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Lodgement of Open Briefing®

Mundo Minerals Limited
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Title: Open Briefing®. Mundo Minerals. Explains Financial Guidance & Outlook

Record of interview:

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Mundo Minerals Limited (ASX code – MUN and mkt cap of ~A$40 million) recently announced financial guidance for calendar 2009 for the Engenho Gold Mine (Brazil, MUN 100%) of Project EBITDA ranging from A$15.7 million to A$20.9 million using different exchange rates and gold prices. Can you outline the gold, exchange rate, production and operating cost assumptions under each of the three scenarios you have analysed? What ongoing capital expenditure is required?

CEO John Langford
ASX continuous disclosure rules require companies to keep the market updated with any material changes. In September 2008, Mundo advised the market that it was experiencing some short-term production issues during commissioning of the Engenho Mine that would affect the Company's cash flow and liquidity. This was both inconvenient and embarrassing, but we did what shareholders would have expected and took a firm handle on the controls of the Company with a focused approach to managing the business. We have been successful in stabilising the operations and now have a strong degree of confidence in meeting our budgeted expectations.

This, together with the higher gold price, resulted in us getting a significant amount of inquiry from investors as to how the Company was tracking. We took the view that we should provide some guidance regarding our expected performance and we used three revenue scenarios for the 2009 calendar year.

These were as follows:

- *Scenario 1: Gold price of US$840 per ounce, Australian/US exchange rate of 70 cents, Brazilian Real / Australian exchange rate of 1.500;*

- *Scenario 2: Gold price of US$943 per ounce to 30 June reducing to US$870 per ounce for the second six months of the calendar year, Australian/US exchange rate of 64 cents, Brazilian Real/ Australian exchange rate of 1.471;*

- *Scenario 3: Gold price of US$943 per ounce for the 12 months ended 31 December 2009, Australian/US exchange rate of 64 cents, Brazilian Real/ Australian exchange rate of 1.471 (US$943 was the spot price on the day the analysis was undertaken.)*

The forecast gold production from Engenho used for the analysis has been assumed at 30,000 ounces per annum, as disclosed in the December 2008 Quarterly Report, which remains a valid forecast. Small-scale production of approximately 5,000 ounces of gold for the year has been assumed from the Torrecillas Gold Project in Peru.

Operating costs in all cases have been based on historical performance for the projects to date with no allowance made for operational efficiencies, but have been adjusted for anticipated cost increases in wages and materials in the Company's budget reviews. This includes general overhead costs that affect the corporate EBITDA calculations where expected future costs have been budgeted.

The resultant financial analysis as disclosed in the update was as follows:

	Scenario 1 A$m	Scenario 2 A$m	Scenario 3 A$m
Engenho			
Revenue	34.54	38.39	40.1
Cash Outlays exc prim dev	18.85	19.22	19.2
Engenho EBITDA	15.69	19.17	20.9
Depn/Amort	4.19	4.27	4.3
Engenho Profit	11.50	14.90	16.6
Corporate EBITDA	12.58	16.52	18.5
Corporate Profit after tax	6.98	10.84	12.9

With regard to ongoing capital expenditure, we have normal development costs and we expect some capital equipment replacement during the year. We will be spending about A$7 million in capex during this calendar year. This is taken into account in our budgets and mainly comprises development costs funded from EBITDA.

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You stated that the Engenho Gold Mine has met all key production parameters for the first two months of calendar 2009. What are these parameters? What do you expect for the remainder of the year?

CEO John Langford
Our first two months' results show that production and expenditures are pretty much on track. We will be reporting our financial performance in the March quarterly report, but it is reasonable to assume that there has been minimal variance to our budgeted performance to date.

I was in Brazil just last week and can report that development is proceeding well. The first thing the mine manager briefed me on was the production schedule. He is confident that he has the 2009 production profile well scheduled and should deliver to budget. Similarly, the mill continues to perform well and recoveries remain excellent. This means we can now focus on improving operational efficiencies.

