable value.

On June 23, 2009, MMX entered into an agreement for the sale of the metal product plant to Vetorial Siderurgia Ltda. ("Vetorial") for \$ 51,241, with 84% upon in the signing of the contract of sale. The agreement provides exclusivity for a period of 60 days in favor of the Vector.

The completion of the transaction of sale is subject to completion of statutory audit of the assets by Vector and the negotiation of definitive agreements. The sale is subject to the approval of independent members of the Board of Directors of MMX.

The item still has the balance of the aircraft Legacy in the amount of \$ 4,879 (\$ 4,074 on December 31, 2008). There was no provision for loss established in view the market value of assets is greater than the residual value.

The assets were registered under the labor "Assets to be disposed of" in current assets and non-current.

MMX Mineração e Metálicos S.A. and subsidiaries

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	June 30, 2009		
	Cost	Accumulated depreciation	Carrying amount
Land	753	-	753
Improvement	5.344	(88)	5.256
Industrial machinery and equipment	89.956	(8.296)	81.661
Utilities	1.602	(428)	1.174
Vehicle	110	(30)	79
Rights depreciable	176	(80)	95
Construction in progress	2.248	-	2.248
Advance of property, plant and equipment	1.761	-	1.761
Raw material inventories	1.121	-	1.121
Storeroom Inventories	120	-	120
To be used in inventory buildup	<u>5</u>	<u>-</u>	<u>5</u>
(-) Provision for recoverability of assets	<u>(43.033)</u>	<u>-</u>	<u>(43.033)</u>
	<u>60.163</u>	<u>(8.922)</u>	<u>51.241</u>
Industrial machinery	2.600	-	2.600
Aircraft	5.322	(444)	4.879
(-) Provision for recoverability of assets	<u>(2.037)</u>	<u>-</u>	<u>(2.037)</u>
	<u>5.886</u>	<u>(444)</u>	<u>5.442</u>
	<u>66.049</u>	<u>(9.366)</u>	<u>56.683</u>
Current	60.726	(8.922)	51.804

MMX Mineração e Metálicos S.A. and subsidiaries

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Non current	5.322	(444)	4.879
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13 Held to maturity securities - financial debentures

On August 1, 2008, the Company subscribed and paid up private debentures issued by Anglo Ferrous Brazil divided in two series. The debentures will earn participation rights, as described below, based on Earnings Before Interest, Tax and Depreciation and Amortization (“EBITDA”) of Minas-Rio and Amapá Systems, which were spun off from MMX and acquired by Anglo Ferrous Brazil S.A..

MMX intends to hold these financial instruments until maturity. MMX will assess these debentures for impairment each reporting period.

	<u>1st Serie - Minas-Rio</u>	<u>2nd Serie – Amapá</u>
Amount denominated	\$44,993 (equivalent to R\$88,808 thousand)	\$12,598 (equivalent to R\$24,586 thousand)
Term	41 years	39 years
Acquisition date	August 1, 2008	August 1, 2008
Maturity date	December 31, 2049	December 31, 2047
Repayment of principal	20% p.y as from 2045	20% p.y as from 2043
Participation rights	Based on EBITDA, limited to \$50,000 during the years from 2025 to 2049	Based on EBITDA, limited to \$14,000 during the years from 2023 to 2047
Inflation adjustment (*)	U.S Consumer Price Index (“US CPI”)	U.S Consumer Price Index (“US CPI”)

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(*) The US CPI will apply to the participation rights.

As the generation of annual EBITDA is not possible to be determined in advance, the Company will recognize its participation rights in each year when the EBITDA is determinable.

14 Asset retirement obligation

The Company has asset retirement obligations arising from regulatory requirements to perform certain asset retirement activities when the right to perform mining activities is over. The liability is initially measured at fair value and subsequently adjusted for accretion expense and changes in the amount or timing of the estimated cash flows. The corresponding asset retirement costs are capitalized and for the operational assets are being depreciated over the related long-lived asset's useful life by the unit of production method. The following table presents the activity for the asset retirement obligations:

	June 30, 2009	December 31, 2008
Beginning balance:	3,697	4,498
Liabilities incurred	-	903
Decrease expense – net	(1,416)	648
Exclusion of balances (effects of the spin off and non-consolidated companies previously consolidated) and other	-	(2,352)
Ending Balance	<u>2,281</u>	<u>3,697</u>

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15 Transactions with related parties (Other than the Debentures as per Note 18)

	Assets		Liabilities	
	June 30, 2009	December 31, 2008	June 30, 2009	December 31, 2008
OGX Petróleo e Gás Ltda.	267	223		-
EBX Siderurgia da Bolívia Ltda.	305	255	1,050	1,334
Other	204	1,163		-
	<u>776</u>	<u>1,641</u>	<u>1,050</u>	<u>1,334</u>
Current	-	1,641	1,050	1,334
Long-term	776	-	-	-

The balances as of June 30, 2009 and December 31, 2008 resulted from transactions of the Company with its direct and indirect subsidiaries, which were made under usual market conditions for the respective types of operations.

