



Mundo Minerals

September 2010 Quarterly Activities Report

HIGHLIGHTS

Engenho Gold Mine, Brazil (100%)

- **September Quarter gold production of 5,614oz at a cash cost of A\$876/oz** with most key production KPI's and development budgets achieved.
- **EBITDA of A\$2.44M** delivered for the Quarter from the Engenho underground operations.
- Work progressing towards **development of the new Crista open pit** and **upgrade of the Engenho treatment facility** well advanced to accommodate Crista ore.
- Continuity of **Olhos zone of mineralisation** confirmed which **now has a strike of over 400 metres** and remains open to the north and south.

Torrecillas Gold Project, Peru (100%)

- **September Quarter gold production of 960 ounces from trial mining at an average grade of 15.81g/t.**
- **Cash costs of US\$637/oz** for the 9 months to date.
- **EBITDA of A\$0.36M** delivered for the Quarter from Peru trial mining operations.
- New mineralised zone at Torrecillas vein now extended to **22 metres of mineralisation with an average width of 0.69 m and an average grade of 45.52g/t.**

Tocantins Gold Project, Brazil (51%)

- Mundo Minerals **confirmed as having earned its 51% interest** in the Tocantins Joint Venture following an audit by the Joint Venture Partners.

Corporate

- **New Chief Operating Officer Mark Zeptner** commenced with the Company on 25 October, joining recently appointed **Brazil Country Manager, Sergio Cardoso.**
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Engenho Gold Project, Brazil (100%-owned)

Gold Operations and Production

Gold production for the September Quarter was **5,614 ounces** at an average cash operating cost of **A\$876/ounce** (June 2010 Quarter: 5,148 ounces at a cash operating cost of A\$862/ounce). The production profile from the Engenho underground mine was stable and consistent with projected mine plans.

Our cash costs remain stable and are expected to continue at these levels until the economic benefits of the Crista open pit are realized when additional ore deliveries commence. The delivery of Crista ore has a number of positive benefits. It will:

1. introduce higher grade ore to the mill;
2. allow the ore to be treated at largely incremental costs;

3. amortise fixed overhead costs over a larger tonnage and ounce base; and
4. deliver expected substantially reduced unit costs.

Gold production was slightly below the Company's original budget for the Quarter, mainly due to scheduled interruptions to the treatment plant's processing operations while some upgrades were undertaken in preparation to receive ore from the emerging Crista open pit development.

Work on these upgrades – which included activities at the crushing facility and around the plant – progressed ahead of schedule, enabling some work planned for the current Quarter to be undertaken and resulting in some additional plant down-time. The mining operation delivered to expectations in most key performance indicators.

Production statistics for the September Quarter compared to previous Quarters in the 2010 calendar year are shown in Table 1 below:

	Calendar 2010		
	Q1	Q2	Q3
Ounces produced	4,281	5,148	5,614
Grade	3.24	2.92	2.9
Recovery	93.60%	93.60%	93.30%
Mine Call Factor	96%	93%	95%
Tonnes Mined	50,098	62,253	58,331
Cash Costs \$R	1,290	1,383	1,402
Cash Costs A\$	789	862	876

Table 1: Key Metrics

Financial Performance

Revenue for the Quarter was A\$7.5 million with the Engenho underground operation generating earnings before interest, tax, depreciation and amortization (EBITDA) of A\$2.44 million for the three-month period. The average gold price received for the Quarter was A\$1,332 per ounce.

During the Quarter, the Company's new financing facilities in Brazil were put in place through the Banco do Brasil. These facilities totaled A\$6.25 million at prevailing foreign exchange rates. At Quarter end, A\$3.5 million of these facilities have been drawn with the proceeds used to replace the Company's previous overdraft and fund the expansion of the Engenho processing plant to accommodate Crista ore.

Safety

During the Quarter, the Engenho gold project achieved a new lost time injury (LTI) safety record of 347 days without a lost time injury. This is a commendable achievement for an underground mining operation and a reflection of the focus of the safety team and strong commitment of the mine operating team to general safety. Since the commencement of mining operations at Engenho there have not been any significant safety issues.



Crista Open Pit Development

During the Quarter, work was focused on upgrading the treatment facilities and managing the approvals process for the Crista open pit. At the date of this report, the only outstanding approval was the haulage road which is now at the final stage of approvals. Agreement has been reached with AngloGold Ashanti for the acquisition of land to be used for the waste dump.

Engenho Mill Upgrade

Excellent progress was made during the Quarter on providing the additional milling capacity required to treat Crista ore.

At the end of the Quarter, remaining work to be completed was essentially final work on the mill and steelwork associated with the two additional tanks being installed on the CIP circuit.



Approvals

All documentation required for the approvals associated with the Crista open pit development has been lodged with the relevant authorities and the approvals process is proceeding in accordance with the expected timeframe.

