

The Company Announcements Officer
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The following is an *Inside Briefing* interview with Mundo Minerals Managing Director, Mr Ashley Pattison

In this interview, Ashley Pattison provides an update on South American gold producer Mundo Minerals Limited (ASX: MUN – current market cap: \$27 million), including an overview of:

- recent management and personnel changes and how these are re-shaping the Company;
- the restructuring of the Engenho gold operations in Brazil in response to operational challenges, resulting in a 25% overall reduction in operating costs over the past 12 months;
- the provision of a definitive timetable for development of the new Crista open cut at Engenho and plans to accelerate production once mining starts, resulting in improved economics (current NPV: US\$22 million);
- progress with the Definitive Feasibility Study on the Torrecillas Project in Peru including a major resource drilling program currently underway with five rigs active; and
- the Company's priorities following the \$13 million capital raising completed earlier this year which saw the introduction of a number of leading North American funds to its share register.

Inside Briefing: *You were promoted to the MD position at the end of April 2011. What are your key priorities as MD in your first year?*

Ashley Pattison: Over the past 10 weeks, I've completed a full assessment of the business. This has enabled me to set some very clear priorities for the next 12 months. They are:

1. To build a quality management team both in Australia and South America with the right blend of skills and experience to achieve our long-term objectives.
2. To get our existing Engenho underground operations right, both from a human resources and productivity perspective.
3. To develop the Crista open pit as quickly as possible to realise its substantial cash flow potential.
4. To drill out the nearby Olhos prospect and establish a resource as the first step towards developing a potential third source of ore at Engenho.
5. To complete the Definitive Feasibility Study for the Torrecillas Project in Peru which includes a two-stage development plan that may result in earlier commercial production being delivered from the Torrecillas vein in 2012.
6. To increase our focus on exploration as a company in order to build a sizeable resource bank at our projects in Brazil and Peru that can sustain our longer term growth.
7. To unlock the value of our substantial tenement packages, particularly the very large and very prospective Tocantins Joint Venture in Brazil.
8. To increase the profile of Mundo in investment markets, both in Australia and overseas.

All of these items are currently work in progress, and we expect to see tangible results being delivered in the last Quarter of this year and in 2012.

Inside Briefing: *There has been a lot of change in the senior management team both in Australia and South America over the last 12 months. Can you provide some background on these personnel changes?*

Ashley Pattison: There has been significant change at a number of different levels within the Company, and I will break this down into three categories, as follows:

1. Corporate

Firstly, while we've always had – and will continue to have – a small corporate head office in Perth, we need to have the right financial and corporate capabilities in place as the Company grows and brings additional mines on stream in South America. As we announced to the ASX earlier today, we've been successful in securing the services of Grant Dyker as our new CFO and Company Secretary and Alan Sexton as our General Manager – South America. Both Grant and Alan have a substantial amount of experience with large mining companies around the world and further strengthen the new management team now in place at Mundo.

These appointments are key to enabling Mundo to complete the Definitive Feasibility Study (DFS) at the Torrecillas Project, including financing of the project, successfully developing the Crista open cut in the last Quarter of 2011, and also operating a sustainable business moving forward. All of this builds on the work of the previous CEO, John Langford, who put in place great foundations for this business to realise its true potential.

2. Peru

In Peru, we've bolstered our geology team with the appointment of five new geologists and supervisors to manage the five diamond rigs currently drilling on site as part of the DFS being carried out at Torrecillas. This is in addition to the services of our consulting geologists who are focusing on the near-mine exploration potential around Torrecillas. Our Country Manager for Peru, Mr Sergio Zuniga, retired at the end of May. This has resulted in primary responsibility for Peru being transferred to Mr Eduardo Arenas, our DFS Manager, who will report directly to Alan Sexton once he commences with the Company early next month. The assumption of all responsibilities in Peru by Eduardo is consistent with the current strategies being adopted in relation to the management of the DFS, including the trial mining and production aspects of the Study.

3. Brazil

The Company has completed a major restructuring of its Brazilian operations with a focus on achieving an overall 15% reduction in costs. Unfortunately, this has resulted in 27 employees being made redundant across all levels of the operations, with the majority of the redundancies being corporate and administration overhead positions. This restructure was effective 12 July 2011 and was necessary to ensure the long-term viability of the Engenho operation. The restructure will cost Mundo approximately \$1.0 million over the next four months; however, in the longer term, the program is designed to save the Company approximately R\$250,000 per month in operating costs to the business.

In terms of management philosophy, I should also add that the new management team is placing far greater emphasis on utilising highly skilled, recognised independent consultants to oversee key aspects of the Company's activities. We have already done this through the introduction of Partners in Performance in Brazil to help us streamline the Engenho operations and cut costs. And we will do this in Peru with the introduction of SRK and Ausenco to calculate the JORC resource estimate for Torrecillas and complete the Definitive Feasibility Study. I believe this is a key change for the Company moving forward.