MMX Mineração e Metálicos S.A. and subsidiaries

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16 Notes payable

Notes are related to the acquisition of mines and subsidiaries and are detailed as follows:

	<u>June 30, 2009</u>		<u>December 31, 2008</u>		
	Current	Long-term	Current	Long-term	
\$47,934 face amounts as of June 30, 2009, non-interest bearing (less unamortized discount based on imputed interest rate of 3.92% - 2009: \$4,969), due in December 2011.	(a)	42,965	-	41,104	
\$7,800 face amounts as of June 30, 2009, non-interest bearing (less unamortized discount based on imputed interest rate of 8% - 2009: \$618), due in August 2011.	(b)	2,586	4,596	2,485	4,417
\$84,280 face amounts as of June 30, 2009, non-interest bearing (less unamortized discount based on imputed interest rate of 3.92% - 2009: \$396), due in January 2010.	(c)	83,884	-	40,952	40,669
\$84,933 face amount, bearing market interest	(d)	<u>41,088</u>	<u>43,845</u>	<u>36,241</u>	<u>51,449</u>
Total		<u>127,558</u>	<u>91,406</u>	<u>79,678</u>	<u>137,639</u>

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- (a) Outstanding balance payable to the seller, due in four annual installments restated according to the United States Consumer Price Index (USCPI) on August 30, 2011. In 2008 the Company paid in advance the two installments that related to the August 30, 2009 and 2010 maturities and recorded a gain in the statement of \$2,808 operations for this early settlement in the amount of \$13,210.
- (b) Remaining balance payable to the seller, payable in three annual installments of \$2,600 in August 30, 2009, 2010 and 2011, respectively, as detailed in Note 11.
- (c) Remaining balance payable in connection with the acquisition of Bom Sucesso due in three six-monthly installments restated according to the United States Consumer Price Index(USCPI), each of a sum equal to US\$43,450 on the payment date, with maturity in January 2010.
- (d) Remaining balance payable in connection with the acquisition of Minerminas, due in five monthly installments, each of a sum equal to \$14,200, approximately, on the payment date, with maturities in January and July 2009, 2010 and January 2011, respectively, restated according to the CDI variation.

The mining rights have been pledge as security for all the notes described above.

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Debt

Institutions	Currency	Interest % p.a.	Garantees	Final maturity Date	June 30, 2009	December 31, 2008
Leasing Aircraft	US\$	Libor + 2.85%	(a)	7/1/2016	4,286	4,489
Banco Fibra	US\$	5.95%	(b)	1/29/2010	2,000	2,000
Banco Votorantim S.A.	US\$	8,50%	(b)	1/14/2010	25,000	-
Banco Bradesco S.A	US\$	6.70%	(b)	1/29/2010	10,000	10,000
Banco Votorantim S.A.	US\$	11.50%	(b)	2/3/2009	-	10,000
Banco Votorantim S.A.	US\$	12.20%	(b)	2/6/2009	-	15,000
Banco Votorantim S.A.	US\$	13.10%	(b)	10/11/2010	25,000	25,000
Banco Votorantim S.A	US\$	6.10%	(b)	1/29/2010	30,400	30,400
Banco Unibanco S.A	US\$	Libor+2.85%	(b)	6/14/2010	60,000	60,000
Banco Safra S.A	US\$	5.94%	(b)	8/6/2009	30,000	30,000
Banco Unibanco S.A./ BNDES	R\$	12.60%	(a)	3/15/2010	126	154
Banco Itaú BBA S.A./ BNDES	R\$	12.60%	(a)	10/15/2010	468	522
Banco Votorantim S.A.	US\$	9.40%	(b)	6/9/2009	-	4,000
Banco Citibank S/A	US\$	10.70%	(b)	3/25/2009	-	10,000
Banco Itaú BBA S.A./ BNDES	R\$	11.60%	(a)	8/16/2010	1,464	1,744
Banco Itaú BBA S.A./ BNDES	R\$	5.60%	(a)	8/16/2010	299	347
Banco Votorantim S.A.	US\$	13.10%	(b)	10/10/2010	25,000	25,000
Banco Bradesco S.A.	US\$	6.70%	(b)	1/29/2010	10,000	10,000
Banco Bradesco S.A.	US\$	6.10%	(b)	1/29/2010	10,000	10,000
Banco ABC Brasil S.A.	US\$	5.55%	(b)	2/20/2009	-	5,000
Banco Safra	US\$	5.65%	(b)	1/12/2009	-	15,000
Banco Safra	US\$	5.90%	(b)	7/10/2009	30,000	30,000
Banco Fibra S.A	US\$	5.95%	(b)	1/29/2010	2,000	2,000
Banco Fibra S.A.	US\$	8,70%	(b)	7/15/2009	3,000	-
Banco Itaú BBA S.A.	US\$	8,70%	(b)	3/15/2010	10,000	-

