

Operator:

Good morning and thank you for waiting. Welcome to the conference call of MMX Mineração e Metálicos S.A. to discuss the Company's 2Q08 Results.

We would like to inform all participants that you will only be able to listen to the conference during the Company's presentation. After the Company's remarks are over, there will be a Q&A period. At that time further instructions will be given. Should any participant need assistance during this conference, please press *0 for an operator.

Before proceeding, let me mention that forward-looking statements that may be made during our teleconference relative to MMX's business perspectives, forecasts and operational and financial goals are based on the beliefs and assumptions of the Company's management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of MMX, and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Nelson Guitti, MMX's CFO and IRO, who will start today's presentation. Mr. Guitti, you may begin your conference.

Nelson Guitti:

Thank you very much. Good morning to all the friends in the United States. Good afternoon to all the friends in the rest of the world. We are here now with our group of MMX, Marília and Gina from our IR group, Filipe and Barbara from our planning group and Eduardo Paes and Rose from our accounting group. I think that we are able to answer all your questions afterwards. Thank you for being with us in this call.

Firstly I would like to tell you that our financial statements, we know that they are not enough for you to correctly understand the financial behavior of the Company. As you know, last June we spinoff the Company in three new companies, LLX, MMX and IronX and the statements that we filed in December and March, these files are still the files that include MMX Minas-Rio and MMX Amapá, plus LLX also. The financial statement that we filed last week is now, this file does not include MMX Amapá, Minas-Rio and LLX but includes all the numbers, all the results of these companies until the 19th of June.

What we are intending to do in this, I think that we promised to you is that very soon, as soon as possible, we are preparing new financial statements as of December 31st, 2007, March 31st, 2008 and June 30th, 2008, a *pro forma* statement, audited in the BR GAAP and US GAAP and we are going to file it very soon to you in order that you can better understand the actual behavior of the Company.

With this disclaimer, we think that these disclaimers are very important not only for this call but for future calls that we will do with you, we can begin to talk about the actual numbers that we have.

Let us begin with the production. We are talking based in our earning's release that we presented to you last week. We can see in the production that we are increasing, we are

increasing our production, in Corumbá a little bit, in Sudeste a little bit, but in the 2H08 we are intending to upgrade this production much more, as we showed you in our business plan our intention is to produce 1.9 million tons in Corumbá. So it is missing, 1.1 million for the 2H08 and we are intending to do so. And in Sudeste we have a different number from the number that we presented to you last month, when we presented the business plan. We were talking about 4.3 million tons and now we are thinking about something of 5 million tons. We finalized a very important negotiation to use a port in Sepetiba and we are able now to export 5 ships to some important clients of MMX. We are upgrading this 4.3 million tons forecast to approximately 5 million tons forecast. So we have good news in the production side of the new MMX.

About the sales, we would like to explain a very important issue about the price. If you calculate the average price for the 1H08, probably you got something about US\$41 per ton. This price obviously includes approximately two-thirds of our sales in the domestic market, one-third in the external market, in exports. As you know, in domestic sales we have a lower price, obviously we do not have the logistic costs and so the margin are not exactly the same margins that we would have exporting but they are still very nice for domestic sales.

But the problem is that in the 2H08, we will still sustain these numbers of two-thirds and one-third. But not two-thirds and one-third for the 2H08, we are probably thinking something about 60-40, 60% in domestic sales and 40% in exports. So this changing and with the new exports that we got in certain ports in Sepetiba, we can talk about an increase in this average price in the 2H08, I would say approximately 20% to 25% increase of this average price. This is about the sales, our sales that we will increase also from the numbers, from these 1.1 million tons that we did in the 2Q08 to approximately another 4 million tons in the 2H08.

Another important point is the EBITDA. We think that now we are entering a new phase of the Company. We are still, we think that we are abandoning the quarters with negative EBITDA. We are increasing, we showed we are increasing production, we are increasing exports, increasing our sales and not only one, but many of you were with us last week in New York, as I told you, all the costs are there, we do not have new costs to develop in our system. So now, increasing production and increasing sales, all this new amount, will increase directly the EBITDA. So we think that in the next quarters, we can show only positive EBITDAs.