These approvals include the design of a new tailings dam to provide longer term capacity once the current capacity has been utilized and construction of the haulage road to allow ore to be transported between the open pit and the treatment facility, a total distance of approximately 4.2km.

All landowner agreements have been negotiated to provide access for construction of the haulage road and to enable mining to commence.

Olhos/Mazoca

During the Quarter, the Company’s exploration focus at Engenho remained on the Olhos/Mazoca area, located adjacent to Crista, which continues to emerge as a potentially significant new larger mining area.

A total of 240m of auger drilling was undertaken at Olhos North and Olhos South (holes QOT-10-082 to QOT-10-107) as part of an in-fill campaign to check the depth and continuity of the mineralization (see Figure 1 for drill hole locations and table of significant results below).

These results show the continuity of mineralisation at depth and are very encouraging as the reconciliation to surface exploration work is very good. The mineralization is hosted in a quartz-sericite schist with more quartz-rich lenses with oxidized sulphides (pyrite). The concentration of sulphides is approximately 30%.

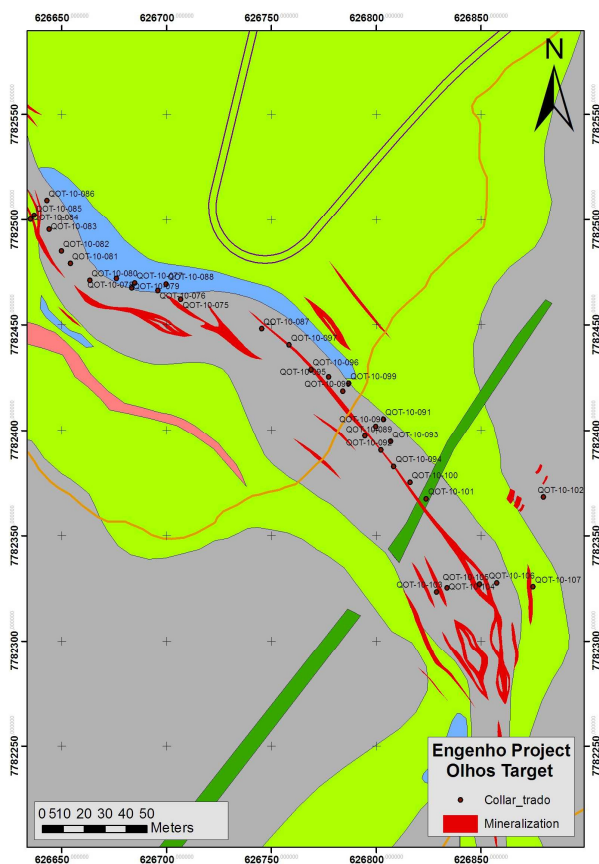


Figure 1: Location of Auger Drill Holes

Drill hole	Northing	Easting	From	To	Composite Au (g/t)	Target
QOT-10-075	626706,74	7782462,13	1,00	2,00	1.00m @ 2.42 g/t	Olhos North
QOT-10-076	626695,73	7782466,18	5,00	10,00	5.00m @ 1.92 g/t	Olhos North
QOT-10-077	626684,84	7782469,87	4,00	5,00	1.00m @ 1.37 g/t	Olhos North
QOT-10-079	626683,30	7782467,44	6,00	9,00	3.00m @ 4.11 g/t	Olhos North
	626683,30	7782467,44	17,00	17,70	0.70m @ 1.28 g/t	
QOT-10-080	626662,21	7782469,88	3,00	5,00	2.00m @ 3.30 g/t	Olhos North
QOT-10-082	626649,88	7782484,91	5,00	7,00	2.00m @ 2.36 g/t	Olhos North
QOT-10-083	626643,92	7782495,36	9,00	10,00	1.00m @ 4.40 g/t	Olhos North
QOT-10-084	626635,12	7782500,17	2,00	6,00	4.00m @ 4.56 g/t	Olhos North
	626635,12	7782500,17	7,00	8,00	1.00m @ 1.31 g/t	
QOT-10-085	626636,81	7782502,05	8,00	9,00	1.00m @ 3.22 g/t	Olhos North
QOT-10-086	626642,89	7782509,18	6,00	7,00	1.00m @ 2.79 g/t	Olhos North
QOT-10-087	626745,31	7782448,24	6,00	10,00	4.00m @ 2.69 g/t	Olhos North
QOT-10-088	626699,65	7782469,35	10,00	14,90	4.90m @ 2.70 g/t	Olhos North
QOT-10-089	626794,43	7782397,29	5,00	6,00	1.00m @ 1.21 g/t	Olhos North
	626794,43	7782397,29	7,00	8,40	1.40m @ 3.71 g/t	
QOT-10-090	626799,63	7782401,97	2,00	4,00	2.00m @ 1.89 g/t	Olhos North
QOT-10-092	626802,13	7782390,60	2,00	5,00	3.00m @ 4.02 g/t	Olhos North
QOT-10-098	626784,03	7782418,76	1,00	3,00	2.00m @ 2.10 g/t	Olhos North
QOT-10-099	626786,87	7782422,38	11,00	13,00	2.00m @ 2.79 g/t	Olhos North
QOT-10-103	626828,80	7782323,40	1,00	2,00	1.00m @ 4.27 g/t	Olhos South
	626828,80	7782323,40	3,00	4,00	1.00m @ 1.33 g/t	
QOT-10-104	626833,70	7782325,30	1,40	2,40	1.00m @ 9.35 g/t	Olhos South
	626833,70	7782325,30	4,00	5,00	1.00m @ 1.33 g/t	

