

Mundo Minerals Limited

Securities Exchange Announcement – 8 September 2008

Engenho Production Update, Funding Facility and Project Resource Development

KEY POINTS

- Short-term production schedules at Engenho revised following reinterpretation of a small portion of the upper open pit wall resource currently being mined.
- Full production of 34,000oz pa now expected by end of 2008.
- Integrity of main Engenho ore body reinforced, with underground stoping to commence in November 2008.
- A\$4 million funding arranged to provide short term cash flow buffer and facilitate ongoing exploration plus working capital.
- Exploration Targets established for new Crista and Olhos anomalies at Engenho, and for Jaqueira and Torrecillas Projects.
- Current review of Mundo Minerals' assets underpins potential to achieve targeted production of +200,000 oz pa within five years.

Mundo Minerals Limited (ASX: MUN) today announced a revised short-term production schedule for its 100%-owned **Engenho Gold Mine** in Brazil following a review of the remnant resource currently being mined within the existing open pit wall.

A previously interpreted high-grade zone within the upper portion of the Bola ore body in the open pit wall has been downgraded after development access was established. This has resulted in a small reduction of 8,000 ounces from the previously announced 283,000 ounce resource, most of which lies underground beneath the open pit that was mined by the previous owner of the Engenho Project.

While not significant in the broader resource or the overall Engenho mine plan, this reduction in ounces affects short-term production from the area currently being mined. This will result in a lower than anticipated production from Engenho until November 2008, when full-scale underground stoping is scheduled to commence from the main Engenho underground ore body.

As a result, the ramp-up to full annualised production of 34,000 ounces is now expected to be completed by the end of 2008. Production for September and October is expected to be approximately 2,000 ounces and for November 2,400 ounces – compared with the average expected production of approximately 2,800 ounces per month.

The overall performance of the Engenho operation since commissioning has been excellent, with metallurgical recoveries continuing to exceed 95% (averaging 95.3% since production has commenced) and mine development including ground conditions continuing to be excellent.

Mundo Minerals Limited

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Board of Directors

Non-executive Chairman:

Barry Eldridge

Chief Executive Officer:

John Langford

Managing Director – South America:

Mike Schmulian

Non-executive Directors:

Brian Hurley

Rob McKenzie

Senior Management:

Chief Financial Officer/Company Secretary:

Joe Mobilia

Joint Company Secretary:

Paul Mason

Mining Manager:

José Antonio Kurcewicz

Metallurgist:

Cesar Sanz

Exploration Manager – South America:

Jean-Marc Lopez

Country Manager – Peru

Sergio Zuniga

Capital Structure

Fully-Paid Shares on Issue:

146.39 million

Unlisted Options on Issue:

2.22 million

The major focus of mine development is now on the ore bodies immediately below the open pit. The ore developed is reconciling well with the previous ore resource model from a structural, grade and integrity perspective. Two underground levels have been developed providing access to the major ore sources and a third is expected to be completed by mid-November 2008, allowing access to sufficient stoping ore to support production at expected levels of around 20,000 tonnes per month from the mine (equivalent to full annualised production of 34,000 ounces).

The ore within the open pit wall was mined as an interim measure while the underground development required to access the main ore body was completed. It is not practical to fast track the development from the decline as this would affect the longer term integrity of access to the stopes, which must be developed in sequence.

In response to this change to the short-term production schedule, the Company has taken immediate steps to ensure that its cash flow position and financial integrity is maintained through provision of a A\$4 million debenture facility, to be provided by the Company's major shareholder, AngloPacific Group.

While disappointing from a timing perspective – given that the reinterpretation affects accessible ore during the formative stages of mine production and, therefore, initial cash flow – some adjustment to production schedules is not uncommon in the start-up phase of gold mines. Understanding of the ore body generally improves as it is progressively exposed and some fluctuation in actual reconciliation against the original resource model is part of the normal business process with gold operations.

From development currently being undertaken within the main ore sources directly under the open pit, the integrity of the ore body has been confirmed and it is not expected that any significant reduction in resource will occur.

