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**Mundo
Minerals
Limited**

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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. How do operating parameters at the mine and treatment plant compare with expectations?

CEO John Langford

We recognise that the mining and processing operations remain at early stages, but we are exceptionally pleased with the initial performance of the project. Before mentioning the operational aspects of the plant and mine, I would like to briefly cover the performance of the teams on site as well as our safety culture because we place a great deal of importance on both. Apart from having strong project metrics, the performance of Engenho is a reflection of the competencies we have in these areas.

While Engenho is a compact site and a reasonably compact underground operation, I have never been to a site where, even during the initial start-up period, the housekeeping matters have been as well attended to. There are no tools or equipment out of place nor are there areas which have not been properly cleared after activity. This reflects the diligence of the team and makes us optimistic about the ongoing performance of the project. The attitude of our personnel is enthusiastic and their commitment to the Company is excellent, as it is at all of our projects. At Engenho, we have just exceeded six months without a lost time injury and the only injuries to date have been a strained finger and a cut to an arm.

I am also justifiably proud of the development progress in the development of the decline. During the last two months the mining team have achieved in excess of 400 metres of decline development which we believe anecdotally from other mining companies in Brazil to be a record for development in Brazil. The progress is sensational for any mining team anywhere and they have achieved this without compromising the housekeeping issues associated with operating the mine.

The team is justifiably proud of their achievements and their attitude and diligence reflects well on the project performance to date.

Both the plant and mine are performing well. Since commissioning, the plant has had very little down time because of mechanical break down. As with all commissioning, we had some interruptions while pumps and conveyors were adjusted, which can only be effectively assessed when the plant is operating. Apart from that, performance has been exceptional. The plant is operating approximately 10% above budgeted capacity. Metallurgical recoveries are excellent. In June they were running at over 95% compared to budget of 93% and July is showing a little above 96%.

We poured our initial gold in June. Our gold is refined and delivered to banks under contract by AngloGold Ashanti and they deliver London Metals Exchange specification gold bars to the banks of approximately 400 ounces and 99.9% purity. This completed the first production cycle and demonstrated that we had no technical hitches within the circuit. Subsequently we allowed gold stocks in the circuit to reach optimum levels so that we could ensure proper continuity in the production cycle. This is an appropriate management strategy and is important for the effective long-term management of the project, although it delayed the pouring of additional gold bars for about two weeks. We delivered the next gold to AngloGold Ashanti early July and now have a consistent production cycle and cash flow.

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How is the mined ore reconciling with your resource model? Can you outline the mine development progress so far? What are ground conditions like?

CEO John Langford

We are pleased with the way the mine is reconciling to the ore body model. Of course, the actual shape of the ore body is somewhat different to the original geological interpretation, but we are achieving the tonnes we expect and finding additional ore as we develop.

Most of the work to date has been focused on developing the decline and mining levels to open up the primary ore bodies and allow full production at resource grade. This is normal with all mines and, if planned development is properly completed, bottlenecks can occur which affect the ability to achieve a consistent production profile. As a result, most ore to date has been lower grade development ore; again, this is normal for a new project and the stopping ore in the areas currently being mined has been developed and prepared for mining commencing in late July.

We have been mining ore left in the open pit wall as we've developed the decline below the open pit. Our modelling indicates there is approximately 170,000 tonnes of ore in the open pit wall. The decline has now been developed below the open pit floor and the team is now developing levels to access the primary ore body under the open pit. Access for stoping is well under way and we need to properly develop this prior to commencing stoping. We expect stoping from this area to commence in November and, until then, we have enough ore from the open pit to sustain our production base.

Subsequent to the end of the June quarter, a new ore body was identified providing further confidence in the expectation that additional ore sources will be discovered during the development of the Engenho mine. A number of new ore sources have now been identified and will be developed in accordance with the programmed mining schedule. Initial assays have yielded commercial grade, however at the date of this report, assessment of this ore body remains at an early stage so there is no additional information that is valid for this quarterly report. It is not proposed to make specific announcements with each new ore source apart from normal quarterly reporting as it is believed now that these are part of the general Engenho mineralised structure and within normal expectations of mine development. Notwithstanding this, the identification of these ore sources is most encouraging for the future of the mine.

Ground conditions are excellent and, as mentioned previously, the general housekeeping associated with the mine is superb.

It has been a really focused and busy period and will continue to be, but we have an excellent team and, from what I have seen to date, excellent infrastructure from which to develop the mining operation.

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What are your expectations on production ramp-up and reaching steady state production? What is the decline development and mine scheduling timetable from here on? What about the operating cost structure once you reach steady state production?

CEO John Langford

We expect consistent production from the mine at around 21,000 tonnes per month from August 2008. This is above budgeted productivity and has allowed us to reduce the grade slightly without compromising the production profile. We continue to expect our cost structure to deliver in the mid A\$300 per ounce range at full production, providing a strong cash margin for the operation moving forward.