Several auger holes were drilled in area between Olhos North and South to test the strike continuity of mineralization and the results confirmed the continuity. The best composites were: **3.00m @ 4.02 g/t** (QOT-10-092); **2.00m @ 2.10 g/t** (QOT-10-098) and **2.00m @ 2.79 g/t** (QOT-10-099)

The following figures below are all the cross sections from the Olhos Target showing the drilling undertaken during the Quarter.

Olhos North Target

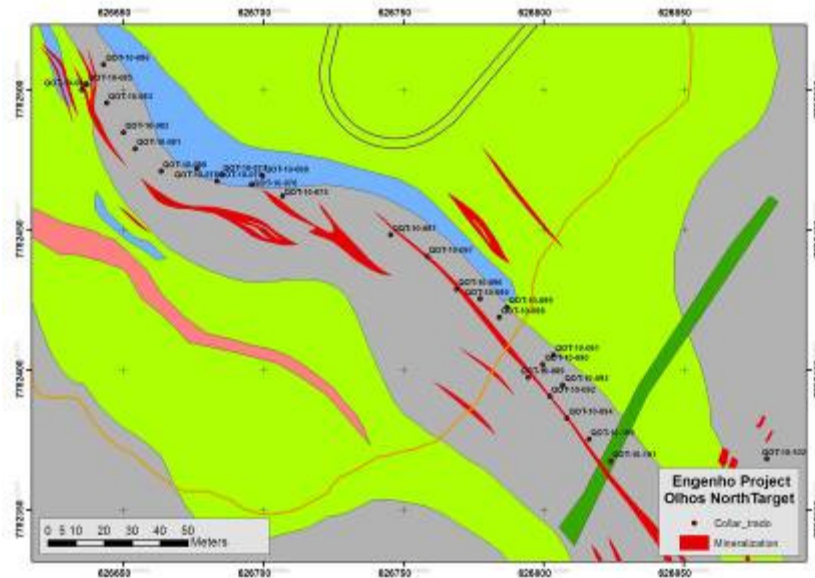
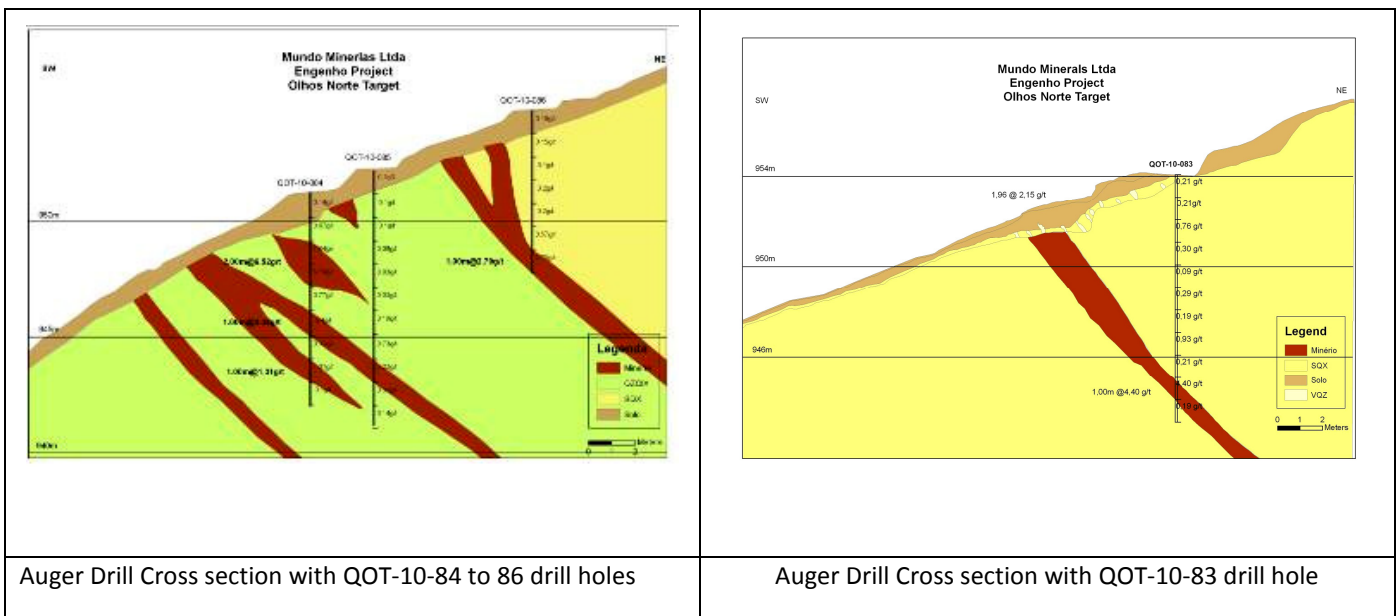