About the financial result and debt, we still have positive financial income. Obviously in the last quarter, this number was very influenced by the exchange rate variation. As you know, the Real was appreciated in the last quarter and this is very important to our financial result and debt. We also presented you in the earnings release, the net cash of the Company that in the end of June, was negative in R\$421 million, especially because of the acquisitions that we did of AVG, Minerminas and the new mining rights in Corumbá.

If we did not have these numbers, we would have a positive cash in the Company. These acquisitions, our debts after these acquisitions are approximately US\$290 million or approximately R\$470 million. We are OK with these numbers also.

About CAPEX, we invested R\$43 million in the 2Q08, the same amount in the 1Q08 and R\$86 million in the 1H08 and part of it, approximately R\$20 million in MMX S.A. especially in exploration. I would like to emphasize that we expect to do the same in 2H08 and probably a higher number than that in exploration in MMX S.A. to support the new opportunities that we are facing in the Brazilian mining sector.

This is about CAPEX, we are working full-speed with the new business plan, part of the investment in the site of Serra Azul in MMX Sudeste is being implemented. We are

constructing a new plant in Minerminas, to raise the capacity of production of there in Serra Azul to 8 million tons a year, and we have the basic engineering designs for the billets plant in Corumbá. We are also preparing a bid for the engineering company to increase the capacity of the mine in Corumbá also to 3.2 million tons, as we showed in business plan.

So the CAPEX is at full-speed, our engineering group is working very hard and we think that everything will be OK in the 2H08, with this new business plan we launched three weeks ago.

We think that these are the main points. I would like to reemphasize that we are working hard to prepare the new pro forma audited of our statements. We have now this pro forma statements but they are not yet audited, so the idea is to prepare it, in maximum one month, we are prepared to show you our, let us say, the clear numbers of the new MMX, since last December, since the end of the last year.

I think we are prepared to receive some questions from you.

Leonardo Correa, Credit Suisse:

Hi, good afternoon. My first question is on logistics. Can you please elaborate on the existing contracts that you have with MRS and what capacity it entails? And also talk about your, how exactly you are progressing in the talks that you have with MRS to secure additional logistics capacity for the expansion program at Sudeste please?

Nelson Guitti:

Thank you for your question, Leonardo. For sure we had the first formal meeting with MRS last Wednesday, here in Rio de Janeiro, in our office, and I would say that, as I told you three weeks ago, we are accelerating the talks to have this contract totally approved and signed till the end of this year. As we had the opportunity to tell to the majority of you, we have a contract today with MRS that says that our capacity is 1.5 million this year, 3 million next year and 4 million in 2010, 2011. There is a clause in this contract where we can call MRS and tell them, and give them a notice that we want to upgrade this capacity, to raise this capacity to new amounts.

Last Wednesday, was exactly what we did, we gave them a notice to say that in 2011, we want to increase the capacity to approximately 3 million tons a year. We are beginning our discussions. Immediately after negotiating the contract, they have 24 months to implement this new capacity. I would say that the mood in this meeting was very, very nice. The commercial manager of MRS was here and from our side, Mr. Chequer Bou-Habib, our commercial director was in charge of the meeting and we have many new things to arrange in the coming weeks to continue this negotiation.

Leonardo Correa:

OK, that is very clear. My second question is just to confirm, you are actually raising, increasing your guidance for iron ore volumes, production and sales for 2008, is that right? Your previous guidance was around 6 million tons, now you are talking about something around 7 million tons, if I am not mistaken, so 1.9 from Corumbá and around 5 from MMX Sudeste.

I am just trying to check, I mean, what exactly were the problems that you had this quarter in terms of your shipments, and if this problems at the Itaguaí port are completely solved? Is

there any risk that these problems, the shipping problems that you mentioned in the press release could take place again in the 2S?

Nelson Guitti:

We went to you three or four weeks ago, a few weeks ago and said that in Corumbá we would produce 1.9 million and we are sustaining this number. In Sudeste we told you about 4.3 million tons a year. We are upgrading this number to approximately 5 million due to 5 new ships that we will export from, not from the CSN's port, but from Vale's port. We are doing a negotiation with the company that has capacity in Vale's port and next week we are going to have the first of the five ships in that port. That is why we are upgrading.

We know that in CSN's port, they are solving the problems, their technical problems, probably we are going to have new ships to be exported through CSN's port but we are not counting on that yet. We know that everything will be OK, but we do not know exactly when. So we are not telling that we will be able to export something through CSN.