Inside Briefing: Mundo has a lot on its plate at the moment. Can you please provide us with an operational update on Brazil and Peru?

Ashley Pattison: In Peru, trial mining of the Torrecillas vein continues to exceed budget in the current calendar year. Despite a strategy of only conducting remnant mining on the developed levels of the vein in 2011, the diluted grade delivered to the toll treatment plant has remained above 18g/t and production for the June Quarter saw 2,668 tonnes of ore mined compared with 2,272 tonnes in the March Quarter. Gold sales for the June Quarter were 1,544 ounces. The Company changed its toll treatment arrangements in April 2011 and has realised substantial gains from this move. We now receive a better recovery on ore sales and our cost per tonne of ore treated has reduced by around 20% or US\$19 a tonne. The move has also provided the DFS team with valuable technical and metallurgical information for design of our own standalone plant at the Torrecillas operation.

In Brazil, production at Engenho during the June Quarter has remained challenging, as has now been the case for the last 9 months. While the management team has done a fantastic job in reducing costs (now some 25% lower compared with the September 2010 Quarter), grade deterioration in the mine and poor equipment availability has resulted in production targets being lowered by 20-30% from this operation. We have addressed these issues by making changes to our senior maintenance team and adding a second 10-tonne load haul dump machine.

The decline in grade is an issue that we are still trying to get a better handle on. At this stage, we believe that the mine has a limited remaining resource although, due to the lack of in-fill or exploration drilling since 2009, we still need to do some work to quantify this. We have recently completed a 1,000m in-fill diamond program to gain a better understanding of the areas that we are currently mining and plan to mine during the rest of 2011.

The results of this program are still being evaluated and a new resource model is being constructed in conjunction with our consulting geologists for release in the December 2011 Quarter. A positive aspect of the in-fill drill program is that we have intersected two additional parallel ore bodies in the underground (195 and 199 ore bodies) that were seen in the early stages of mining but were thought to have disappeared.

Although it is too early to say how important this discovery could be for the future operation, it's certainly an exciting development that requires immediate follow-up. An additional 1,200m of diamond drilling has been approved in July 2011 to assess the potential of these ore bodies in more detail and also target deeper drilling in the underground to support the 2012 budget process. The first of two rigs is due back on site by the end of July 2011.

Our optimization program in Brazil in conjunction with Partners in Performance has been in place now for seven weeks and has delivered tangible production and cost improvements. More importantly, the program has implemented a solid foundation for the Brazilian management team to run the Engenho operation into the future and provided them with more effective management tools. Our strategy today remains focused on Engenho covering all overhead costs in Brazil until such time that we can realise the benefits and efficiencies of mining and processing ore from the new Crista open pit.

Inside Briefing: The proposed new Crista open pit has been delayed due to a national park proposal. When do you now expect Crista to be in production, and at what rate? What changes if any have you made to the Crista development proposal as a result of this delay?

Ashley Pattison: An important development with the Ganderala National Park proposal in Brazil was announced publicly earlier this month, as we reported to the market on 5 July. In essence, this announcement means that, for the first time, we now have a definitive timetable in place that the relevant authorities are working to – which is 30 August 2011 for formalisation of the proposed park boundaries. The authorities have also once again confirmed that the footprint of the Crista open pit lies outside the proposed National Park boundaries under two scenarios that are still to be formally approved.

The process going forward from 30 August 2011 is that, once the boundaries are publicised, Mundo will lodge requests with the licensing authorities for a special licence to construct the haul road and commence the pre-strip. It is a realistic expectation that this process will be a matter of weeks. Once in hand, our appointed contractors will commence construction of the haul road, including access to the allocated waste dump areas and pre-strip of the pit.

During this down-time awaiting the final approvals our team has remained very active. The resource modelling and pit optimization for Crista has been re-assessed by newly appointed technical consultants in Australia. While the in-situ JORC resource has not changed, the optimized pit and production profile has been modified. This will result in the pit being mined over a 12 month period compared to a 22 month period as previously proposed.

This change has been driven by the decision to have ore from Crista's open cast mine being the priority feed to the Engenho plant, with ore from the underground mine supplementing this where economic.

The shorter mining timeframe improves the forecast economics of the Crista pit and should enable Mundo to take advantage of the current strong gold price. Operating costs per ounce in US dollars are forecast to be consistent with previous guidance with any benefit being offset by the appreciating Brazilian real against the US dollar. It is worth noting that, at a gold price of US\$1,500, the NPV of the Crista Project is currently around US\$22 million for the open cut mining operation only – compared with our current market cap of around \$27 million.

