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**Mundo
Minerals
Limited**

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Date of lodgement: 4-Feb-2008

Title: Open Briefing®. Mundo Minerals. Update on Engenho & Exploration

Record of interview:

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Mundo Minerals Limited (ASX code – MUN) is expecting to commission its Engenho Gold Project (MUN 100%) in Brazil in March 2008. The final capital cost is expected to be A\$13 million and is approximately 21% below the Bankable Feasibility Study (BFS) numbers. What are the risks to meeting that budget? Can you outline the ramp-up schedule? How have you been able to reduce the capital expenditure relative to the BFS? To what extent is the capital expenditure estimate locked in?

CEO John Langford

We see the risks of not achieving our capital expenditure budget as minimal. At this late stage of development all major components of the construction are locked in and costs are known. Any variances will be not significant to the overall budget. As part of our ramp up strategy we commenced mining in November, allowing the development to expose the ore body and a stockpile of ore to be available as soon as the treatment plant has been commissioned. This will enable us to move pretty much into full production immediately. The treatment plant is a straightforward CIL plant and we have the advantage of having had 170,000 tonnes of ore from the mine previously treated when AngloGold Ashanti had the mine, so we know metallurgically that the ore has no complications. This gives us a significant degree of confidence that the commissioning process should not be overly time consuming or complicated.

We have been able to reduce the capital expenditure essentially from two areas. We managed the construction process with an internal project manager who was able to achieve significant cost reductions, for instance by purchasing steel direct

from the manufacturers and then commissioning fabrication, as well as close management of all purchasing etc. We also achieved great reductions through being able to acquire a second-hand mill and second-hand mining equipment which has now been completely refurbished. In many ways it has been like establishing a project in the same manner as could be achieved in Australia in the early 1990's when efficiencies could be achieved.

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Can you explain how other key project variables for Engenho differ from the BFS numbers?

CEO John Langford

We have revised our mine plan and the capacity of our treatment facility is more robust than we anticipated. This has allowed us to increase our forecast mining rate and annual production. While increasing the mining rate effectively reduces the mine life, we are less concerned about this as the orebody remains open at depth and has only been drilled to approximately 230 metres. In addition, we have great exploration targets on the tenement, so we are confident we will not be compromising the integrity of the mine. It makes absolute sense to be taking advantage of the current gold price to bring forward production. Operating costs are about 5% below the BFS expectations. We have undertaken a robust budgeting process and, subject of course to external factors beyond, our control we are confident that these are achievable milestones.

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You have forecast EBITDA from Engenho at A\$17 million per annum. How robust do you expect operating costs to be? What are your assumptions for gold price and currency? What EBITDA could you generate at current spot prices?

CEO John Langford

As mentioned before, our budgeting has been robust. I have personally discussed the operating costs with both our mine manager and metallurgist. Both are confident they can deliver to the budget. We have used a gold price of US\$750/oz for the budget. The A\$/US exchange rate was 88 cents and the A\$/Brazilian Real was 1.57. The exchange rates remain current and the gold price has improved significantly since we prepared the budget – which all adds to the EBITDA.

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Can you put in context the forecast production from Engenho relative to your broader plans for the Company?

CEO John Langford

In context of the broader corporate plan, Mundo has a medium term strategy of developing a sustainable annual production base of around 250,000 ounces of gold. We expect 50-60,000 ounces pa from Engenho (which will be driven largely from the existing mine and anticipated exploration potential from the tenements); 50-70,000 ounces pa are from Torrecillas in Peru (a mine with a proposed mill grade of around 20g/t does not require a significant scale of operation to deliver the proposed production, so we do not see this as a stretch target subject to the success of the current work we are doing); and we hope to deliver about 110,000 ounces pa from Tocantins in Brazil, which is a major greenstone belt. We need to

undertake a strong exploration programme and achieve further success, but the early results from all of our assets suggest at this stage that we can deliver to our targets. These are targets and we do need to do the work so any assumptions are subject to exploration success and not yet based on proven resources, but we are confident that the targets have solid foundations based on the exploration results we are seeing.

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Can you give more detail on the mining progress at Engenho and the reconciliation with the resource model and the implications for the project?

CEO John Langford

Mining has progressed since November on two fronts. We are driving the decline to access the main ore body and we are also progressing with the development of an adit to access approximately 170,000 tonnes of ore that has been left in the pit wall. Ground conditions are excellent and the quality of the mining being undertaken is very high. At this early stage we are extremely pleased with the reconciliation between the resource model and what is being achieved in the mine. We have no reason to anticipate that we will have any issues. Of course it would be foolish to anticipate that the model will be perfect as the mine develops, but we certainly have a high degree of confidence that, should there be any ore losses arising from any reconciliation, these will be replaced from ore exposed and not in the model. Time will tell, but to date we are very happy with progress.

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The Engenho resource is open at depth. What are your plans - and the potential - to extend the resources within the Engenho tenements including the Mazoca anomaly?

