

Mundo Minerals Limited

Stock Exchange Announcement – 16 April 2007

APPROVAL TO PROCEED WITH ENGENHO DEVELOPMENT AND ACQUISITION OF TORRECILLAS PROJECT

KEY POINTS

Engenho Gold Project, Brazil (100%)

- Feasibility Study confirms economic and technical viability of project development.
- Over 275,000oz to be recovered over a 10-year mine life, with average production of ~30,000oz per annum at forecast US\$272/oz cash operating cost.
- Project NPV of A\$48.8 million (8% discount rate) equates to 48 cents per share for Engenho Project only, excluding substantial exploration portfolio and upside.
- Board approves project development based on accelerated timetable targeting first gold production in March/April 2008.
- Financing options well advanced and all final regulatory approvals expected in July 2007.

Torrecillas Gold Project, Peru

- Mundo to exercise its option to acquire 100% of Torrecillas Project for US\$2 million.
 - Potential high-grade gold production opportunity within Nazca-Ocunã gold belt in SE Peru.
 - Comprehensive exploration, feasibility and development program commences.
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Mundo Minerals Limited (ASX: **MUN** – “**Mundo Minerals**”) is pleased to announce Board approval to proceed with development of its 100%-owned **Engenho Gold Project** in Brazil following completion of a Feasibility Study confirming the economic and technical viability of the Project.

Under an accelerated development timetable, the Company intends to commence initial site works at Engenho in late April with construction of the treatment facility scheduled to commence in July – positioning it to commence gold production in late March/early April 2008, slightly ahead of schedule.

The Board has also today authorised the exercise of the Company’s option to acquire a 100% interest in the **Torrecillas Gold Project** in Peru, from private interests, for US\$2 million. Torrecillas is located within the regionally significant Nazca-Ocunã gold belt of south-eastern Peru, which includes a number of underground mines currently operating on high-grade, narrow vein deposits analogous to Torrecillas.

The acquisition represents an opportunity to establish a second production centre and gain a strategic foothold in a traditional mining region in Peru which offers a number of additional production and growth opportunities for the Company.

DEVELOPMENT OF ENGENHO TO PROCEED

Mundo Minerals’ Board has approved development of the **Engenho Project**, including finalisation of project funding and commissioning of key capital items to meet the accelerated development timetable.

The Feasibility Study concluded that the Project is technically and economically robust, based on an underground mining operation delivering 195,000tpa of ore to a conventional CIP gold treatment facility, to be located on site.

The mine plan envisages extraction of over 1.8 million tonnes of ore at a diluted grade of 4.94g/t gold over a 10-year mine life, resulting in the production of over **275,000 ounces** (based on average recovery of 93%). Annual gold production is expected to average approximately **30,000 ounces**.

Based on a gold price of US\$640/ounce, the Engenho Project is forecast to have a cash cost of production of **US\$272/ounce** (A\$344/ounce) and a total production cost of US\$376/ounce (A\$475/ounce). Over the life of the mine, it will generate estimated free cash of A\$88.4 million, with a Net Present Value (using an 8% discount) rate of **A\$48.8 million** and Internal Rate of Return of 60%.

The project NPV equates to a value of approximately **48 cents per share** for the Engenho Project alone, excluding any allowance for the Company's option over the Torrecillas Project in Peru (see below) or its Tocantins exploration project in Brazil. This valuation also excludes the potential to increase the existing resource at Engenho and exploration upside on Mundo's tenements.

The Engenho resource remains open, with the mine plan based on the known resource (1.82 million tonnes at 5.59g/t Au for 326,500oz). Once the Project is in production, Mundo Minerals intends to commence exploration targeting extensions to the resource at depth once suitable underground drilling positions can be established. In addition, the potential to identify duplicate ore bodies similar to Engenho on the Company's 100%-owned tenements is regarded as excellent based on exploration data provided by the project vendor, AngloGold Ashanti.

The Feasibility Study concluded that an owner-operator mining operation is the most efficient and cost effective method of operating the mine, with the majority of mining equipment expected to be sourced second-hand. A new crushing circuit has been ordered and is scheduled to be delivered in July 2007, while the Company recently announced the acquisition of a suitably configured second-hand ball mill, resulting in a significant cost reduction compared with the acquisition of a new ball mill.

The estimated project capital cost through to first production is estimated at approximately A\$15 million, including treatment plant, infrastructure, contingencies, underground equipment and development costs. This is in line with the Company's original budget after allowing for adjustments due to the decision to opt for owner-operator mining rather than contract mining.

Financing and Development Timeframe

Perth-based Oakvale Capital Limited has been appointed to provide an independent assessment of a number of funding alternatives and strategies available to the Company. These will be considered by the Board over the next two months, with a view to finalizing a suitable funding package by mid-year.

Written approval has been received from the authorities in Brazil to commence construction and operation of the crushing circuit, with site works scheduled to commence in late April 2007. Commissioning of the crushing circuit is planned for August 2007 with initial mine development commencing in October 2007.

All environmental impact reports for the Engenho Project have been completed and all required documents lodged with the authorities. No major restrictions are expected to arise and final environmental, mining and treatment approvals will be presented to the June board meeting of the authorities. Formal approvals are expected to be received in early July 2007.