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What is the development program required for those production expectations? How well placed are you to achieve the level of development required? What are the other risks to achieving the production target?

CEO John Langford
The production year will effectively be split into two periods – the first six months when we will deliver ore equally from the lower grade Bola ore body and the higher grade Galeria ore body, and the second half of the year when approximately 65% of the ore will come from Galeria. We are currently a bit ahead of schedule and we hope to be drawing predominantly from Galeria from the end of May onwards.

There are always risks, but at the moment we are in good shape operationally. I guess the main risk is mechanical issues, but we have a strong maintenance culture. I did ask the mine manager when I was underground last Friday about the major risk for the balance of this year and he jokingly told me that his wife might forget to put the dinner on the table and the beer may run out, but operationally he was more than comfortable.

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You stated that operating costs under all scenarios have been based on historical performance for the project to date. Isn't that overly conservative given you will achieve economies of scale benefits with higher production and grade is likely to increase as you move from the lower grade Bola ore body to the Galeria ore body? Can you give an indication of expected cash operating costs moving forward?

CEO John Langford
Our budgeted cash costs for the calendar year are around US$435/oz, but I expect to do better than this and we will putting a strong focus on cost efficiencies through multi-skilling, efficiencies in purchasing, and so on. However, I do not wish to place an expectation on this just yet as we really do wish to maintain a culture of under-promising and over-delivering. I've been embarrassed once through optimistic expectations and I don't want to be in that position again. We will continue to be extremely focused on effective management and delivering quality results.

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You also reported that promising results continue to be received from Torrecillas Gold Project (Peru, MUN 100%). Can you recap the amount of development you have achieved during your ongoing project assessment activities? What production do you expect in the near-term?

CEO John Langford
We're getting excellent results from Torrecillas. At the moment development is focused along the 12 level of the Torrecillas vein. We are getting consistent grades above 22 g/t. While the focus is on development to understand the mineralisation and test mining techniques, we are delivering ore to a nearby mill and generating a small quantity of gold. During 2009 we expect to produce a little over 5,000 ounces of gold. This is not large and we do not consider Peru anything other than a project assessment asset at this stage, but even at these low production rates we expect Peru will cover all its costs including corporate overheads and deliver a small cash surplus of about US$500,000 based on a US$870/oz gold price.

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What has the project assessment revealed about the longer term potential for Torrecillas? When do you expect to be in a position to calculate a JORC compliant resource for Torrecillas? What are your longer term plans for the project?

CEO John Langford
We are just about to start developing down to the 13 level. This will open up further resources enabling us to deliver a Proved and Probable Reserves for the area we will have developed within the next 9-10 months. We will also be able to undertake some underground drilling which we hope will further enhance the Reserves figures.

We remain on track to start the feasibility study by year's end and, based on results to date, we would hope that this asset develops to full scale production. We still have work to do and as we always say when referring to Torrecillas, we need to be patient and do the work properly, but the grades should make this a very profitable asset if we continue to receive encouraging results.

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With Engenho production now established and given the uncertain financial outlook and the fact you carry some debt, albeit small, what is your view on gold hedging?

CEO John Langford
At this stage our shareholders are comfortable with the fact that we retain a full exposure to the gold price. We have no plans at board level to initiate any hedging at this stage.

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If you achieve something in the range of your three EBITDA scenarios, where will you allocate the cash generated? How will you progressively ramp-up exploration and development at your other projects as you generate increased cash at Engenho and Torrecillas? What are the immediate priorities in terms of exploration?

CEO John Langford
The one thing we do not lack at Mundo Minerals is asset opportunity. We have a number of exciting potential production assets and while we will be managing our finances well to ensure we are healthy from a financial perspective, we do expect to be ramping up our exploration activities in the next few months. The priorities remain the near-mine anomalies at Engenho, continued work at Torrecillas and testing our asset at Jaqueira in Brazil.

We also have some great drilling targets at Tocantins, but we can not be like the kid in the lolly shop. We must understand what we can properly manage and we will continue to be disciplined in our approach.

We are extremely excited about our future.

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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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