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**Mundo
Minerals
Limited**

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Mundo Minerals Limited (ASX code – MUN) is about to commence development work at the Torrecillas gold project in Peru as part of assessing the resource potential of the project. Previously, Mundo Minerals has suggested that Torrecillas has a potential resource of around 500,000 ounces. Does this remain a realistic target or, if the Company has altered its expectation, can you explain the rationale for the change in focus?

Michael Schmulian, Managing Director South America

The 500,000 ounces was a conservative figure and we now believe there is a potential resource of in excess of 1 million ounces because of the likelihood of the vein systems continuing at depth.

We've completed a detailed re-evaluation of all our data. This included previous surface sampling, which we've expanded considerably, studying the geometries of the known mineralised ore shoots in the Torrecillas mine itself and other satellite veins, plus our drilling. We believe the total strike length is more than 6 kilometres of veins and part of the vein system lies under cover so we believe it will be more than that. We estimate that around 30% of the total vein strike will be economically mineable at an average grade of 20g/t and assuming an average width of 40cm. Based on these parameters, we calculated the original resource potential of 500,000 ounces to a depth of 200 metres vertical.

However, we know that the vein systems in the region extend to significant depths. Two or three other mines in the region are mining as deep as 800 metres. Directly along strike from our property, on the adjacent property, there is a considerable drop in the topography and the direct extension of our vein system is exposed 800 metres lower down topographically. This gives us a very strong indication that our vein system continues down to at least 800 metres vertical which would give a potential resource of around 2 million ounces doing a simple extrapolation - and we expect the veins to go even deeper than that.

We have therefore revised our estimate of resource potential to at least 1 million ounces, but we believe that is still conservative based on that extrapolation. We'd expect around a 60-70% conversion to reserves.

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You will be commencing a decline development. How does the cost of the decline development in Peru compare with development costs experienced in Australia? How will you be accessing the vein structures and how long do you think it will take to access the mineralised zones?

Michael Schmulian

I'm not totally up to date with Australian costs, but I understand they are in the region of around A\$4,000 per metre of decline development. We have signed a contract for US\$760 per metre for our decline development, which is around 25% or less compared with Australian costs. We carried out a detailed comparison of doing the development in-house against using contractors and concluded that the contractor rate was very reasonable.

We will be accessing the veins from both the new decline, which should take about six months to reach the fresh vein structures, and from the existing workings. We'll be able to start development from the existing workings immediately within the next week or so at a fairly modest production rate.

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What is the possibility of expanding the potential ounces at Torrecillas beyond the level you've just outlined? What is the potential for regional expansion beyond the tenements you currently own?

Michael Schmulian

Part of the vein systems lie under cover, with probably about 30% of the total ground covered by younger rocks, so there's certainly potential to add another 30% in the covered portions of the veins. There is also down dip resource potential because we think these systems will extend beyond the 800 metres to 1,000 metres or deeper. In addition, we believe the assumption of an average mining width of 40cm could be quite conservative because it appears that, as we go deeper, most of the veins become wider and this could provide a significant increase in production if it proves to be the case.

We believe the Torrecillas ore system is a major system with the potential to sustain two or three decades of mining from both the existing known vein system and additional veins that go under cover. I mentioned earlier that our vein system

extends onto the adjacent property and we would look to perhaps do a deal with the owners in the future.

More broadly, we see Torrecillas as the first step in establishing a significant mining presence in Peru. We're aiming to establish a major mining camp around Torrecillas and then in others regions of Peru. Peru is a very fertile region for a medium-sized gold producer. The region is ideally suited to a company with production aspirations of around 50-100,000 ounce a year and, although it will only be possible to have a few years of reserves at any one time, these types of deposits will sustain production over the long term.

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Is that the scale of development you envisage at Torrecillas given the increase in potential ounces you have just outlined? What annual development would that entail?

Michael Schmulian

Yes, we're aiming for annual production at Torrecillas of around 50-100,000 ounces. We've estimated the lower end of that range would require 1,600-2,000 metres of annual development. The cost of that development is relatively cheap at only around US\$20/oz. We would envisage that we would replace our annual reserves through underground development with very little drilling, so that the US\$20/oz essentially covers both the exploration and ore development costs.

As we develop the vein systems, we will get a better feel for the geometry of the ore systems and the areas which are more mineralised. So we won't have to develop all the veins on each level and the degree of the capital intensity will reduce as we go deeper.

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You are moving to first gold production from your Engenho Gold Project in Brazil. How is this progressing? Are you still on target for production to commence in March 2008?

Michael Schmulian

It's progressing extremely well and everything is on schedule. One of the key items was the tailings dam which we needed to essentially have excavated prior to the wet season beginning in late October and we've done that. The site earth works are complete, foundations are currently being put in and over 60% of the plant and processing equipment has been acquired. We have located, and are in the process of buying, all the mining equipment.

At this stage there are no major concerns. We're on schedule for mining to commence in October and we anticipate we will be commissioning the plant probably early March 2008 with the first gold pour before the end of the March quarter.

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During the last Open Briefing® you mentioned an additional anomaly on your tenements - Mazoca - and the fact that this had similarity to the initial anomaly

that led to the discovery of the Engenho ore body. What is the programme to further explore the Mazoca anomaly and what timeframe do you have to commence this additional exploration work?