Leonardo Correa:

OK. Thank you very much.

Fernando Ferreira, Merrill Lynch:

Good afternoon everyone. Good afternoon, Nelson. I have two questions; the first one is if we can expect the same sort of discount to the domestic iron ore sold in the 2H08. And my second question is regarding the cost side, why has it varied that much quarter-over-quarter. Is that because in the 1Q08, you still had all the other operations consolidated? And if you could please breakdown for us the average cost per ton on the mining side and also on the logistics side for your operations.

Nelson Guitti:

Fernando, thank you for your question. About the price, yes, we can expect the same average price in the domestic market. What we will increase, what will help to increase the average price for the Company is more export from Corumbá and more export from MMX Sudeste. But in the domestic market, we can expect the same average price. Could you repeat the second question please?

Fernando Ferreira:

It is regarding the variation of costs comparing quarter-over-quarter; it has varied a lot on the COGS side, is that because in the 1Q08 you had all the other operations consolidated? What is the reason for this big variation on costs? When you published the new pro forma statement if that would be clearer on the cost side. If you could please also breakdown what the cost is currently on the mining side and also the logistics rail and ports on your operations.

Nelson Guitti:

Fernando, I think you are talking about the R\$7.7 million that we presented during this quarter.

Fernando Ferreira:

Yes.

Nelson Guitti:

It is absolutely influenced by the spinoff. This number is very low because we split all the costs from Amapá in the whole semester. If we consider only MMX in the 2Q08, this number would be R\$104 million. This number will be presented to you in this new pro forma statement that we are preparing.

About the breakdown, I would say that we are still with a not comfortable cost in Corumbá, but decreasing, I would say that probably today, we are facing something about in the range of US\$20 per ton in Corumbá, but at the end of the year, this number will decrease to something in the range of US\$12 to US\$14 per ton. The reason for that is that we got environmental licenses three months ago to construct a new road between the mine and the beneficiation plant.

So I would say that now we are expanding approximately 30 kilometers to feed the beneficiation plant and now we are very close to it, so these costs will decrease towards zero.

In the board side, we are still having approximately US\$30 per ton, in MMX Sudeste our cash cost in mining and plants is approximately US\$9 per ton, and we have to include also the railway and the port when we export. You know that when we sell in the domestic market, we do not have this cost, we only have this cash cost of US\$9. For exports we are facing approximately US\$16 per ton in the railway and in CSN port something about US\$6 to US\$8 per ton in the port.

Fernando Ferreira:

OK. Thank you.

Rafael Biderman, Bradesco Securities:

I have many questions; I will try to restrict to some few ones. The first question regards to pig iron production sales in Corumbá. From what I calculate there was a big difference between the production of pig iron and sales of pig iron in Corumbá in the 2Q08, apparently it was produced 59,000 tons in the 2Q08 but it sold only 25,000. I want to understand why is that and if you can elaborate how is the situation of coal procurement right now and if you have closed the acquisition of the forest?

Also, I have doubts on this guidance you just gave on the export of iron ore from Vale or CSN port. From what I understand, I am just putting first the main theme and then the specific detail. From what I understand, I think there is an error in the business plan of you and of other companies like Ferrus and London Mining, which is, they believed that it was easy to get some access to the port of Vale and CSN, and from my experience like I followed the saga of J. Mendes these last seven years or ten years and I see that it is very impossible, they do not want to give access to you guys.

On that, I want to understand exactly, they are obliged to give some access, but they do everything possible not to give that. So I want to understand what exactly under this point of view, are these five new ships from Vale's port that you got and this issue on CSN. I mean, you have a contract to use the port of CSN and they are not allowing you to export because

their port is not ready and that you will have access to the port of CSN and to Vale but only for some more quarters and then it is off or is it something else?

Nelson Guitti:

Rafael, thank you. Let us begin about the sales of pig iron. We produced 59,000 and we sold 25,000 tons. We had some specific problems with the barging of this pig iron to Rosario, but everything now is OK. For example, this month, we are embarking in Rosario two ships, approximately each one of 35,000 tons of pig iron brought from Rosario to anywhere, I do not know where Cargill is selling this pig iron but we are, this month, August, embarking two ships in Rosario. I think everything is OK now.