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Institutions	Currency	Interest % p.a.	Garantees	Final maturity Date	June 30, 2009	December 31, 2008
Banco Bradesco S.A.	US\$	5.90%	(b)	9/5/2009	15,000	15,000
Banco Bradesco S.A.	US\$	5.90%	(b)	1/30/2010	5,000	5,000
Banco Bradesco S.A.	US\$	Libor + 4.70%	(b)	8/28/2011	50,000	50,000
Banco Itaú BBA S.A.	US\$	9.90%	(b)	12/29/2011	120,000	120,000
Banco Votorantim S.A.	US\$	3.50%	(b)	1/29/2010	10,000	10,000
Banco ABC Brasil S.A.	US\$	3.07%	(b)	2/20/2009	-	5,000
Unibanco S.A.	US\$	5.05%	(b)	6/23/2010	60,000	60,000
Banco Bradesco S.A.	US\$	14.03%	(c)	8/8/2009	1	2
Banco Mercantil	US\$	14.03%	(c)	7/12/2009	13	77
Banco Mercantil	US\$	14.03%	(c)	5/31/2010	116	198
Banco Mercantil	US\$	14.03%	(b)	7/4/2009	58	99
Other					30	223
					539,261	566,255
Short-term					313,439	219,014
Long-term					225,822	347,241
					539,261	566,255
Accrued interest short term					15,736	13,103

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All debts mentioned above will be paid in one installment at maturity date.

Guarantees:

- (a) All debts are guaranteed by personal guarantee from the controlling shareholder as intervening party or co-obligor.
- (b) Consolidated subsidiaries' debts guaranteed by the Company.
- (c) Pledge of equipment.

Composition of foreign currency denominated debt by currency:

	June 30, 2009	December 31, 2008
Currency		
United States dollars	536,904	563,265
Local currency (reais)	2,357	2,990
Total	<u>539,261</u>	<u>566,255</u>

At June 30, 2009, the Company's total debt matures as follows:

2010	75,900
2011	147,162
2012	502
2013 and after	<u>2,258</u>
Total	<u>225,822</u>

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During the six month period ended June 30, 2009, the lender banks have extended the maturities dates of \$75,987 loans with rates 9.57% higher than the ones previously agreed.

18 Debentures

On April 2, 2009, the Company issued private and perpetual debentures, in single series of 45,620 debentures which are simple, registered, subordinated, non-convertible debentures, in the total amount of R\$456,200 (equivalent to \$200.000) at the issuance date, as approved by the Board of Directors on March 30, 2009.

Additionally, such debentures will not bear interest or any other type of remuneration and will be redeemable in the case of a transfer of MMX controllership. In this case, debentures will be redeemable adjusted by IGP-M (a local inflation Index).

The Debentures will be subscribed through a subscription bulletin without the mediation of Custódia e Liquidação Financeira de Títulos S.A. (CETIP - Clearing House for the Custody and Financial Settlement of Securities), within up to 180 days after their registration at the Rio de Janeiro State Board of Trade, at unit par value, plus monetary variation by IGP-M.

\$156,719 was paid up (R\$357,486) in this quarter. The payment of the debentures was made in cash upon their subscription and their maturity of the perpetual type under the terms of paragraph 3 of art.55 of Law 6404.

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	Quantity paid up	Unit amount	Total paid up (\$)	Total adjusted by inflation (IGPM) (\$)
14.04.2009	11.435	5,1106	58,440	58,360
30.04.2009	6.853	5,1163	35,063	35,003
19.06.2009	<u>17.548</u>	5,1101	<u>89,671</u>	<u>89,643</u>
	<u>35.836</u>		<u>183,174</u>	<u>183,006</u>

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Income Taxes

Income tax expense attributable to income from continuing operations was \$,12,904 and \$6,155 respectively, for the six-month periods ended June 30, 2009 and 2008 differed from the amounts computed by applying the Brazilian Federal income tax rate of 34% (combined rate of federal income tax of 25% and social contribution of 9%) to pretax income from continuing operations as a result of the following:

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	Six-month period ended June 30, 2009	Six-month period ended June 30, 2008	Second quarter period ended June 30, 2009	Second quarter period ended June 30, 2008
Income (loss) before income taxes and minority interest	<u>(50,519)</u>	<u>14,562</u>	<u>5,379</u>	<u>81,000</u>
Expected federal income and social contribution tax benefit at statutory rates - 34%	17,176	(4,951)	(1,829)	(27,540)
Permanent differences:				
Offering costs expensed (deductible) for tax purposes				
Share-based compensation	(2,501)	(9,303)	(1,526)	(6,189)
Equity pick up	71		20	2,801
Other	<u>37,115</u>	<u>(5,946)</u>	<u>36,342</u>	<u>(5,902)</u>
	51,861	(20,200)	33,007	(36,830)
Valuation allowance allocated to deferred income tax expense	<u>(64,765)</u>	<u>14,045</u>	<u>(44,417)</u>	<u>34,067</u>
Income taxes for the period (*)	<u>(12,904)</u>	<u>(6,155)</u>	<u>(114,410)</u>	<u>(2,763)</u>

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(*) The subsidiaries Minerminas and TCS calculate income and social contribution taxes based on presumed profit and recognized an expense the period. These Companies have chosen to use an option of the Brazilian tax legislation to calculate the taxable income at 8% (12% for social contribution tax) of the operating revenues plus 100% of other revenues. Under this regime temporary differences cannot be used for income tax purposes and tax losses can not be carryforward.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets are presented below:

	June 30, 2009	December 31, 2008
Deferred tax assets (liabilities):		
Tax loss carryforwards	216,436	148,934
Temporary differences - differences between the Brazilian tax basis and the reporting basis raised from:		
Start-up costs deferred for statutory accounting purposes	4,539	8,003
Other	<u>(2,509)</u>	<u>(8,282)</u>
Total gross deferred tax asset, net	218,466	148,655
Less valuation allowance	<u>(213,420)</u>	<u>(148,655)</u>
Net deferred tax assets	<u>5,046</u>	<u>-</u>

Tax loss carryforwards may be carried-forward indefinitely against the profits of future periods; however, the offset is limited to 30% of current year taxable income. Total tax loss carryforwards are \$636,576 and \$438,041 for June 30, 2009 and December 31, 2008 respectively. No carry-back of losses is allowed.

The valuation allowance for deferred tax assets as of June 30, 2009 and December 31, 2008 was \$213,420 and \$148,655, respectively. The net change in the total valuation allowance for the periods ended June 30, 2009 and 2008, was \$(64,765) and \$14,045, respectively.

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In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset, the Company will need to generate future taxable income. Management considers that the subsidiaries will not generate future taxable income in the short-term, as from the start up of its operations, in order to fully or partially recover such tax asset. As a result, a 100% valuation allowance on the deferred tax asset has been recorded.

20 Shareholder's equity (deficit)

At June 30, 2009 and December 31, 2008, the capital stock was comprised of 304,866,640, respectively, with no fair value.

Information about the Partial Spin-off Proposal of MMX occurred on June 19, 2008:

On April 7, 2008 MMX submitted to the consideration of its stockholders at an Extraordinary General Meeting a proposal to partially spin off the Company, with transfer of part of its assets to IronX, a joint stock corporation under Brazilian law presently in the process of going public, according to the terms and conditions presented below ("Partial Spin-off").

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The Partial Spin-off of MMX comprised: (a) the conversion of part of the spun-off shareholders' equity of MMX corresponding to its interest in LLX Logística to LLX Logística itself and, as a result, the interest of MMX in LLX Logística being assigned directly to the current shareholders of MMX, in the exact proportion of their interest in the capital stock of MMX and (b) the conversion to IronX of part of the spun-off shareholders' equity of MMX corresponding: (i) to its direct and indirect interests, as applicable, in MMX Minas-Rio, MMX Serro, Borbagato, MMX Amapá, MMX Logística do Amapá, MMX Metálicos Amapá and Bay Service (all jointly designated "Subsidiaries of IronX"); and (ii) other direct assets and obligations, resulting in a capital increase of IronX with the consequent issuance of new shares by IronX, to be assigned to the current shareholders of MMX, in proportion to their interest in the capital stock of MMX, on the date of approval of the Partial Spin-off.

Ownership interest in subsidiaries MMX Corumbá, MMX Metálicos Corumbá and MMX Sudeste and other assets remain as investments in MMX S.A.

By means of the partial spin-off, MMX shareholders became shareholders of two publicly-held companies to be listed in the BOVESPA New Market, the IronX and LLX Logística, in addition to MMX itself, which remained as a publicly-held company with shares listed in the BOVESPA New Market.

The Partial Spin-off proposal was approved by the Boards of Directors of MMX, LLX Logística and IronX ("Companies") in meetings held on April 7, 2008, at which the managements of the Companies were authorized to sign the Protocol and Justification of Partial Spin-off of MMX ("Protocol"). The Protocol was signed by the managements of the Companies also on April 7, 2008.

As a result of the Partial Spin-off, the portion of spun-off shareholders' equity corresponding to net assets of MMX transferred to LLX Logística for shares of LLX Logística (which shares were delivered directly to the shareholders of MMX, in proportion to the interest held thereby in the capital stock of MMX) is treated as a distribution to the shareholders of MMX for accounting purposes.

In addition, as a result of the Partial Spin-off, certain assets and liabilities of MMX listed in the Protocol were transferred to IronX, and new shares of IronX were issued to MMX. MMX distributed these IronX shares to the current shareholders of MMX (shareholders on the date of

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approval of the Partial Spin-off), in proportion to the interest held thereby in the capital stock of MMX. This has been accounted for as a distribution to the shareholders of MMX.

The base date for appraisal of the spun-off portions of net assets of MMX is December 31, 2007. The appraisal was performed at book value, with a basis on the annual financial statements of MMX brought up on December 31, 2007.

The equity variations of MMX occurring between December 31, 2007 and the date of the Partial Spin-off were properly entered in the books by LLX Logística or by IronX, if said variations are related to the portion of shareholders' equity of MMX converted to each one of these companies, respectively, or (ii) withheld by MMX, if they are related to the assets that should remain with this company.

The portion of shareholders' equity of MMX to be converted to LLX Logística was valued, under the terms of articles 183 and 184 of Law n°. 6,404/76. As said portion is formed by the actual interest held by MMX in LLX Logística, there was no capital increase in LLX Logística. Immediately before the Partial Spin-off, at the same general meeting of shareholders' of LLX Logística that decided on the split of the shares of LLX Logística, in the proportion of 59.4940978:1 and, as a result of this operation, the total number of shares of the LLX Logística immediately before the Partial Spin-off was 358,364 book-entry nominative common shares with no par value.