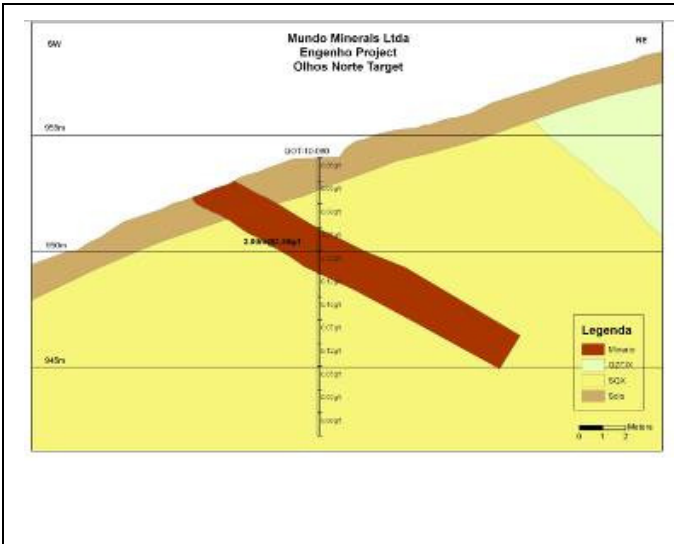
Figure 2: Location of Auger Drill holes at Olhos North Target

Figure 3: Cross-Sections Showing Auger Drilling at Olhos North Target

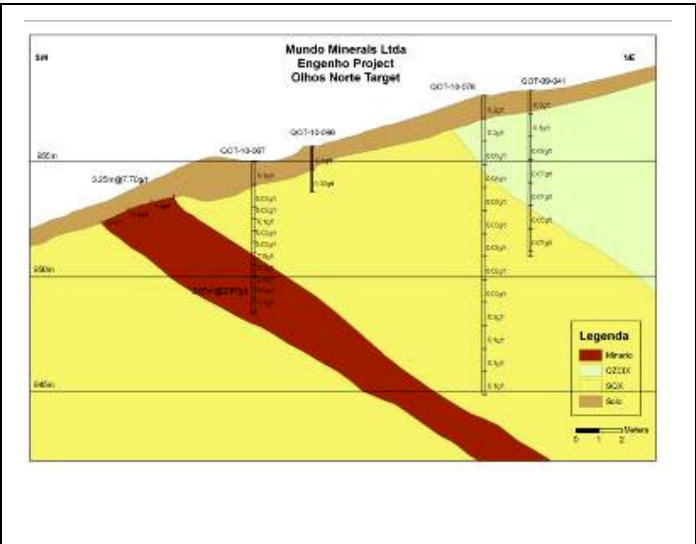


Auger Drill Cross section with QOT-10-84 to 86 drill holes

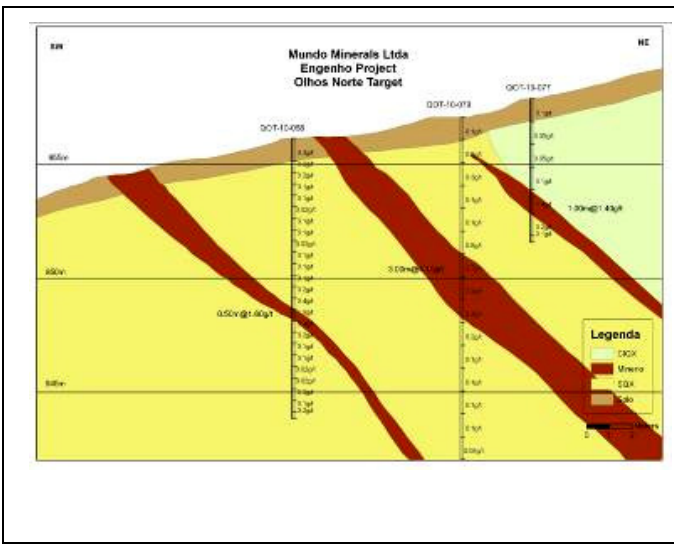
Auger Drill Cross section with QOT-10-83 drill hole