Michael Schmulian

We will do some infill soil sampling first and widen the area of the original survey undertaken by AngloGold. The Mazoca anomaly was confined by the area of the survey on its eastern and western limits. The soil sampling has commenced and we should have the results back in a couple of months. We will then commence drilling Mazoca by probably late October.

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Have you formed an opinion on any additional exploration potential on your Engenho tenements? What activities are planned to test this potential?

Michael Schmulian

Using the data we inherited from AngloGold–Ashanti, we have located two or three other anomalies away from the immediate Engenho ore body. We will follow a similar programme of infill soil sampling and extension of the soil programme to better define these anomalies. They will then be drilled in a systematic way, probably immediately after we complete the first phase of the Mazoca drilling. We plan to use one drill rig and we will prioritise the targets including Mazoca.

We've also identified immediate extensions to the Engenho ore body along strike, but the drilling access to these potential extensions from the surface is not good and the current thinking is to drill them from underground. That drilling will probably not take place until the second half of 2008.

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What is the potential in the medium term to expand the annual production profile from Engenho beyond the current budgeted production of around 30,000 ounces per annum?

Michael Schmulian

The potential to increase that initial production target is extremely good. Firstly, from potential new deposits such as the Mazoca anomaly and other satellite positions and also from the immediate extensions to the Engenho ore body at depth. Secondly, there is the possibility of producing at a higher annual production rate from the current known resource. The current production target is based on mining 30 vertical metres a year, but we believe that - as we develop our mining method, understand the ore body better and develop greater skills within our mining team - we can increase that to at least 45 vertical metres a year, which is now fairly standard in Australia. That means that, just from the Engenho mine, there's potential to increase production by up to 50% and if we include the potential additional satellite ore bodies, there is potential to go to at least 60,000 ounces per annum.

How will we treat that ore? Although the existing plant has a nominal capacity of 195,000 tonnes per annum, we believe that it could process 250-270,000 tonnes a

year without any modifications. We've also designed the plant so that we can add additional capacity of around 75-100% without significant capital investment.

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Mundo's third project; Tocantins in Brazil is a JV with IAMGOLD. You are soon to commence a diamond drilling programme as a follow up to recent RAB drilling. What is the programme? When do you expect to confirm the potential of that area?

Michael Schmulian

The diamond drilling programme is for around 40 drill holes totalling just over 6,000 metres. The programme will commence soon with the rig probably on site next week and it will take until around March 2008 to complete. We're expecting to drill each hole to a maximum of 150 metres. The programme is designed to test all the anomalies over the entire 1.5km strike.

We expect to define a resource, mainly in the inferred category, at the completion of the programme and at that stage we will have a very good idea of the potential of that particular lease. Based on what we've seen from the RAB drilling, we're targeting a potential resource of in excess of 600,000 ounces down to about 120 metres, which is open pitable.

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Given the large tenement area that you have at Tocantins, could you elaborate on the broader exploration potential from this region and Mundo's objectives from exploration?

Michael Schmulian

Bear in mind that my previous answer covered only one lease within the very large area that we control and we will be continuing to explore the rest of the belt at the same time. We set ourselves a resource target of 400-800,000 ounces in each deposit discovered on the joint venture tenements for the entire region and we could possibly exceed that with this drilling on the first lease.

Looking across the broader Tocantins region, we have identified between four and six very strong exploration targets which we believe have equal potential to the lease we are currently drilling. Our expectation would be to start developing resources on perhaps four of those targets within a 2-3 year timeframe. Once we get into full production we aim to be sourcing ore from between four and six mines and processing it at a central plant. As I've said, much of the area is essentially unexplored or under-explored. We have identified strong geochemical anomalies which are just as good as the one covering the lease that we've drilled. These are completely untested and we will systematically drill them.

At this stage the likelihood of finding multi-million ounce ore bodies is fairly low and that's why the area hasn't attracted the major mining companies, but we also believe that the potential of finding a number of 0.5-1 million ounce ore bodies is extremely high.

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In light of the upgraded potential at Torrecillas and the forthcoming exploration programmes at Engenho and Tocantins, have you revised your Company-wide production targets?

Michael Schmulian

Yes we have. We're targeting annual production of 50-60,000 ounces at Engenho, 70-80,000 ounces at Torrecillas and perhaps even 100,000 ounces there, and potentially at least 150,000 ounces from the Tocantins mining camp. Total annual production for the Company is potentially well in excess of 250,000 ounces - just from the areas we're currently working on at the three projects. We see upside not only at our existing tenements, but also we see abundant opportunities in Peru and Brazil and in South America in general.

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What other corporate objectives do you have in addition to developing the three projects? What is a longer term production target?

Michael Schmulian

Within a 4-5 year timeframe, we could expect to have a resource base that could sustain 400,000 ounces of annual production. We see all our current projects as 10-20 year assets and we will build on those to establish a strong South American mining house with additional long life assets.

I see Peru in particular as very promising. There are a number of opportunities to do deals with the many North American juniors exploring there. We have a strong business development strategy. Up until now we've been focusing on establishing our initial position in the country at Torrecillas, but we are now becoming proactive at looking at other opportunities. Peru and Brazil remain our focus, but within the next twelve months we would expect to have identified other opportunities for production in the short term in South America.

However, the main priority is to continue to explore and develop our existing assets to reach, and sustain, our target production over the long term.

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Thank you Michael.

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

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