The existing shares of LLX, formerly held by MMX, after the split mentioned in item 1.1 above, were delivered directly to the current shareholders of MMX in the proportion of 1 share of LLX Logística to every 1 share of MMX.

The portion of shareholders' equity of MMX converted to IronX was valued, under the terms of articles 183 and 184 of Law n°. 6,404/76 In this manner, with the approval of the Partial Spin-off, the capital stock of IronX was increased through the issuance of 1,633,543,454 new nominative common shares with no par value, of IronX, resulting in a total quantity of 1,633,544,254 shares of IronX. Immediately after the aforesaid capital increase there was a reverse split of shares of IronX in the proportion of 5.3627402647:1. As a result of the aforesaid reverse split of shares and of the Partial Spin-off, if approved, the capital stock of IronX was be divided into 304,609,989 book-entry nominative common shares with no par value.

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The shares of capital stock of IronX issued by IronX as a result of the abovementioned capital increase and after the aforementioned reverse split of shares, were assigned directly to the current shareholders of MMX, in the proportion of 1 share of IronX to every 1 share of MMX.

As a result of the partial spin-off, the capital stock of MMX and other shareholders' equity accounts were decreased by a total amount of \$776,724 (equivalent to R\$1,037,873 thousands at local books under the Brazilian GAAP).

The capital decrease of MMX does not imply a change in the quantity of shares into which this capital is divided.

On June 19, 2008, MMX S.A, in compliance with the provisions of article 157, paragraph 4, of Law No. 6404/76 and CVM instructions No. 319/99 and 358/02, informs that its shareholders had approved, in an Ordinary and Extraordinary Shareholders' Meeting held on that day, a spin-off of the Company with transfer of portions of its assets to IronX and to LLX Logística, under the terms and conditions described in the Significant Matter Notice published by the Company on April 8, 2008, and in accordance with the Partial Spint-Off Justification and Protocol ("Protocol").

21 Share-based options plans

Equity plan

In order to encourage increased performance by the Company's top executives, in June and in March 2007, the controlling shareholder granted 200.581 call options (16.046.480 after all regular and reverse splits) for shares of MMX belonging to him, on behalf of 7 Company officers and 20 of the main managers. This granting of options by the Company's controlling shareholder represents a mechanism of remuneration and retention, for the period of five years, of the Company's officers and executives, without implying any cost or dilution to the minority shareholders of the Company. The contribution of the shares by the controller shareholder has been accounted for as capital contribution. On behalf of the officers, the controlling shareholder granted options for them to acquire globally over 5.5% of his own shares. The options granted to these officers can be exercised in a period varying from immediately to 6 years after the initial public offering of the Company. The beneficiaries of the option will be subject to the sale restrictions described in the Final Prospectus of the primary public offering of shares of the

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Company, filed with the CVM on July 21, 2006, which forbids the sale of shares for a 3-year period, beginning from the date of the public offering, except if they obtain express authorization of the Company's controlling shareholder.

The price per share in the public offering, of R\$10,1875 (equivalent to \$4.3592), and that can be exercised mainly in the proportion of 20% at each one of the first 5 anniversaries of the public offering.

As the above described stock-based awards have a graded-vesting and the vesting is based only on a service condition, the Company has elected to recognize compensation cost for the awards over the requisite service period for each separately vesting portion of the awards as if the awards, is in-substance, multiple awards.

In the spin off transaction, the equity sock compensation awards of MMX were not modified, however each holder of an equity award was granted an additional equity stock compensation award of each Iron X and LLX. These additional awards represent the grant of awards and represent a modification that were accounted for as compensation or service cost.

The stock-based awards had their fair value based on the following assumptions:

	Options granted on March 1, 2007	Options granted on July 21, 2006	Options granted on June 19, 2008
Expected annual volatility	from 31.37 to 32.85%	from 30.79 to 33.03%	From 34.72 to 42.67%
Weighted average volatility	31.91%	31.74%	37.34%
Expected dividends	0%	0%	0%
Expected remaining option life (in years)	1.69 years	1.58 years	1.65 years
Weighted average risk free rate	12.08% p.a.	15.20% p.a.	17.79% p.a.
Weighted average value per option	10.18	16.97	15.76

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Expected term - The Company's expected term represents the period that the Company's stock-based awards are expected to be outstanding and was determined based on expected experience of similar awards, giving consideration to the contractual terms of the share-based awards, vesting schedules and expectations of future employee behavior as influenced by changes to the terms of its share-based awards.

Expected volatility - The Company uses the trading history and implied volatility of the stocks of similar mining companies (as the recent public offering at July 21, 2006) in determining an estimated volatility factor when using option-pricing formula to determine the fair value of options granted.

Expected dividend - The Company has not declared dividends. Therefore, the Company uses a zero value for the expected dividend value factor when using the option-pricing formula to determine the fair value of options granted.

Risk-free interest rate - The risk-free rate for periods within the contractual term of the share option is based on the Brazilian Treasury yield curve in effect at the time of grant.