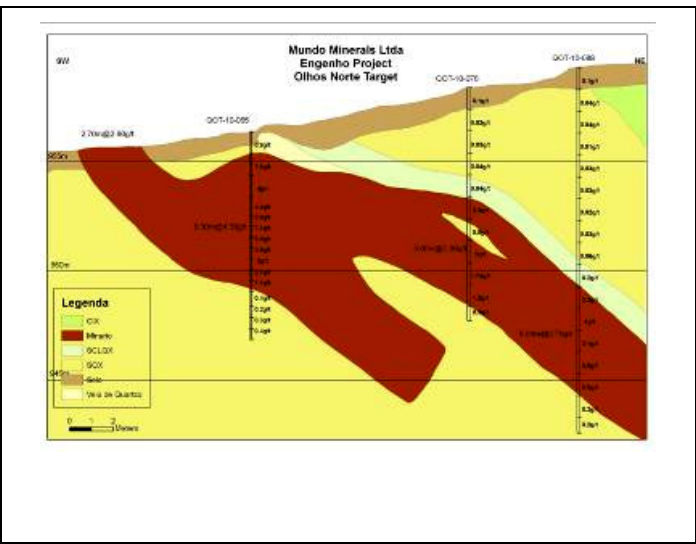
Auger Drill Cross section with QOT-10-80 drill holes



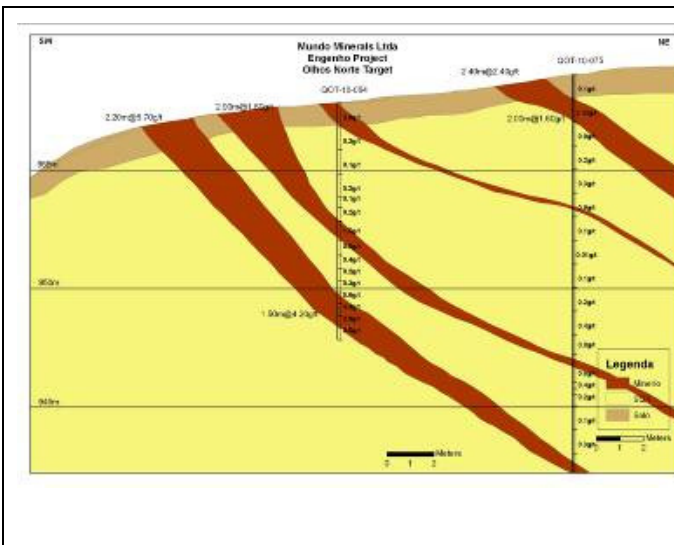
Auger Drill Cross section with QOT-10-67



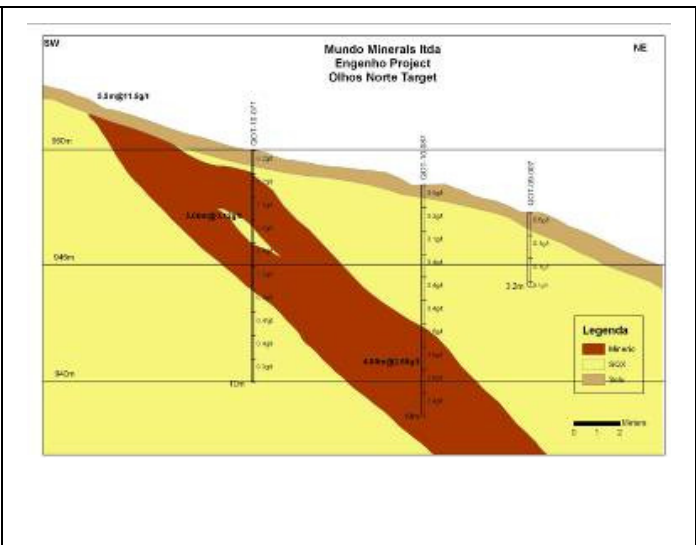
Auger Drill Cross section with QOT-10-68, 79 and 77