About the coal, very good question also, since last 8th of August, we began again to produce pig iron from the second blast furnace. We are operating it again. I would say that we solved our coal supply problems till the end of this year. I do not see any near future problems with the supply of coal and the fact that we are, I think that we told you in the presentation, we are analyzing buying some planted forests in Mato Grosso do Sul, and we are very close to finalize the first acquisition.

Not all the forestry, only this forest that we are negotiating and we can supply coal to approximately 30% of the blast furnaces for three years. So we are facing a very optimistic view of our future with coal in Mato Grosso do Sul.

About the third point that you raised, about the access to ports, you gave the examples of the last seven years of J. Mendes and you talked about London Mining too. That is why J. Mendes was sold and that is why they are selling another mine in the same place, and the mine is neighbor of J. Mendes, in Serra Azul. That is why, they do not have access to ports and that is why in our business plan we did not count on any exports until we have our own port, the Sudeste port in July of 2011. You are right.

About the new ships that I mentioned before, we negotiated with a mining company in Minas Gerais. This company has capacity contracted in CPBS port and we negotiated with this company to use this capacity that this company has. That is why we are counting five new ships for this year in MMX Sudeste.

About the CSN port, I would say, you used the expression that the CSN is not allowing, it is not that. We have a contract, they will honor the contract. They are facing a very, very huge technical problem, not only our iron ore is not being exported there, their iron ore is not being exported also and for sure, the volumes that is contracted will be honored by CSN probably till March or April next year. Just after they solve their problems, we are beginning to export, we are beginning to embark this iron ore and I think that till March of next year, the contract will be totally fulfilled.

Rafael Biderman:

Is it true that with CSN you have contracts for 10 ships of a 150,000 tons and 160,000 tons, is that correct?

Nelson Guitti:

Yes, our contract is 10 ships, approximately 1.5 million tons.

Rafael Biderman:

In addition to that, you also have a contract with the port of Vale and you are negotiating another contract with the port of Vale with this mining company?

Nelson Guitti:

We do not have contracts with CBPS, with Vale. Another mining company in Minas Gerais, this company has this capacity, has this contract and we are negotiating with this company to use this capacity.

Rafael Biderman:

But this negotiation is not finished yet, is that correct?

Nelson Guitti:

I would say it is 99%.

Rafael Biderman:

Can just you tell us what is the capacity that this mining company has in CBD?

Nelson Guitti:

They have a capacity of 1.2 million tons this year, till the end of December this year.

Rafael Biderman:

And then, is it finished or they have more capacity for 2009, 2010, 2011?

Nelson Guitti:

No only this. New capacity in CBPS's port, it is a new bid that Vale will perform, I do not know when, this year or next year, but it is a new bid that Vale will do.

Rafael Biderman:

Ok, because they are obliged to make the bids, because they are obliged to give some capacity to third parties, is that correct?

Nelson Guitti:

I think it is 15% of the total, something like that.

Rafael Biderman:

And it is renewed like every one year, two years or something like that?

Nelson Guitti:

Sorry, I did not get your point.

Rafael Biderman:

It is renewed every, I do not know, certain period, one year, two years, is that correct? So that is why this contract of this mining company you are about to close finishes this year?

Nelson Guitti:

I do not know, I think that they renew it every year, but I am not sure, I do not know.

Rafael Biderman:

OK, thank you very much.

If you could also explain in more details, what is the situation of the barges? You said you had a problem with the barges for pig iron and you had some problems of barges for iron ore in Corumbá. It is not very clear to me on the event that you did in Rio, you said that it was a problem of the drought in the river. But from what I understood some time ago, it was also a problem of barges capacity. So I would like to understand what is the situation of the barges? I mean, you have contracts with barging companies or your own barges to what capacity exactly, what is in the business plan presented in Rio de Janeiro?

Nelson Guitti:

We faced some problems in the beginning of the year. You remember that last year, we did not have enough drought in the river to barge iron ore or pig iron to Rosario. We have a force majeure in our contract with the barge company and it is not easy to come back with normal operations in the river. This force majeure was raised at the end of December and you need approximately two to three months, I would say three months, to have the river operating again in the same condition, at the time that you have the force majeure in September, we had a barge in Rosario, in Corumbá, we had a barge closer to Paraguay, we had a barge in Rosario, and we have to do all the trips around again. So I would say that only in April, we began again with normal operations in the river. And thanks God, this year, the behavior of the river probably will be absolutely different by some information that we have from the region, from formal and informal information of the river, this year will be a very nice year.