Estimated forfeitures - When estimating forfeitures, the Company considers voluntary and involuntary termination behavior as well as analysis of actual option forfeitures.

As required by SFAS 123(R), the Company made an estimate of expected forfeitures and is recognizing compensation cost only for those equity awards expected to vest. As of June 31, 2009, the total compensation cost related to unvested stock-based awards granted to employees under the Company's stock option plans but not yet recognized was \$10,508, net of estimated forfeitures. This cost will be amortized on straight-line basis over a weighted average term of 1.59 years and will be adjusted for subsequent changes in estimated forfeitures. A summary of share option activity under the Plan as of June 30, 2009 is presented as follows:

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MMX Plan

	Options	Exercise price (\$ per thousands)	Weighted-average remaining contractual term	Aggregate intrinsic value (\$)
Outstanding at December 31, 2007	11,054,360	5.44	2.66	293,256
Transfer to other company within the group	<u>(2,588,840)</u>		<u>2.66</u>	<u>(80,478)</u>
Exercises	-	-	-	-
Forfeitures or expirations	-	-	-	-
Outstanding at December 31, 2008	<u>8,465,520</u>	<u>4.13</u>	<u>2.10</u>	<u>9,999</u>
Outstanding at June 30, 2009	<u>8,465,520</u>	<u>5.13</u>	<u>1.59</u>	<u>27,121</u>
Exercisable at June 30, 2009	1,379,580	5.13	1.59	27,121
Exercisable at December 31, 2008	1,121,964	4.13	2.10	9,999

IronX Plan

As the acquisition of IronX by the Anglo American Group in Brazil occurred in August 2008, 9,403,552 options became fully vested and exercised. As such, the Company has recorded an additional expense of compensation cost due to those vested options amounting to \$67,608.

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LLX Plan

	Options	Weighted-average exercise price (\$ per thousands)	Weighted-average remaining contractual term	Aggregate intrinsic value (\$)
Granting on June 19, 2008	9,403,552	6.28	1.68	28,869
Exercises	-	-	-	-
Forfeitures or expirations	-	-	-	-
Outstanding at December 31, 2008	<u>9,403,552</u>	<u>4.13</u>	<u>2.15</u>	<u>6,037</u>
Outstanding at June 30, 2009	<u>9,403,552</u>	<u>5.12</u>	<u>1.65</u>	<u>17,952</u>

The aggregate intrinsic value in the table above represents the total pretax intrinsic value, the difference between the Company's closing stock price at equivalent to \$17,952 (after the split) on the last trading day of June 30, 2009 and the exercise price of \$5.12 per thousand, times the number of option that would have been received by the option holders had all option holders exercised their options on June 30, 2009. This amount changes are based on the fair market value of the Company's common stock.

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Liability plan

In addition to this remuneration mechanism, the Company, in an Extraordinary General Meeting held on April 28, 2006, approved a company issued share call option program. According to the share call option program, the Board of Directors can grant share call options on behalf of officers, executives and associates of the Company that represent no more than 1% of the shares in circulation. However, at the same General Meeting of Shareholders, it was determined that the Board would not grant any share call options in the fiscal year of 2006, whereas the only share call options to be granted were on behalf of seven of the full members of the Board of Directors and to one advisor of the Board of Directors. All participants already have the mutual understanding of such share option granting. The Company granted 1,712,000 call options of shares (originally 21,400 before all splits occurred) that have a financial fair value at the granting date of July 21, 2006 amounting to US\$5,135, which may be exercised in the proportion of 20% at each of the first 5 anniversaries of the Offering, at a current average strike price equivalent to \$0.25 per share, adjusted by IPCA - inflation index up to the exercising date.

As the above described stock-based awards have a graded-vesting and the vesting is based only on a service condition, the Company has elected to recognize compensation cost for the awards over the requisite service period for each separately vesting portion of the awards as if the awards, is in-substance, multiple awards.

Considering the provisions of SFAS 123R, the option price contains an inflation index (IPCA), which is considered to be an “other condition”. As a result, the Company accounts for this option plan as a liability plan.

The fair value of stock-based awards was estimated based on the following assumptions for period ended June 30, 2009:

Expected annual volatility	31.38% a 64.14%
Weighted average volatility	64.14%
Expected dividends	0%
Expected remaining option life (in years)	1.65 years
Weighted average risk free rate	5.71% p.a.
Expected inflation	5.71%
Value per option	2.54%

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Expected term - The Company's expected term represents the period that the Company's stock-based awards are expected to be outstanding and was determined based on expected experience of similar awards, giving consideration to the contractual terms of the share-based awards, vesting schedules and expectations of future employee behavior as influenced by changes to the terms of its share-based awards.

Expected volatility - The Company uses the trading history and implied volatility of the stocks of similar mining companies (as the recent public offering at July 21, 2006) in determining an estimated volatility factor when using option-pricing formula to determine the fair value of options granted.

Expected dividend - The Company has not declared dividends. Therefore, the Company uses a zero value for the expected dividend value factor when using the option-pricing formula to determine the fair value of options granted.

Risk-free interest rate - The risk-free rate for periods within the contractual term of the share option is based on the Brazilian Treasury yield curve in effect at the time of grant.