Auger Drill Cross section with results QOT-10-65, 76 and 88



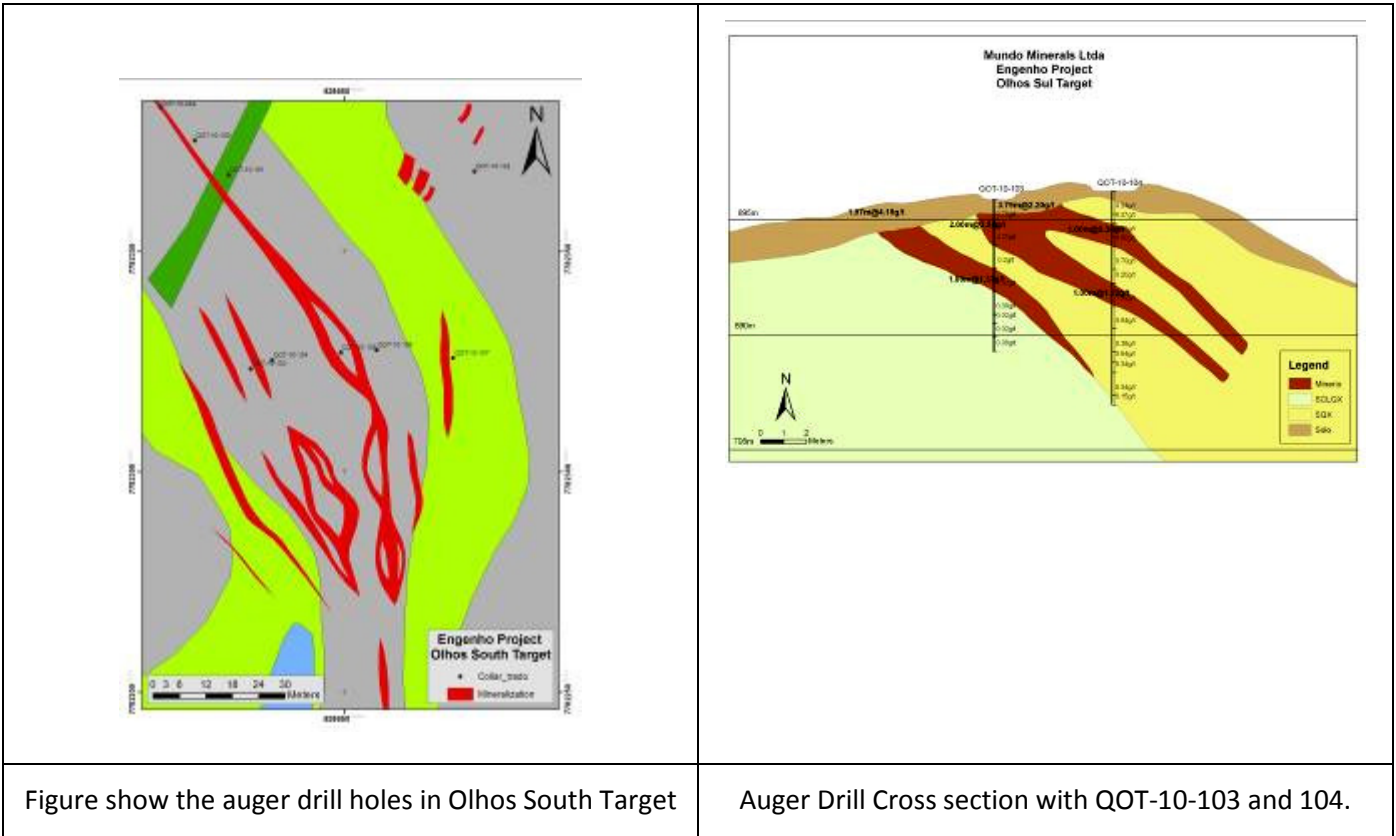
Auger Drill Cross section with QOT-10-64 and 75