Obviously that the river will not be the same that we had in the 1H08, but I would say that we probably will not face any problems in the river in the 2H08. And Vale, in Rio Tinto in Corumbá had the same problem. They stopped exporting their production. Nothing to do, it is force majeure, it is God act and the three companies in the region MMX, Rio Tinto and Vale had the same problem.

About the barge capacity we are OK, we are able to barge all the production that we had today in the mine and in the pig iron plant and we are very keen on the future of the production and on the exports of Corumbá.

Rafael Biderman:

For instance, you have on your press release a guidance of exports of iron ore from Corumbá of 2.1 million tons of iron ore. Do you have barge capacity for 2.1 million tons next year, to transport 2.1 million tons of iron ore next year?

Nelson Guitti:

Yes, but this 2.1 million you have to reduce 0.7 million that is the amount that we send to the plants, to the pig iron plants. Iron ore, we are going to barge 1.4 million plus 0.4 million of pig iron, plus 400,000 of pig iron. So we are talking about 1.8 million tons to be barged in the river. We are OK, our capacity today installed is 2 million tons a year. We are very well established to this year and to the next year's production.

Rafael Biderman:

You have your own barges or you have contract with another barging company?

Nelson Guitti:

No, we do not have own barges, all third parties, all contracted. We have three different companies contracted to do this work for us.

Rafael Biderman:

If you could comment in terms of pig iron prices, how they are evolving, I mean, you said that they were very strong in the presentation a month ago that if you see better improvements in that or not, and how is your margin on pig iron production. I mean, are you having profits or are you working on the red or you are working on the black or are you having very good profits?

Nelson Guitti:

The forecast average price for pig iron in the 2H08, we are forecasting about US\$700 per ton, the average. We have some prices in July, August and probably will finish the year with something about US\$900 per ton. But the average will be US\$700 in the 2H08.

Rafael Biderman:

You have some contracts at US\$900 per ton?

Nelson Guitti:

No, we do not have a contract of US\$900. Our contract, the Cargill contract, each embark in Rosario has a different price depending on the market price of pig iron. There is a special calculation where we define the price.

Rafael Biderman:

And you are having, in some contracts for the end of the year are indicating US\$900, is that what you said?

Nelson Guitti:

Yes, not contract. We are tracing that the formula that we have to our price, that is based on international market price. We are facing that at the end of the year, we will be selling this pig iron at US\$900 per ton.

Rafael Biderman:

So you are having profits with pig iron definitely, no? Or are the cost of coal is very big, because you are having all these problems with coal procurement?

Nelson Guitti:

Yes, probably the price of coal will increase, but we are still able to have a positive EBITDA there. The coal today is approximately 60% of the cash cost of the pig iron plant, it is increasing, but still we are able to get a lot of money there.

Rafael Biderman:

What is the price you are paying for coal right now with all these problems?

Nelson Guitti:

About US\$260 per ton.

Rafael Biderman:

This is including the US\$216 in Corumbá or US\$260?

Nelson Guitti:

US\$260 per ton in our plants.

Rafael Biderman:

OK. One last question in regards to the capacity of the channel of the port of Sepetiba, in your business plan. I see that you guys are already working on getting capacity to the MRS railway. And I wonder if there could be a bottleneck in the channel, in the capacity of how many ships can go there, considering that you guys want to use that channel, CSN, Usiminas and CVRD.

Nelson Guitti:

No problem, the studies that LLX performed there showed that there is no problem to use this channel and as far as we know, all the engineering and technical studies show that everything is OK. I do not have more information about that. I think that we have to ask LLX, but we talk to LLX everyday and we are not foreseeing any kind of problems about this issue.

Rafael Biderman:

OK. Thank you very much for the attention.

Operator:

It appears that we have no further questions at this time. Mr. Nelson Guitti, please proceed with your closing remarks.

Nelson Guitti:

Thank you very much for your participation. We have a very important number of participants and very important investors in the Company. I would like to say that very soon we will be back to you to present this pro forma audited statement and we are going to have a more clarifying call in our accounting numbers. Thank you very much for your participation.

Operator:

This concludes the MMX conference call. You may disconnect your lines at this time.

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