What is the Company's strategy and timetable with respect to the Olhos deposit located near Crista? Can you explain the broader potential of this emerging satellite production area to the north of the Engenho mill?

Ashley Pattison: A favourable decision on the Ganderala Park boundary will also enable us to commence a resource drill-out of the nearby Olhos open cut resource, with the new haulage road effectively opening up this broader northern satellite area for exploration and development. Drilling is planned to commence in September 2011 at the north end of Olhos with two rigs and then move to the southern end once the Crista haul road has been constructed and access is obtained. The resource drill-out will comprise approximately 4,250m of diamond drilling and is planned to take approximately three months to complete with resource modelling and formal sign-off expected by early 2012.

As we've previously noted, the surface expression of the Olhos deposit has a strike length of 440m which is approximately twice as long as both Crista and Engenho, and is still open to the south. It also contains multiple vein structures which are amenable to open cut mining methods. Both of these factors support our view that Olhos could be a larger system that may support future mining in the Engenho tenement for years to come.

The Company has previously released an Exploration Target¹ for Olhos of between 510,000 and 540,000 tonnes at a grade of 3-4g/t gold for 60-70,000 contained ounces. This Exploration Target is for the open pit prospect down to a vertical depth of 70m and excludes any prospect being targeted below this level from five planned deeper drill holes. Subject to exploration success, we would ideally like to plan for the Olhos open pit to be in production by the time open cut mining ceases at Crista and continue to be a source of low-cost feed to the Engenho mill.

Inside Briefing: What is the timetable for completion of the Definitive Feasibility Study and development of the Torrecillas Gold Project in Peru?

Ashley Pattison: The Definitive Feasibility Study has been in progress since February 2011. Since February, we have significantly strengthened the team working on the DFS and have made the following key appointments:

- our new General Manager – South America, Alan Sexton, who has 26 years of project management experience and who will play a key role in overseeing the delivery of the DFS, as well as financing and construction of the project;
- Ausenco Peru for the metallurgy and mill design;
- SRK Vancouver for the JORC resource and reserve sign-off; and
- Estudio Muniz Peru, a leading law firm in Lima, for legal sign-off on the DFS including permitting.

The establishment of this team has resulted in several important changes to the DFS approach, particularly from a geology and engineering perspective. As a result, we now expect that the DFS will not be completed until the December 2011 Quarter as drilling and resource modelling, in particular, has taken substantially longer than anticipated. However, it's important to note that modelling for the veins will be undertaken as three separate models. We expect that the Torrecillas vein would be completed first, as this is the area where we have the greatest geological confidence given that it has been developed and trial mined for more than two years.

At the end of June, our Chief Operating Officer Mark Zeptner and I completed a thorough review of the DFS status. From this review, we concluded that:

- the permitting process is well advanced with two of three community meetings held to date reflecting significant regional support for the Torrecillas Project and without any protest or confrontation being experienced in other regions of Peru;

- the testing of water supply from bores drilled on our concessions has been completed with the results indicating that there is sufficient water to meet the requirements of the mill and camp;
- a commercial supply of LNG has been sourced in Southern Peru to enable the installation of 6MW gas power plant at site that will satisfy our power demands at an economic price of US\$0.21 per KW/h;
- most of the infrastructure design and costing is nearing completion, including a camp for 600 plus workers and contractors;
- trial mining of a large stope using the proposed mining method and specialized contractors is underway;
- a large metallurgical batch treatment of 600 tonnes of ore commenced on 24 July 2011. This batch treatment will provide all technical information required to complete the mill design and confirm expected recoveries of 93 – 95%;
- the resource drill-out remains the major risk to the DFS and close consultation is continuing between SRK, our consulting geologist, who is very experienced in the Nazca-Ocona belt in Peru, and our in-country team with a view to actively mitigating this risk through the current drill program.

Based on the DFS timing, we are still working towards achieving a commercial start-up of the Torrecillas operation in 2012.

Inside Briefing: Can Mundo do anything to shorten the start-up timeframe?

Ashley Pattison: One of the key advantages of the Torrecillas Project is that we already have a small-scale mining permit in place that allows us to mine up to 350 tonnes of ore per day. That may sound low, but the level of production assumed by the DFS for a commercial operation is only 560 tonnes of ore per day. That level of production would enable us to reach our expected annualised gold production target from this vein given we expect a very high average head grade of 15g/t. We have already put four levels of commercial development in place at the Torrecillas vein, and the 4m by 4.5m decline is currently developed to approximately 20m below the 15 level (the bottom level developed within the mine). Access to the lower levels is therefore achievable within a fairly short timeframe (less than 3 months) using mechanised development.

An upgrade to the access road to the site, which lies just 40km inland from the Pan American highway, is nearing completion, which will facilitate ore haulage and logistics and should reduce travel time by up to 30% including for haul trucks. We also have access to two of the largest toll-treatment plants in the region to process our ore, and we have confidence in those operations – so we have access to reliable third party treatment capability.