Auger Drill Cross section with QOT-10-71 and 87

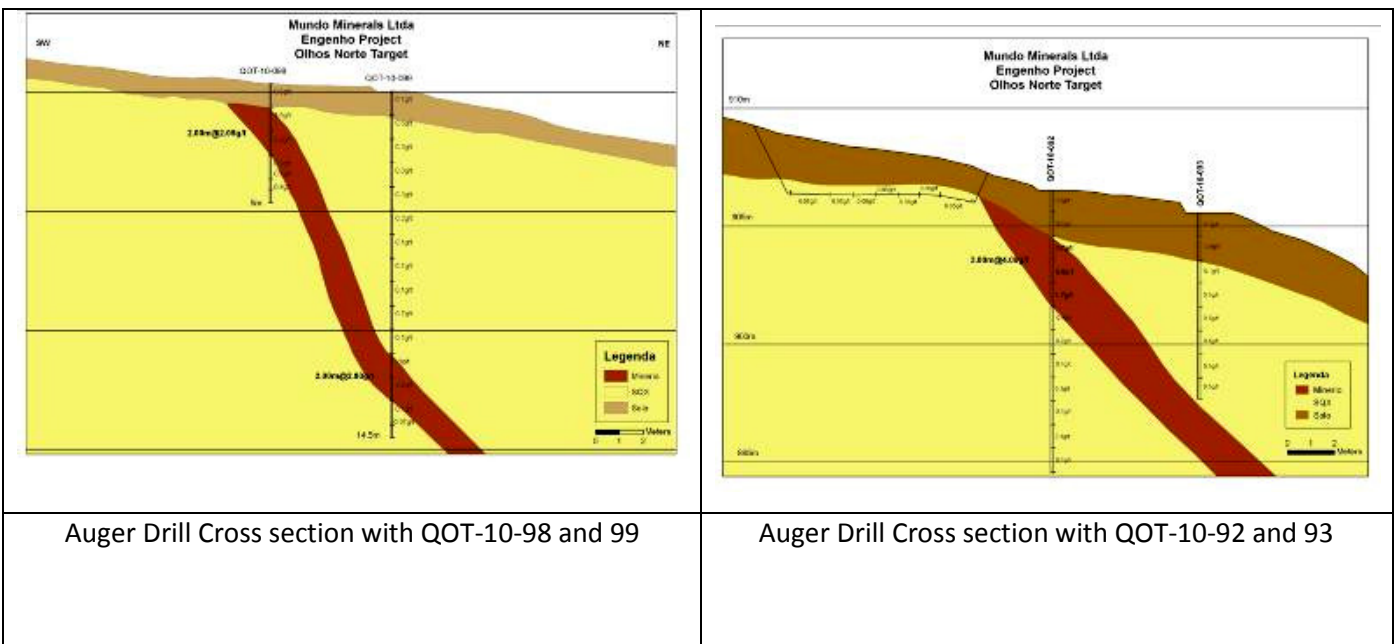
Olhos South Target

Figure 4: Auger Drilling at Olhos South Target



Continuity between Olhos North and South

Figure 5: Cross-Sections Showing Continuity Between Olhos North and Olhos South



Torrecillas Gold Project Peru (100% owned)**Gold Production**

Gold production from trial mining for the September Quarter was **960 ounces at an average grade of 15.81g/t** with production statistics summarized below:

Calendar Year 2010			
	Q1	Q2	Q3
Ounces sold	1,858	1,460	960
Grade	19.73	18.51	15.81

Production and grade for the Quarter was lower than in previous quarters. This primarily reflects a focus shift for the current Feasibility Study from trial mining at the Torrecillas vein to the newly developed veins at 5 Noviembre and Torrechico.

With respect to trial mining on the Torrecillas vein, mining has continued to develop the known mineralized vein structure. Development has also continued to the east of the existing zone of mineralisation where a new ore shoot has been intersected (*as reported to the market in ASX Announcement of 22 October 2010*).

As announced on 22 October 2010, recent trial development work has returned outstanding gold grades. This new ore shoot has been intersected from development work at the 15 Level Gallery 470 East of the Torrecillas vein. Development work has now opened an initial 22 metres of the new ore shoot and is continuing.

Assay results for the initial 22 metres of trial development work have now been received and returned an average gold grade of 46g/t over an average width of 0.69 metres from the newly identified ore shoot identified on the Torrecillas vein.

The table below shows the results of the 22 metres advanced to date.

Table 1 – Updated Individual channel sample results over 22 metres

Vein Width	Metres	0.25	0.20	0.50	0.70	0.85	0.95	1.25	1.10	0.60	0.45
Channel Sample Grade	Au g/t	30.63	40.63	67.26	66.39	40.40	28.78	44.85	33.94	73.46	37.23

Table 2 – Aggregate channel sample results

Average assayed vein width	Metres	0.69
Average grade	g/t	45.52



Fig. 6: Mineralisation of new ore shoot at Torrecillas vein



Fig. 7: Mineralisation of new ore shoot at Torrecillas vein

Vein Assessment 5 Noviembre and Torrechico

Development work progressed during the Quarter along the Torrecillas and 5 Noviembre veins towards the targeted zones of mineralisation.

Vein structures have been intersected on 5 Noviembre with widths of up to 1.5 metres (which is above expectations). While development to date has not intersected the high-grade mineralisation, this is consistent with development work undertaken at Torrecillas, where the structure is generally intersected before the high grade mineralisation is accessed.

The decline development is currently being advanced towards the equivalent of the 10 Level of the Torrecillas vein where initial mineralisation was intersected.

Work has also continued in developing the shaft at Torrechico. Underground drilling designed to locate the vein structure has intersected vein structures and, towards the end of the Quarter, work commenced on developing a cross-cut which is designed to access the vein structures associated with the Torrechico vein.

This vein assessment work will progress over the next few months with the aim of allowing a technical assessment to be undertaken of the vein's potential.

A drilling programme will be initiated in early 2011 to test the vein structures at depth and allow a JORC compliant initial resource to be calculated as part of the Torrecillas Feasibility Study.