Estimated forfeitures - When estimating forfeitures, the Company considers voluntary and involuntary termination behavior as well as analysis of actual option forfeitures.

Inflation - Expected inflation determined based on the information available with BACEN (Brazilian Central Bank).

The changes in this liability plan were as follows:

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	Number of options	Fair value (\$)
Granted options at July 21, 2006	1,712,000	7,531
Changes up to December 31, 2006:		
Changes in the fair value of the plan	-	1,115
Recognition as expense	-	(771)
	<u>1,712,000</u>	<u>7,875</u>
Balance of unrecognized compensation cost - December 31, 2006 to be recognized in 3.6 years in average	<u>1,712,000</u>	<u>7,875</u>
Changes during 2007 up to December 31, 2007:		
Changes in the fair value of the plan	-	34,122
Recognition as expense	-	(23,589)
Exercises in 2007	(299,600)	-
	<u>1,412,400</u>	<u>18,408</u>
Changes during 2008 up to December 31, 2008		
Changes in the fair value of the plan	-	(30,259)
Recognition as revenue	-	13,613
Exercises in 2008	(256,800)	-
	<u>1,155,600</u>	<u>1,762</u>
Balance of unrecognized compensation cost - December 31, 2008	<u>1,155,600</u>	<u>1,762</u>
Changes during 2009 up to June 30, 2009		
Changes in the fair value of the plan	-	236
Recognition as expenses	-	(1,353)
	<u>1,155,600</u>	<u>645</u>

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The movement of the recorded stock option liability as from the grant date (July 2006) to June 30, 2009 is as follows:

	Number of options	Fair value (\$)
Total recognized from the grant date(July, 2006) to June 30, 2009:	1,712,000	12,100
Exercises in 2007	(299,600)	(7,792)
Exercises in 2008	<u>(256,800)</u>	<u>(286)</u>
Balance of the stock option liability	<u>1,155,600</u>	<u>4,022</u>

The fair value of the recognized compensation cost, in the amount of \$4,022 has been classified within stock options in long-term liabilities, and the compensation expense as general and administration expense.

22 Net income (loss) per share

There were no adjustments to net loss in calculating diluted net loss per share. In addition, as the Company had a net loss from continuing operations for the six-month periods ended June 30, 2009 and 2008, the dilutive effect of the 1,155,600 dilutive stock options for each period were not considered in the diluted per share calculation.

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23 Financial income

	Six month- period ended June 30, 2009	Six month- period ended June 30, 2008	Second quarter ended June 30, 2009	Second quarter ended June 30, 2008
Interest income	12,516	23,275	5,547	(1,473)
Gain on derivative instruments	18,354	13,823	586	12,467
Foreign exchange gain	<u>132,220</u>	<u>40,708</u>	<u>122,834</u>	<u>40,708</u>
	<u><u>163,090</u></u>	<u><u>77,806</u></u>	<u><u>128,967</u></u>	<u><u>51,702</u></u>

24 Financial expenses

	Six month- period ended June 30, 2009	Six month- period ended June 30, 2008	Second quarter ended June 30, 2009	Second quarter ended June 30, 2008
Interest expense	(48,964)	(27,020)	(19,427)	(8,344)
Capitalized interest	2,203	5,048	(3,798)	2,418
Foreign exchange loss	<u>(17,363)</u>	<u>-</u>	<u>(16,455)</u>	<u>-</u>
	<u><u>(64,124)</u></u>	<u><u>(21,972)</u></u>	<u><u>(39,680)</u></u>	<u><u>(5,926)</u></u>

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25 Commitments

At June 30, 2009, the Company and its subsidiaries had commitments with suppliers of goods and services as follows:

Object of service contract	Date of signing	Due date	June 30, 2009
Basic engineering, detailed engineering, supply management and implementation management	5/2//2008	7/1/2011	10,104
Contracts related to the operation of the of the processing plant of Mine 63	3/20/2008	7/17/2018	497,601
Contracts related iron purchase	12/29/2007	4/1/2009	13,223
Contracts related to the construction of Mine 63	2/25/2008	3/17/2013	6,532
Contracts for energy supply sistema Sudeste	9/22/2006	12/31/2011	5,543
Contracts related to acquisition of Mining righth Bom Success in Minas Gerais.	7/3/2008	1/5/2010	98,116
Contracts for Services Port	5/1/2008	3/23/2013	10,214
Others			<u>19,032</u>
			<u><u>660,363</u></u>

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26 Subsequent events

a. MMX filed an application to cease to be a reporting issuer in Canada

On July 24, 2009, the Company filed an application with the Ontario Securities Commission ("OSC") to cease to be a reporting issuer in Canada, after its voluntary delisting from the Toronto Stock Exchange ("TSX") in November 2008.