What all of this means is the potential for Mundo to begin commercial mining on the Torrecillas vein as soon as a JORC resource is completed. This staged production ramp-up scenario is still being evaluated, however we expect to be in a good position to determine whether this option is feasible and economic later this year. The strong gold price environment suggests that this scenario will be economic assuming a solid resource is proved up.

Inside Briefing: The Torrecillas gold project does not currently have a JORC compliant resource and reserve, as would be expected for a project undergoing a Feasibility Study. Why is that the case and when do you expect to be in a position to announce a JORC resource and reserve?

Ashley Pattison: The nature of narrow vein gold projects makes it difficult to drill-out a long-term JORC resource, both from the perspective of cost efficiency and accuracy. The veins at Torrecillas range in width from 0.30 – 1.2m. For this reason, historical drilling at Torrecillas was used more for exploration rather than resource drill-out purposes. We currently have five drill rigs on site undertaking the resource drill-out. We are seeking to minimise the risk of this program, firstly by targeting the known veins that we can access from underground development. Secondly, the program is seeking to prove up two to three years of additional mine life to approximately 200m vertical depth. The shallower drilling improves the accuracy of the holes and increase the likelihood of hitting the targeted veins.

Although mobilisation has taken longer than anticipated, the rigs are now all working double shift to complete over 10,000m of diamond drilling on the three veins that form part of the DFS. The use of two drilling contractors on site is also providing a good benchmark for driller performance, both underground and on surface.

Of the five rigs, we have two rigs drilling underground at Torrecillas and three rigs on surface between the 5 Noviembre and Torrechico veins. The program is designed to deliver a JORC resource on completion. This resource is expected to be completed in the last Quarter of 2011. As I mentioned earlier, the resource will be separate for each vein, so release of a resource by vein may be possible at an earlier stage, and the resource for the Torrecillas vein has the highest priority given it is the one that we have the most confidence in.

Inside Briefing: The Company raised \$13 million earlier this year through a share placement underpinned by some major North American institutions and a Share Purchase Plan underpinned by Directors. How much cash does the Company have on hand currently and how do you plan to utilize this cash over the next six months?

Ashley Pattison: As at 30 June 2011, the Company had \$8 million in available cash, which has been allocated to:

- completing the Torrecillas Definitive Feasibility Study including the resource drill-out;
- developing the Crista open pit;
- undertaking a resource drill-out at the Olhos open pit;
- preliminary drilling at the exciting Ampar prospect, part of the Tocantins Joint Venture in Brazil;
- restructuring costs in Brazil; and
- working capital.

The \$8 million available to Mundo excludes the positive cash flow being generated by the Torrecillas trial mining operations, which contributes approximately 50% of the monthly cost of the Definitive Feasibility Study and drilling program. When raising the money, we made a commitment to investors to use the funds to advance our assets and that includes exploration expenditure, something that the Company has not done a lot of over the past two years. The use of funds which I've just outlined clearly illustrates this commitment.

Inside Briefing: What differentiates Mundo Minerals as an investment opportunity in the gold sector?

Ashley Pattison: The Company has been through a tough period over the past two years. However, a major restructure of the business is nearing completion and several key re-rating points are imminent. These include the final approvals of Crista and the start of open pit mining; completion of the Torrecillas DFS; and the resource drill-out at Olhos.

The Company has put in place a new experienced management team to drive the business forward, with the support of an experienced Board. It is also well funded and has the support of a number of new and existing shareholders who own more than 45% of the company when combined with management. Mundo's asset portfolio is substantial. In Peru, we now have over 16,000ha of prospective concessions and in Brazil, more than 240,000ha including the Tocantins Joint Venture. We are seeking to unlock the potential of these assets through a US\$4 million exploration spend this year and further progress these assets in 2012 from cash flow.

With a market capitalisation of just \$27 million today, and \$8 million cash in the bank, the value proposition is exciting and the management team is focused on unlocking value and creating substantial shareholder returns. I believe Mundo is at a significant turning point. With our blend of assets and the team we have assembled, I think we are a genuinely unique opportunity in the junior gold space on the ASX.

ENDS

Further information:

Mundo Minerals Limited:

Ashley Pattison

Managing Director

T: +61 8 9429 8895

E: ashley.pattison@mundominerals.com

Investor Relations:

Nicholas Read/Paul Armstrong

Read Corporate

T: +61-8 9388 1474

E: nicholas@readcorporate.com.au

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Competent Person's Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information reviewed by Mr Daniel Saunders who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Saunders is employed by BMGS Perth Pty Ltd, who act as consulting geologists to Mundo Minerals Limited. Mr Saunders 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 Saunders consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

¹Exploration 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.