

Mundo Minerals Limited

Stock Exchange Announcement – 28 November 2006

Market Update – South American Operations

HIGHLIGHTS

- **Diamond drilling commences at Tocantins Gold Project, Brazil with activity now underway at all three Mundo Minerals gold projects in South America.**
- **Drilling at Tocantins to continue until May 2007, targeting mid-sized gold deposits within three large greenstone belts.**
- **Recently commenced program of diamond drilling at the Torrecillas Gold Project in Peru scheduled to continue until February 2007.**
- **Excellent metallurgical recoveries being achieved from Torrecillas ore, as reported by an existing small-scale private mining operation.**
- **Environmental and mining documentation for the Engenho Gold Project, are at an advanced stage of completion.**
- **Project manager and engineering firm appointed for construction of the treatment facility at Engenho.**

Mundo Minerals Limited (ASX: MUN – “Mundo”) is pleased to announce the commencement of diamond drilling at its second exploration project in South America and further progress with pre-development activities at the Engenho Gold Project in Brazil. With the newly commenced drilling programs, activity is now underway on all three of the Company’s gold projects in South America.

Tocantins Gold Project, Brazil

An initial program of diamond drilling commenced at the Tocantins Gold Project, located in central Brazil, on 23 November 2006, with drilling scheduled to continue through until May 2007.

Mundo’s Board has approved an initial program of approximately 5,000 metres of drilling to test high level geochemical anomalies on the tenements, where Mundo is earning a 51% interest by spending US\$1.3 million on exploration. Under the terms of this joint venture, Mundo Minerals may increase this equity to 80% on any resource discovered by taking the resource through to bankable feasibility study.

The Tocantins tenements – which are controlled by Gamaleira Prospeccao E Geologia Ltda (a Brazilian joint venture between AngloGold Ashanti and IAMGOLD Corporation) – cover three large greenstone belts with similar geological characteristics to the prolific Yandal greenstone belt in Western Australia. These greenstone belts have the potential to host multiple mid-size gold deposits, but have had very limited modern exploration by comparison with Western Australia.

Diamond drilling is being undertaken initially to enable a thorough assessment to be made of the geology of the region, however it is anticipated that a second rig capable of RAB drilling will be available for drilling on the tenements in approximately 2 -3 weeks.

Significant assays will be announced as they are received from the assay laboratories.

Torrecillas Gold Project, Peru

As announced on 15 November, Mundo has already commenced a program of diamond drilling at the Torrecillas Gold Project in south-eastern Peru. It is anticipated that this drilling program will continue until the end of February 2007. The purpose of this program is to delineate the minimum gold resource that the Board requires to enable it to exercise the option to acquire tenements and move towards commercialising production at the project.

The Torrecillas Project encompasses some 9,000ha of tenements with a history of high-grade gold production. Under the option agreement, Mundo has a period of 14 months from 1 February 2006 to prove up a minimum resource of 150,000 ounces of gold at 12g/t Au.

Three drill holes have been completed to date. Drill core has been dispatched to assay laboratories in Peru and significant results will be announced to the market when they become available.

Mundo's tenements include a small-scale, privately owned mining operation which had been toll treating ore through third party treatment facilities. The current owner of this operation has recently established a small CIP treatment facility to enable him to treat his own ore. He has advised that he is currently achieving approximately 93-95% recovery of gold through this treatment plant.

Engenho Gold Project, Brazil

Documentation with respect to environmental and mining approvals are at an advanced stage and it is anticipated that approvals will be received early in 2007. The proposed infrastructure layout and mining operations will result in minimal disruption to vegetation and given that there has been previous mining activity on the tenements, it is not expected that there will be any significant concerns arising from a review of the Company's proposed activities.

Mundo has appointed a Project Manager for the Engenho Project, further enhancing its executive team in Brazil. Lafayette Caporali, a metallurgist with a Master of Science from Colorado School of Mines, USA, has now joined Mundo's technical team. Prior to this, he was the Project Manager for Elkedra Diamond's recently established treatment facility in Brazil. Mr Caporali will manage the construction of the CIP treatment facility at Engenho, scheduled to commence early in 2007.

The Company has also appointed an engineering firm to finalise design work for the proposed treatment facility for the Engenho Gold Project. It is anticipated that advanced design work will commence in January 2007 with a view to commencing construction shortly after formal approvals have been received in the first quarter of 2007.

A number of second-hand ball mills are currently being assessed in Brazil and the Company is confident that it will secure a suitable ball mill in the near future, which will enhance the logistics of delivering production from Engenho within the budgeted 18 month development timeframe.

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