

MUNDO MINERALS: PLENTY OF PROJECTS, NOT ENOUGH CASH.

At Mundo Mineral's recent AGM, CEO John Langford expressed the company's need to conserve the last of its remaining cash. With just \$1.3m left, there is understandably an impetus on ensuring the Engenho project in Brazil delivers positive cash flow. The company recently ran into problems when it over estimated the grades of the upper open pit wall, associated with the Bola ore body. The uneconomic grades adversely affected the company's ability to fund the completion of its underground development. Major shareholder, Anglo Pacific Group, provided the company with a debenture facility for \$4m following extensive due diligence. Langford confirmed that the company was on track for positive cash flow in December 08 and that January 09 would see further improvement as commercial production rates are achieved.

Mundo is in the process of re-working its budgets but believe a cash cost of US\$375/oz is achievable on expected 2009 production of 28,000 oz. As cash flow expands, attention will turn to the Crista Target located 4.1 km north east of the Engenho mine. Encouraging trench sampling supports the case for a satellite open pit, potentially contributing 15,000 oz of annual production at an average grade of 5 - 6g/t. The company is targeting late 2009 for the potential start of a mine, pending a successful exploration program. Crista is just one of three targets in close proximity to the Engenho mine.

Another interesting project is Torrecillas, containing a 6.5 km high grade narrow vein gold structure in Peru. The deposit has previously been mined to a depth of 120m at an average grade of 30g/t. There is significant potential for deeper mineralization, with similar style deposits in the region extending as deep as 1.8 km. Given the unpredictable nature of narrow vein systems, Mundo is not spending large amounts of money drilling up a resource. Instead, they have initiated an exploration decline to access the high grade vein structures enabling them to commence small scale production and thus assess potential tonnage. This is yielding approximately \$150,000 a month in revenue, which is subsidizing a good portion of ongoing exploration costs. Mundo is toll treating this ore nearby. With a resource potential of 1 million ounces, the 2 year plan is to target a reserve base capable of sustaining 50,000 oz a year at an average expected grade of 12 - 15g/t plus. Langford believes that the company will be in a better position to assess the project's viability by the middle of 2009. Early indications are the deposit is looking very promising.

The next project in Langford's presentation was the Tocantins Gold project in Brazil, which consists of 2 joint venture agreements with North American gold producer IAMGOLD and South African major AngloGold Ashanti. The point was made that the associated tenements cover three greenstone belts sharing similar geological characteristics to the Yilgarn greenstone belt in Western Australia. Drilling highlights in the region included 1.2m @ 203.3g/t from 6m, 2m @ 9.05g/t from surface and 0.7m @ 14g/t from 14m. Nova Prada has been the focus of drilling campaigns with good potential for a high tonnage medium grade style deposit. Drilling has since ceased due to cash constraints.

The final project in Mundo's stable is the Jaqueira project in Brazil, fortuitously located in close proximity to Yamana Gold's 100,000 oz per annum Jacobina mine. Langford makes the point that this project has the capacity to leap frog the other development projects in terms of production potential. Initial results from channel sampling have been encouraging, with preliminary indications of strong exploration potential. The

target includes two high grade shoots of mineralization, potentially containing a 500,000 oz deposit at an average grade of 8 - 10g/t. The intention is to commence drilling in March 09, funding permitting.

Listening to Langford's account of the company's activities for 2008 and the pending activities for 2009, you sensed a degree of frustration as Mundo, like many junior mining companies, is hamstrung by funding constraints. The point was also made that the company was very fortunate to be in a cash generating position. How quickly Mundo's numerous projects can be advanced is obviously a function of Engenho's success. January 2009 has been earmarked as the watershed month, with the objective of achieving commercial production. Productivity is expected to improve 6 months into 2009, as a greater portion of higher grade ore is sourced from the Galera ore body. Langford predicts that in early 2010, Engenho could be producing 45,000 oz a year, contingent on the successful exploration and subsequent development of Crista as a satellite deposit. Langford goes on to pertinently make the point that Mundo is not found wanting when it comes to the availability of viable projects. Having enough cash to develop them in a timely manner seems to be an entirely different matter.

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