A\$4M Debenture Facility

Mundo Minerals has secured a A\$4 million convertible debenture facility from its major shareholder, AngloPacific Group, to provide interim working capital for the period during which production has been reduced. This will fund any working capital shortfall, some exploration activities as well as providing an excess working capital reserve for the company.

AngloPacific Group has agreed to provide the facility subject to the following conditions:

- Mundo Minerals has agreed to grant a net smelter royalty from ore treated through the Engenho treatment plant of 2.5% of revenue from gold derived from this treatment;
- repayment of this facility is to be through payment of the royalty with the loan principle to be reduced by the royalty payments;
- a coupon rate of base plus 2.0% is payable on the reducing outstanding principle each year after the royalties have been paid.
- once the principle has been repaid, the royalty will be payable on gold produced from the treatment facility;
- security is to be provided by a charge over the treatment plant;
- AngloPacific Group will be granted a right to convert any outstanding principle to shares at 35 cents per share at the discretion of AngloPacific Group;
- if the principle is converted to shares, the royalty arrangement ceases;
- the Convertible will be subject to due diligence being conducted by AngloPacific Group, which will primarily consist of a site visit by AngloPacific's Chief Operating Officer; and
- the convertible arrangement will be subject to shareholder approval where appropriate.

Updated Exploration Targets

Following a company-wide review of its resource development activities completed recently, Mundo Minerals has enhanced its strong pipeline of Exploration Targets and emerging production opportunities across its portfolio.

The Directors anticipate that the conversion of these Exploration Targets into JORC Code compliant resources will result in substantial value uplift for the Company moving forward.

In addition to the review of the Engenho ore body, including the Bola ore zone, additional detailed assessments have been undertaken of the recently announced Crista and Olhos anomalies, located immediately north of the Engenho Mine, and of the Company's other advanced gold projects, Torrecillas in Peru and Jaqueira in Brazil.

In accordance with Clause 18 of the JORC Code, it is important to note that no JORC Mineral Resources or Ore Reserves have been established on these tenements and any current assessment remains subject to ongoing exploration work and drilling. The current interpretation remains preliminary and is based on surface indicators, assays from underground channel samples, geological modelling, historical production records (in the case of Jaqueira and Torrecillas) and an assessment of the strike and width assessed from surface expressions.

Nonetheless, the Company's geologists have been able to establish conceptual Exploration Targets* for both the newly identified Crista and Olhos anomalies at Engenho, and for the Jaqueira and Torrecillas Projects, as set out below:

Exploration Target	Tonnage Range	Grade Range (g/t Au)	Prospective Ounces\ '000
Engenho			
<i>Engenho – to 270m</i>	1.9-2.4M tonnes	4-5	244-385oz
<i>Engenho – 270m to 500m</i>	1.3–1.7M tonnes	4-5	167-273oz
<i>Crista / Olhos</i>	2.0-2.6M tonnes	5-6.5	321-543oz
Total – Engenho			732-1,201oz
Jaqueira			
<i>Jaqueira Tenement</i>	1.2-1.5M tonnes	8-10	308-482oz
<i>Other Tenements</i>	0.8-1.0M tonnes	8-10	205-321oz
Total – Jaqueira			513-803oz
Torrecillas			
<i>Torrecillas Vein</i>	270-300k tonnes	18-20	156-192oz
<i>Ady/Oly Vein</i>	0.9-1.0M tonnes	18-20	520-643oz
<i>5 de Novembre Vein</i>	700k-900k tonnes	12-15	270-434oz
Total – Torrecillas			946-1,269oz
TOTAL – Exploration Targets			2,191-3,273oz

Projects associated with the Tocantins Joint Venture remain at a stage where it is inappropriate to establish an exploration target. While these are highly prospective, exploration work is not yet at a stage where appropriate estimates can be attributed to specific targets and the Tocantins Project has therefore been excluded from this table.

* Note: It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information above relating to the exploration target should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

Based on this interpretation and subject to future exploration, it is anticipated that the additional potential resources at Crista and Olhos, together with other potential additional resources including the previously announced Mazoca area, have the potential to support a future increase in production at Engenho.