CEO John Langford

Development of the resource at the bottom of the current ore body is not our immediate priority. That will just extend the end of the mine plan. The immediate priority will be to test anomalies on our tenement such as Mazoca and test some anomalies that suggest there may be parallel orebodies to Engenho. We are currently undertaking a full mapping and soil sampling exercise over the tenements. We have 711 hectares of tenements and Engenho only takes up 12 hectares so there is a lot of ground to look at. We would hope to be drilling the Mazoca anomaly around April. We won't test the parallel targets maybe for 18 months when we can get appropriate access to drill from underground. Because of the large number of opportunities ahead of us, we have established a dedicated exploration team responsible for Engenho.

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Mundo recently reported two significant drill intercepts from different anomalies at the Conceição target within the Tocantins Gold Project (MUN 51%). You've stated that two separate mineralised zones are developing and are respectively 1.2 kilometres and 400 metres in length. Can you explain what you know so far about the geometry of the structures? What are your plans for Conceição?

CEO John Langford

While Conceicao has been talked about for approximately 6 months, it remains in a reasonably early stage of development as it is a target that keeps developing. We need to do a fair bit more drilling to properly understand the potential, but we feel it has a real chance of developing into something significant. We have achieved some great drilling intersections and the correlation between the drilling and soil sampling is excellent. Towards the latter stage of 2007 we had the rigs working on the 400 metre area, but when we reviewed our strategy in December, it has become clear that the central zone with a strike now of in excess of 2.5 kilometres is where we need to focus to get an understanding of the potential of a resource. The 400 metres region will feed into this larger potential. As such our focus over the next 6 months will be to develop our understanding of this region, the geometry of the structures and the resource potential. While this may sound a little frustrating to some people, we are a focused company and we will drive our exploration strategy to maximise the potential of the asset rather than just driving to deliver short term results. This is an exciting region and we are looking forward to seeing how the potential develops in the forthcoming months.

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During the quarter, Mundo advised its joint venture partner in the Tocantins Project that it would be selecting the tenements that would form the ongoing joint venture. Can you describe your current understanding of the geology of these tenements?

CEO John Langford

Tocantins is really two separate areas. In the northern section of the tenements the gold is associated with quartz while the southern areas, near Conceicao, are Banded Iron Formations. We have selected the tenements that form the current joint venture and we are assessing other regional opportunities, but it is premature to discuss this further.

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The exploration decline to access the vein structure and to undertake development work is advancing at the Torrecillas Gold Project in Peru (100%). What is the timetable and tasks planned before making a decision on whether to proceed to commercial production? When do you expect to decide whether you will proceed to commercial production?

CEO John Langford

At Torrecillas we are progressing with the development of the exploration decline to intercept the vein structure from the decline. At the same time we are developing along existing levels that were developed from previous mining operations. The decline and existing development will connect in the next few months. Once the existing decline has connected with the existing development and accessed the vein structure, the contractors will focus on driving out to another vein system so we can assess a third vein structure while our existing mining team will focus on developing along the vein structure with the view of opening up mineralised structures. This will be the primary focus of work at Torrecillas over the next 18 months.

In the quarterly report we announced that existing development has recently opened up strong sulphide structures on both the 6 and 10 levels and geologically they are projected to join up. This is consistent with what we expect to achieve through this development exercise and represents the type of development success we expect to encounter to enable us to commit to developing Torrecillas as an economic mining operation.

In addition to development work, we will in the next few months start looking at logistics associated with developing a plant on site. The production levels we would expect with the grade anticipated suggest we are not looking at a major treatment facility and we have developed a strong understanding and database for the logistics of establishing a treatment facility from our experience in developing Engenho. We will obviously transpose what is applicable to our assessment of Torrecillas.

We are also looking at mechanical ore sorting which hopefully will allow us to focus on more bulk mining techniques in Peru, rather than the labour intensive approach to mining the narrow veins previously used. Labour costs are low in Peru, but if we can get productivity benefits from bulk mining, there are obvious benefits. We had a small sample of ore tested at an ore sorting laboratory in Germany late in 2007. The initial tests were encouraging and we are looking at sending a larger sample of rock (ore and waste) from Torrecillas to Germany possibly in April depending on availability of the laboratory. This is not a critical path matter, but if we can get the testing done then, we will do so.

All of this is part of the overall project assessment that hopefully will enable us to commit to developing Torrecillas as a commercial mining operation in 2010. At this early stage all is looking promising.

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Can you summarise Mundo's overall project development plans and how you will build the Company? Where do you see greatest value for Mundo shareholders?

CEO John Langford

We have a medium term strategy to develop Mundo as an emerging sustainable gold production company heading towards 250,000 ounces per annum. Our development plan to date is to get Engenho into production in March 2008, hopefully to commit to developing Torrecillas in 2010 and be able to commit to our first project at Tocantins in 2012. At the same time we will be developing the exploration potential at Engenho and seeking to enhance the annual production there. This is an ambitious programme, but from what we are seeing, our assets are showing strong potential to deliver to this programme. We need to do a lot of work to achieve the goal, but in addition to the quality that the assets are showing, we have an experienced technical team located in Brazil and Peru, a good cash position and an emerging cash flow to draw on – and we have no debt or hedging, so we benefit from the evolving gold price we are seeing. This does not take into account new opportunities and that remains the crystal ball. We will however remain focussed and our primary goal is to develop a strong business with appropriate fundamentals. While that may sound boring, shareholder wealth has a strong chance of evolving in a sustainable manner if we take this approach to building our company.

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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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