If the application is approved by the OSC, the Company will no longer be a reporting issuer in any jurisdiction in Canada. Therefore, the Company will no longer be obliged to file and disclose financial statements and the other documents required by Canadian regulatory authorities. This decision will not affect the listing of its shares on the São Paulo Stock Exchange (BOVESPA) and, just like the other shareholders of the Company, Canadian shareholders will continue to have access to financial statements and other documents disclosed.

b. MMX announces its new CEO

On August 3, 2009 MMX disclosed to its shareholders and the market in general a change in the members of its Executive Committee, as approved in the Board of Directors' meeting which appointed Roger Allan Downey as MMX's new chief executive Officer, in the office held by Eike Batista who was doubling as CEO and the Company's Chairman of the Board.

Roger Downey was formerly at Credit Suisse, where he was in charge covering the mining and steel businesses in Latin America since 2005. Prior to that, he worked during 14 years in the mining industry and was active in sales, marketing, new business, and strategy involving the major world producers of iron ore, such as Companhia Vale do Rio Doce and Rio Tinto.

Chequer Hanna Bou-Habib, who held the posts of Commercial Director and Investor Relations Executive Officer, will remain as Commercial Director.

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c. LLX gets an installation license for the Southeastern Port

On August 3, MMX informed that LLX subsidiary, LLX Southeast, got the Installation License for construction of the Southeastern Port, a port terminal with the capacity to move 50 million tons of iron ore per year. The Installation License is a condition for beginning port construction, which should occur during the second semester of 2009.

The Southeastern Port, located in the municipality of Itaguaí, 80 km from the city of Rio de Janeiro, and only 4 km from the MRS railroad grid, will be the main route for exporting iron ore produced at the MMX Southeastern System mines in Minas Gerais. The long-term contract with LLX for storing and handling iron ore at the Southeastern Port has already been signed and it projects the flow of all production destined for exportation from the MMX Southeastern System.

The MMX Southeastern System, together with LLX's Southeastern Port, constitutes an integrated and competitive solution in Brazil, gathering high quality iron ore and independent, efficient and safe logistics for exportation.

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Summary of principal differences between Canadian and USGAAP

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). Material variations in the accounting principles, practices and methods used in preparing these consolidated financial statements from principles, practices and methods accepted by generally accepted accounting principles in Canada ("Canadian GAAP") are described below.

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a. Description of GAAP differences

(i) Mineral properties

Under US GAAP, acquisition costs and exploration costs must be expensed as incurred unless the resource properties have proven and probable reserves at which time costs incurred to bring the mine into production are capitalized as development costs.

Under Canadian GAAP, resource property acquisition costs and exploration costs may be deferred and amortized to the extent they meet certain criteria. The accounting practice adopted by the Company under Canadian GAAP is to expense exploration costs as incurred.

(ii) Pre-operating costs

US GAAP requires pre-operating costs to be expensed as incurred.

Canadian GAAP allows pre-operating costs to be capitalized until commercial production is established. The accounting practice adopted by the Company under Canadian GAAP is to expense pre-operating costs as incurred.

(iii) Stock options

U.S. GAAP requires stock option compensation awards that contain other condition, such as inflation, to be recognized as liability awards and remeasured at each reporting period.

Canadian GAAP requires such award to be classified as equity and its compensation cost determined only at the grant date.

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b. Reconciliation of the differences between US GAAP and Canadian GAAP

i.	Net income	June 30, 2009	June 30, 2008
	Loss under US GAAP	(63,423)	8,407
	Stock option compensation (iii)	<u>714</u>	<u>8,237</u>
	Loss under Canadian GAAP	<u>(62,709)</u>	<u>16,644</u>
ii	Shareholders' equity	June 30, 2009	December 31, 2008
	Shareholders' equity(deficit) under US GAAP	(115,403)	(45,303)
	Stock option compensation (iii)	<u>4,022</u>	<u>2,669</u>
	Shareholders' equity under Canadian GAAP	<u>(111,381)</u>	<u>(42,634)</u>

c. Canadian GAAP supplementary information:

(i) Recently issued accounting standards

Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets" ("Section 3064") which is effective for the Company on January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. The Company is currently evaluating the impact of this standard.

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(ii) Recently adopted accounting standards

- Financial instruments -Disclosure and Presentation

In December 2006, the Canadian Institute of Chartered Accountants (“CICA”) published the following two sections of the CICA Handbook: Section 3862 Financial Instruments- Disclosures and Section 3863, Financial Instruments-Presentation. These standards introduce disclosure and presentation requirements that will enable financial statements’ users to evaluate, and enhance their understanding of, the significance of financial instruments for the entity’s financial position, performance and cash flows, and the nature and extent of risks arising from financial instruments to which the entity is exposed, and how those risks are managed. The Company adopted this standard in the 2008 fiscal year. See Note 7 for additional details.

- Capital Disclosures

In December 2006, the CICA published section 1535 of the Handbook, Capital disclosures, which requires disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; (iv) if it has not complied, the consequences of such non-compliance. This information will enable financial statements’ users to evaluate the entity’s objectives, policies and processes for managing capital.

- Inventories

In January 2007, the CICA published section 3031 of the Handbook, Inventories, which prescribes the accounting treatment for inventories. Section 3031 provides guidance on determination of costs and its subsequent recognition as an expense, and provides guidance on the cost formulas used to assign costs to inventories. The Company concluded that there was no impact of these new recommendations on its financial statements on January 1, 2008, the date of adoption.