The development of these Exploration Targets, combined with a recent assessment of the future production potential of the projects within its portfolio, supports the Company's medium term targeted potential production profile of approximately 200,000 ounces per annum.

This assessment is based on current interpretations from the assets and the current status of the projects. These are not based on JORC resources and further exploration is required to confirm the resources before production profiles can be based on JORC resource profiles.

Current schedules anticipate these projects being developed within the next five years, with new projects being brought into production on a regular basis.

Summary

Commenting on the announcement, Mundo Minerals' CEO, Mr John Langford, said: "The short-term revision to our production schedules with the Bola ore body is frustrating, particularly as all of our assets, including Engenho, are progressing extremely well. Underground development, mining and processing are all on track and, importantly, we have every confidence in the integrity of the main Engenho ore body and the overall robustness of the mine.

"Production will be affected in the short term so we have put in place funding to cover all of our operating expenses and to maintain exploration and development activities at Torrecillas, Tocantins and Jaqueira," he continued.

"Our view is that it is important to maintain our momentum in this respect to ensure that shareholder value is not compromised," Mr Langford said. "All of our assets are showing great promise, and we expect to progressively convert these Exploration Targets to JORC Code compliant resources over the next 12-18 months, providing a very attractive pipeline of new production opportunities for the Company."

John Langford Chief Executive Officer

Competent Person's Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Jean-Marc Lopez who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Lopez is employed by Mundo Minerals Limited and is the Company Exploration Manager. Mr Lopez has sufficient experience which is relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Lopez consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

JORC Statement and Exploration Targets

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information above relating to the exploration target should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

Forward-Looking Statements

This release may include forward-looking statements. These forward-looking statements are based on management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Mundo Minerals Limited, which could cause actual results to differ materially from such statements. Mundo Minerals Limited makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.

Background Information

Mundo Minerals Limited is an Australian-domiciled international gold company focused on the exploration and development of a portfolio of advanced, high-quality gold assets in South America.

Mundo is aiming to commence initial production at its flagship asset, the **Engenho Gold Project** in Brazil, by April 2008, laying the foundations for its growth strategy as a mid-tier Australian-domiciled producer focused on small-to-medium sized high-grade ore bodies in South America.

The A\$13 million Engenho Project, which is located in the State of Minas Gerais in Brazil, was previously operated by AngloGold Ashanti Limited which closed it in 2004 after treating some 171,257 tonnes of ore from an open pit through a conventional Carbon-in-Pulp (CIP) treatment facility.

The Engenho Project is forecast to produce at an initial annualised rate of 34,000 ounces at a forecast cash operating cost of A\$325/ounce. This will generate forecast earnings before interest, tax, depreciation and amortisation (EBITDA) of A\$17 million per annum, based on a US\$750/ounce gold price.

Mundo's other assets in South America include the 100%-owned **Torrecillas Gold Project** in Peru and the **Tocantins Gold Project** in Brazil. These projects have the potential to yield multiple resources to underpin the Company's long-term growth.

The Torrecillas Project comprises some 9,000ha of tenements with a history of high-grade gold production in south-eastern Peru, a region which hosts a number of small-to-medium sized gold mines, including the Area, Capitana, Arirahua, Alcapay and Laytaruma operations – each of which have a production range of 25,000 – 80,000oz per annum. An exploration decline is currently being developed to assess the high-grade, narrow vein gold mineralization at Torrecillas.

The Tocantins Project is a joint venture between Mundo (51% interest) and Gamaleira Prospeccao E Geologia Ltda (a Brazilian joint venture between AngloGold Ashanti and IAMGOLD Corporation) (49%). Mundo can increase this equity to 80% by taking any gold resource to a bankable feasibility study. The Tocantins tenements are located in a highly prospective region which includes three greenstone belts with the potential to contain multiple mid-size gold deposits.

Exploration to date has identified significant zones of gold mineralization at Conceição, within the Tocantins Joint Venture. Mundo Minerals has also secured a strategic new gold exploration project at Nova Prata as part of the Tocantins Joint Venture, and is assessing an advanced gold production opportunity at the Jaqueira Project in Bahia State, Brazil.