At the moment our treatment costs are within budget, admin costs are a little below and mining costs a bit above. This reflects the fact that we have accelerated development in the decline. These costs should revert to budget in the next couple of months as we move development back to budgeted expectations. We deliberately advanced development to ensure that we have a number of access options to the ore body, which is a prudent management process for underground mining.

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You've stated that major exploration drilling activities have been deferred until August to allow cash flows from Engenho to be properly established. What level of operating cash flows do you expect from Engenho once production is fully established? What is the size of the temporary bank facility and what is the maximum level you expect to draw it to?

CEO John Langford

We stated earlier this year that Engenho should produce an annualised EBITDA of approximately A\$17 million per annum at a gold price of US\$750 per ounce. We remain comfortable with those parameters at this stage of the project's development. The gold price has appreciated, as has the Brazilian currency, but we are comfortable with the robustness of the projected financial performance of the project at budgeted production.

We have established a temporary overdraft facility of A\$2 million. This will provide buffer finance while consistent cash flow is established in the early stage of production where operating costs are paid while we are waiting for revenue from the sale of the gold. This is temporary while we establish a robust cash surplus. In addition to operations, we are maintaining our development activities in Peru and, while we are not currently drilling, the exploration team remains active. Finally, we have normal administrative costs to service. We expect to maybe draw down the overdraft to \$1.5 million for a few days in the next couple of months to cover some short term operating expenses until the proceeds of gold sales arrive in our bank account. We are comfortable with the financial management of the Company.

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What capital expenditure and exploration activities are continuing across the Company? What exploration or development activities have been suspended? Do you remain as enthusiastic about the potential for additional ore sources around Engenho?

CEO John Langford

On exploration expenditure, we have always stated that we manage Mundo Minerals in accordance with prudent management practice to ensure the longevity of the Company. As with any start-up business, it is essential that tight financial management is maintained. This includes ensuring that we establish a strong understanding of the financial parameters of our initial cash flow operation before committing to other expenditure.

The reduced exploration fits appropriately into our strategic approach in any event. We had announced previously that we would be deferring drilling at our new gold discovery at the Conceição project while a complete data review was undertaken and that we would be spending time establishing the logistics for initial drilling at our new Jaqueira project. Both these activities were scheduled for this period in any event. We expect to be drilling at Conceicao and Jaqueira in early September.

At Conceição our data review is progressing well and we are developing a good understanding of the structural profile of the mineralisation. We have now encountered visible gold in eight drill holes within the main mineralised zone. From an initial review, the structures appear to be cigar-like and it appears from the modelling that they could be developed through open pit mining. The next phase of exploration at Conceição will be to focus on resource definition to allow us to progress to the feasibility stage.

We are continuing our development and evaluation programme in Peru and have done a small amount of drilling on one of the other tenements at our Tocantins project. We are about to start developing one of the mineralised veins at Torrecillas while we continue to develop out to the high-grade vein structures known as Ady. This is the next phase of our project assessment and will produce valuable mining and production information as well as developing confidence in the resource model. Work to date has mainly been establishing the exploration decline, but we are now getting to the business end of the project assessment.

We have previously provided information regarding strong initial success from soil sampling and mapping around the Engenho tenements and we have recently completed in-fill soil sampling around the Mazoca anomaly, which is located approximately 750 metres to the north of the Engenho ore body. We are waiting on assays before we can finalise an initial drill program to test the anomaly. The success of the soil sampling has resulted in an expansion of our exploration targets at Engenho and we have had to change our focus from planning to test a single anomaly to treating the Engenho Project both as one of our priority exploration assets, as well as a significant source of cash flow. This entails greater planning, but our assessment of the exploration potential of the tenements has also been significantly enhanced.

While we may not be drilling a lot of metres at the moment, the exploration focus has remained exceptionally busy.

Finally, on capital expenditure, we have recently acquired a second Jumbo for Engenho. This was commissioned in early July and will assist with developing the decline.

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Can you summarise the more exciting projects for Mundo Minerals as you progress a pipeline of projects?

CEO John Langford

Frankly our biggest problem is not where to source new projects, but how to deal with our current opportunities. As of this moment, we expect to develop production from all our projects. Notwithstanding this, we need to do the exploration work to prove the potential, but all projects are showing great promise.

We have always stated that in order to develop sustainability by growing our production profile we need assets in each of the different stages of production, development, assessment and exploration. We now have production occurring at Engenho, Torrecillas is at the project assessment stage and, over the next 12

months, should move into the development stage. Conceição is still at the exploration stage, but in the next six months we expect it will move to assessment. And we expect to assess Jaqueira within a relatively short time frame. Engenho exploration is exciting, but needs the work done systematically and we have not touched on the fact that we have over 196,000 hectares at Tocantins that will feed exploration opportunities for many years. This is highly prospective and Conceição covers only a small fraction of this tenement holding.

To summarise, we have enormous potential – rather like a teenager going through puberty. We have growth spurts that keep expanding our potential and an appetite that needs controlling. We have a cash flow to feed the appetite but, more importantly, we have the discipline to manage our growth to maximise our potential and not squander the enormous opportunities we are so fortunate to have within our asset portfolio. This is further complemented by our committed and highly professional team.

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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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