Subject to completion of a suitable funding package, full-scale construction of the treatment facility is scheduled to commence in July 2007, with initial ore development commencing in October. This will enable Mundo Minerals to commence initial ore processing and gold production in late March/early April 2008, slightly ahead of its original schedule.

ACQUISITION OF TORRECILLAS GOLD PROJECT

Mundo Minerals also announced today that it will proceed with the acquisition of 100% interest in the **Torrecillas Project**, located approximately 640km south east of Lima in Peru, from private interests. The project comprises the Torrecillas gold deposit – which has been mined in a limited fashion over the past 20 years – the surrounding tenement package (including an extensive high-grade vein system) and tenements at Tumi, located approximately 12km from the coast.

The total consideration is US\$2 million, payable over two years on the basis of payments of US\$500,000 each six months after the exercise of the option. The final payment increases to US\$750,000 should Mundo delineate a 200,000oz gold resource at the time the final payment is due. A royalty of US\$8/ounce is payable after production of 90,000 ounces of gold has been achieved. In addition, a 2% Net Smelter Royalty is payable on any non-gold metals produced from the project.

The Torrecillas Project represents an attractive opportunity to develop a production base within the regionally significant Nazca-Ocunã gold belt. A number of underground mines are currently operating in the region on narrow vein, high-grade gold deposits analogous to Torrecillas – including Arirahua (27,000oz per annum), Caraveli (25,000oz per annum), El Capitana (31,000oz per annum) and Laytaruma (31,000oz per annum). Minera Ares SAC produces 198,000oz per annum from a number of operations through the region, including the Arcata mine in the Nazca belt.

Limited drilling and sampling carried out by Mundo Minerals since November 2006 has confirmed the continuity of an extensive system of six high-grade veins within the Torrecillas tenements which generally extend over an approximate 2km strike length. This program returned encouraging results with significant underground sampling results announced recently including **1.1m @ 26.5g/t Au, 0.8m @ 75.77g/t, 0.3m @ 141.45g/t and 0.3m @ 95.66g/t**.

Importantly, regional research has indicated that the vein system at Torrecillas is mesothermal, similar to other mines in the region, which indicates that the mineralization continues at depth. Some nearby mines being developed on a small production basis to depths in excess of 400 metres. Current mining activities at Torrecillas itself have been limited to a 200m section of a single vein. Production from the Torrecillas vein has been low due to the primitive nature of the mining techniques, although an exceptionally high average mined grade of around 30 g/t has been achieved.

Following a rigorous assessment, Mundo Minerals' Board has concluded that the Torrecillas Project has the potential to support a commercial mining operation which could deliver a robust financial return to Mundo because of the very high grade of the vein systems. A number of other TSX-listed mining companies operating in the area have recently reported successful trial mining/bulk sampling results, confirming the ability to develop the vein systems in the region on a commercial basis.

The acquisition offers the opportunity to gain a foothold in a regionally significant mining region with the potential to yield a number of additional production assets. As one of a limited number of mining companies with expertise in the development of mid-sized mining operations in Peru, Mundo Minerals would be well placed to leverage off an initial operating base at Torrecillas.

After exercising the option, the Company plans to commence a broader exploration, feasibility and development program initially focusing on a detailed assessment of the high-grade production potential within the vein system. Various activities are planned in moving towards a detailed feasibility study, including bulk sampling to assess potential mining economics.

Mundo Minerals intends to appoint a Country Manager to oversee its emerging operations in Peru. A senior geologist is already in place on site with extensive experience in the region. The Company will also establish a low-cost administrative office to support its activities in the region.

SUMMARY

The completion of the Engenho Feasibility Study and Board approvals announced today mark the most significant milestone for Mundo Minerals since its listing on the ASX last year. With its first production asset now moving into development and approval received for acquisition of a second advanced asset, the Company is exceptionally well placed to realize its vision of becoming a significant new mid-tier Australian-domiciled gold producer.

The Directors believe that the development of the Engenho Gold Project will provide a low-risk, sustainable cash flow for the Company over an extended period. This will provide a strong platform for the Company to develop its other assets, including the Torrecillas Project, ongoing exploration and to pursue other opportunities in South America.

Drilling has recently resumed at its Tocantins Project in Brazil, which represents a longer-term, large scale exploration opportunity within a major greenstone belt similar to the Yilgarn region in Western Australia.

The completion of the Engenho Feasibility Study – which provides an NPV valuation equating to 48 cents per share – provides a strong base case valuation for the Company’s net asset backing, excluding any value which may be ascribed to its broader exploration and development portfolio.

The Company’s focus over the next 12 months will be on delivering a successful gold production project at Engenho, while at the same time advancing the Torrecillas Project to a commercial development stage. In parallel with this, Mundo Minerals will maintain aggressive exploration programs designed to underpin its longer-term growth outlook.

Further details regarding the Engenho Project development and the Torrecillas acquisition will be provided in a Shareholder Update, to be released within the next few weeks.

John Langford
Chief Executive Officer

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Jean-Marc Lopez who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Lopez is employed by Mundo Minerals Limited and is the Company Exploration Manager. Mr Lopez 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.”