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Lodgement of Open Briefing®

Mundo Minerals Limited

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Title: Open Briefing®. Mundo Minerals. CEO Gives Engenho Production Update

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Mundo Minerals Limited (ASX code – MUN) poured first gold from its Engenho Gold Project (MUN 100%) in Brazil in June 2008. You've just announced a minor revision to the short-term production schedule after reinterpreting a high-grade zone within the upper portion of the Bola ore body in the open pit wall. Can you explain the impact on the production schedule and the total resources for the project? What about cash flow?

CEO John Langford
During a recent review of the ore resource contained within the wall of the current open pit, the geologists determined that a previously interpreted higher grade section of the Bola ore body is in fact lower grade and uneconomic. This represents approximately 8,000 ounces out of a total resource of 283,000 ounces. While this is a small portion of the overall ore resource and, frankly, will probably be more than compensated for from additional ore that we expect to encounter during ongoing mine development, it does affect the production profile at the beginning of the mining operation at a time when cash flow is precious. If it had occurred in, say, 6 months it would not have a significant impact that would warrant a separate ASX release. However, it will affect our short-term production and therefore cash flow.

The Engenho Gold Project has a resource of 1.58 million tonnes grading approximately 5.58 g/t. The majority of this ore is below the existing open pit. We are developing a decline which is ahead of schedule and the team has developed two levels to access the ore. A third level will be completed shortly with access to stoping ore expected in November. The developed areas have accessed the ore zones, which are reconciling well with the existing ore resource from a grade, structural and integrity perspective.

We cannot fast track the development of the ore access in this region because we need to develop and mine the ore in a proper sequence. We have always stated that we will manage this asset according to the most appropriate strategies to benefit the business in the longer term.

During development we've been mining some ore that was left in the open pit wall from previous mining. However, it's important to note that we are not reopening an old mine with doubt as to the existence of resources. Prior to selling Engenho, AngloGold Ashanti developed the top part of the ore body to ensure they were selling an asset that did not meet their economic parameters. They mined only a very small portion of the ore body and the major section is intact and credible from a resource perspective.

It was during development of this small area of resource in the open pit wall that we determined there would be a small reduction in ounces. Unfortunately, at times it is not until a region has been developed that any variation from the resource model becomes apparent. When the central section of the Bola ore body was opened the low grade core was exposed.

Notwithstanding this, we are accessing stoping ore from the open pit wall now and will continue to do so for the next couple of months until the open pit ore becomes run of mine. We are mining these stopes through long hole stoping methods and achieving excellent productivity.

The reduction in ore from this section means we have now scheduled production of 1,600 ounces in September, 2,400 ounces in October and November and we are expecting to get back to the 2,800-3,000 ounces per month level from December. This means that for the next two months the Company will be cash flow negative after paying overheads and continuing the work we are doing in Peru. We are also maintaining our exploration team and, while we are not actively drilling at the moment, we continue to get strong traction with our other assets. We can discuss these later if you like.

We've had excellent support from our major shareholder, AngloPacific Group, which has provided a $4 million facility for working capital. As a shareholder, AngloPacific has been a long-term supporter of the Company and I personally appreciate having them involved.

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Can you explain why you are confident that there will not be any significant reduction in resources at Engenho? How have you confirmed the integrity of the ore body?

CEO John Langford
We have confidence in the integrity of the ore body because we have now developed a reasonable section of the ore body from the decline and have been able to visually compare the underground structures with the model. Resource modelling is based on drilling and, while there has been sufficient drilling to provide a competent model, there are always variations when a mine is developed. Remember, this reduction is 8,000 ounces out of a resource of 283,000 ounces. This is a 3% variation. We will find additional ore, such as the new orebodies we announced in the June Quarterly Report, and we will lose some ore during development. The major issue with the adjustment is not the adjustment per se, but the timing which has occurred when we have not yet established our surplus cash flows.

As a further insurance, we are working through a full audit of the balance of the model. This will take another couple of weeks, but work to date has not indicated any negative surprises and we do not expect any significant variations.

As an additional governance measure, I have appointed Brian Hurley, one of the Company's non executive directors, as a short-term consultant to monitor the mining operations so that the Board has additional comfort regarding the integrity of the forward planning. This does not detract from the confidence we have in the team in Brazil. They are doing a fantastic job and the professionalism of their work is at the highest level.

However, it is appropriate that the Board closely monitors the operations during this period and Brian has excellent experience to contribute. He is also a good independent sounding board for the team and they are all working well together.

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Can you outline the overall performance of Engenho Gold Mine? Are there any areas in which it is falling short of operating expectations?