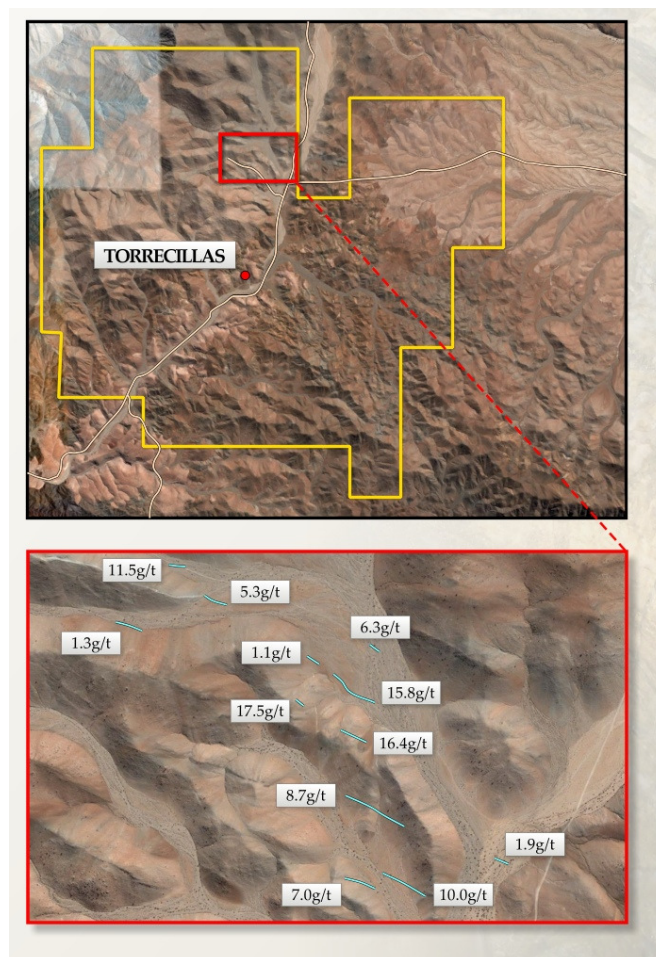
Regional Exploration

A review of historic data has shown excellent potential to identify additional high-grade veins within the broader Torrecillas Project. The areas of interest identified to date lie to the north and east of the Torrechico vein, where rock chip samples of in excess of 30g/t were returned at surface.

Similar results have been identified near the northern tenement boundary where rock chip grades of up to 17 g/t have been found at surface and are shown in the attached schematic.

This work has reinforced the potential of the tenement to host multiple vein structures which will be assessed subsequent to the current Feasibility Study, which is focused on the Torrecillas, 5 Noviembre and Torrechico veins as the foundation for a commercial development of the Torrecillas Project.

Regional exploration will be a focus subsequent to the development of commercial production and will be funded primarily from internally generated cash flows.



Financial Performance

Revenue for the Quarter was A\$1.3 million with the Torrecillas Gold Project generating EBITDA of A\$0.36 million. The average gold price received for the Quarter was A\$1,392 per ounce.

Cash costs for the 9 months to date are US\$637/oz.

Feasibility Study Update

As previously advised, work on the Feasibility Study associated with the Torrecillas Gold Project is progressing in tandem with the trial mining and exploration work being undertaken to assess the vein structures.

A strategy has been developed to locate the proposed treatment plant for the Torrecillas Project near the town of Chala, which is located on the Pan American highway, close to water sources such as the ocean as well as fresh water sources and other infrastructure. The Company has identified and applied for land in this area.

The cost of securing crown land in Peru is not significant and the application for this land is progressing.

In recent weeks, the Company's hydrological consultants have advised that they believe that substantial underground water sources fed from the Andes are able to be located near the mine site. Work has commenced on identifying and assessing these potential sources.

In addition, a major mains power source has been located within 45km of the mine that could feed power to the mining infrastructure. The ability to access this is also currently being assessed.

If these key strategic inputs to the processing cycles are able to be sourced within a reasonable distance of the mine, it is likely that the treatment facilities will be located on the existing mining tenements next to the mine with the obvious benefit of removing transport requirements and potential duplication of management and certain operational roles.

This strategy will be further assessed in the next couple of months and work is currently progressing on potential plant locations.

While locating all key infrastructure items near the mine is emerging as a preferred option, this will be done only if the Company is satisfied that these supplies are sustainable. The grade of the ore from the Torrecillas Project allows the transport of ore to the proposed site near Chala without an unreasonable impact on project economics.

Tocantins Gold Project (51% equity)

During the Quarter, an audit was completed by the joint venture partners in the Tocantins joint venture on expenditure completed by Mundo Minerals. Subsequent to the audit, the joint venture partners have confirmed that Mundo Minerals has met its expenditure requirements to earn its 51% equity in the joint venture tenements.

Executive Changes

During the quarter two new key executives were recruited and have commenced work with Mundo Minerals.

The Company's recently appointed Chief Operating Officer, Mark Zeptner, who has joined Mundo from a senior position with Goldfields Limited, commenced work on 25 October 2010. As part of his initial priorities he will oversee an efficiency audit at Engenho.

The new Mundo Minerals management team has also been strengthened with the appointment of a former AngloGold and Yamana Goldfields executive, Sergio Cardoso, as Country Manager for Brazil. Mr Cardoso has a strong track record of driving production and cost efficiencies in his previous roles managing gold projects in Brazil.

John Langford
Chief Executive Officer

28 October 2010

Competent Person's Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Armando Massucatto who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Massucatto is employed by Mundo Minerals Limited and is the Company's Exploration Manager. Mr Massucatto 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 Massucatto consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.