CEO John Langford
Overall we are pleased with the performance of the mine. I have indicated previously that the mine development is proceeding well and that below the open pit floor we are seeing excellent development of the ore body.

We are getting excellent productivity from the treatment plant and we are consistently achieving metallurgical recovery in excess of 95%, compared to our budgeted recovery of 93%.

We are mindful of costs and treatment costs are within budget. Mining costs are above budget, but this reflects the extra development we are doing as well as the fact that until now we have primarily been mining development ore and not stoping ore. Adjusting for these factors we are on track to pretty much achieve our cost estimates based on our budgeted annualised production rates, which is an excellent achievement in this inflationary environment.

Safety is a major focus of the Company and three weeks ago the Engenho team achieved their 180 days safety record. Mine housekeeping remains at the highest level, as does team morale.

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You've taken out a $4 million funding facility. Can you explain the terms? Why is this a reasonably complicated debt facility, particularly when it is only for a small amount?

CEO John Langford
We don't see this as a particularly complicated facility at all. It is a cash injection to the Company of $4 million at a time when an equity raising would not, I expect, be supported. We're fortunate to have a supportive shareholder in AngloPacific Group.

Basically, the funding is repayable through a royalty payment and interest on the outstanding principal balance. Once the principal has been repaid, AngloPacific Group will benefit from an ongoing royalty and I guess this structure shows confidence from the major shareholder – who, incidentally, is independent to the management of the Company – in the long-term future of the project and the potential to develop additional ore sources.

We have recently released some interesting results from other anomalies on the tenement and have a strong expectation that we will grow the production profile of the mine in the shorter term.

AngloPacific does have the right to convert any outstanding principal to equity. I expect this is more insurance protection in case we do not pay the royalty. The convertible amount reduces as the principal reduces and, once repaid, the right to convert to equity is foregone. If they convert, the royalty is cancelled so there is no double dipping and it is in my opinion a fair and reasonable and uncomplicated arrangement. Full details are contained in our announcement made on 8 September 2008.

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You referred earlier to your other projects. To what extent have you cut back expenditure on your growth projects beyond Engenho now that Engenho require this additional short-term funding?

CEO John Langford
We have deferred our drilling programmes until around January 2009. This is a disappointment, but we are continuing to do a lot of exploration work in the field and continually enhancing our understanding of the projects. We have not reduced any work in Peru. We have a full operating team there and they continue to make excellent progress.

Frankly it would be an inappropriate business decision to accelerate drilling on other projects when our total focus must be on ensuring that the mine is operating to budget and the Company has established itself in a position from where it can fund all activities from operating cash flow. We expect this to be the case from January 2009.

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Can you outline the various Exploration Targets at your projects? How have you calculated these Exploration Targets? Is the concept of Exploration Target consistent with the JORC Code?

CEO John Langford
In our separate ASX announcement we have provided guidance as to how we are seeing the potential of our asset base and how we are progressing towards a corporate production base of in excess of 200,000 ounces per annum in the medium-term. These are not JORC resources and we have made this clear. These assessments have been made by our technical team based on exploration success to date, regional knowledge and in some cases early modelling of our targets. These are not meant to be resource statements, but we are continually asked for an understanding of the potential of the assets. We have not provided any guidance on exploration targets at the Tocantins project in Brazil as it is too early to judge.

We do now have enough information from Engenho and surrounding targets, Torrecillas and Jaqueira to establish meaningful targets. These do have to be proven through ongoing exploration and development, but they do provide an indication as to how we might achieve our production targets.

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Can you update your project pipeline and corporate growth objectives? Have your growth objectives been adjusted in light of the short-term revisions at Engenho?

CEO John Langford
Interestingly, our recent assessment of the Company's projects has only enhanced our view of our potential. This production hiccup is short-term. It will interrupt exploration for about 4 months, but we are managing a sustainable strategy and we see that the future of the Company remains as robust as ever.

Subject of course to exploration success, project economics and funding, we can see a production profile developing where we have a significant production increase coming from Engenho within 18 months, Torrecillas being developed to production by early 2011 and Jaqueira developing in late 2011. We have not factored any production during this period from Tocantins as these are expected to be developed a couple of years after the other projects. This is consistent with all previous expectations.

We are, and need to be, focussed. We have a lot of work to do, but I am confident from the information I have today that we have the team and the assets to achieve all of our corporate goals. Am I happy that we have had this production interruption? Of course not and, yes, it is somewhat embarrassing, but we have addressed the issue and do not anticipate it being an ongoing issue from the information we have.

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Thank you, John.

For further information on Mundo Minerals Ltd visit http://www.mundominerals.com/ or contact John Langford on 08 9429 8889.

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