

Mundo Minerals Limited

Stock Exchange Announcement – 17 October 2007

Quarterly Report – 30 September 2007

Mundo Minerals Limited

A.C.N 117 790 897

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Australian Stock Exchange:

Code: MUN

Board of Directors

Non-executive Chairman:

George Jones

Chief Executive Officer:

John Langford

Managing Director – South America:

Mike Schmulian

Non-executive Directors:

Brian Hurley

Barry Eldridge

Rob McKenzie

Senior Management:

Chief Financial Officer/Company Secretary:

Joe Mobilia

Joint Company Secretary:

Paul Mason

Mining Manager – South America:

José Antonio Kurcewicz

Exploration Manager – South America:

Jean-Marc Lopez

Project Manager – Engenho

Lafayette Caporali

Country Manager – Peru

Sergio Zuniga

Capital Structure

Fully-Paid Shares on Issue:

146.39million

Unlisted Options on Issue:

2.22 million

HIGHLIGHTS

- Continued excellent progress with development & construction activities at the Engenho Gold Project, Brazil.
- Engenho on track for initial gold production in March 2008, with capital expenditure well within budget.
- Exploration potential of the Engenho tenements enhanced following a review of historic stream sampling data.
- Dedicated Engenho exploration budget approved with initial focus on the priority Mazoca anomaly, 1km north of Engenho.
- Exploration decline and development program commenced at Torrecillas Gold Project, Peru.
- RAB drilling extends the mineralization at the Conceição target (Tocantins Gold Project, Brazil) over a 3km strike length.
- Outstanding intercept of 1.2m @ 203.3g/t Au returned from RAB drilling at Conceição.
- Diamond drilling commences with a second diamond rig also commissioned to the target.
- \$27M in cash reserves with the Company totally ungeared and unhedged ahead of the commencement of gold production.

During the Quarter, Mundo Minerals achieved further excellent progress with all three of the gold assets under its management in South America. Development activities are now well advanced at the 100%-owned Engenho Gold Project in Brazil, with the Company on schedule to commence first gold production in March 2008 at an opportune time in the gold sector.

Work commenced during the Quarter on the new exploration decline at the Torrecillas Project in Peru as part of a staged feasibility study and resource development program designed to advance this asset towards production.

Mundo Minerals' commitment to aggressive exploration at its projects also delivered further significant results during the Quarter, with RAB drilling further enhancing and upgrading the newly discovered zone of gold mineralization at the Conceição Prospect, part of the Tocantins Joint Venture in central Brazil. The regional exploration potential of the Engenho Project has also been upgraded and a dedicated exploration budget allocated to commence testing of a number of key targets.

Engenho Gold Project – Brazil (100%-owned)

Project Development

During the Quarter, further significant progress was made with infrastructure development and construction work for the treatment facility and associated services at the Engenho Gold Project. It is anticipated that commissioning of the treatment plant and initial processing of ore from Engenho will commence in March 2008.

The crusher was delivered to site (see photograph below) and is currently awaiting connection to the power grid prior to commissioning. Power is expected to be available on site by mid-October 2007. All power poles have been erected and power lines are currently being strung. Installation of drainage and footings is well advanced and construction of the workshop and offices has commenced.



Refurbishment of the second-hand ball mill has commenced with the ball mill due to be delivered to the mine site in December 2007. The steel required for all tankage has been acquired and delivered to the fabricators to enable tankage construction to commence.

Construction of the tailings dam is well advanced and is expected to be completed on schedule by the end of October 2007, as shown below:



Dewatering of the open pit is also now complete (see below) and a general clean-up of the pit access road and other safety initiatives including meshing of the pit wall above the proposed mining areas are being undertaken in order to enable initial mining to commence on schedule towards the end of October 2007.



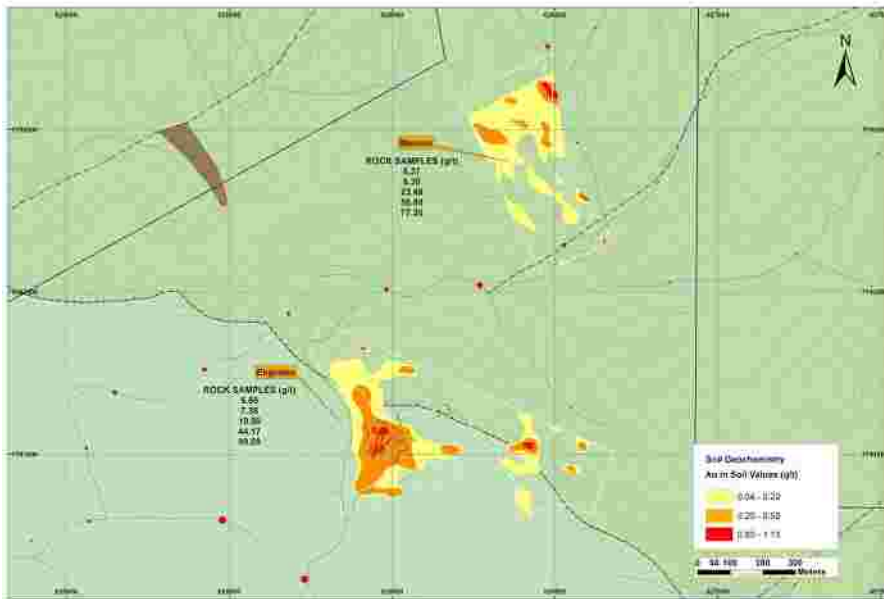
All key personnel for the Engenho Gold Project have now been identified, including human relations, accounting, safety, treatment and mining managers. All have either already commenced employment with the Company or have a definite commencement date in line with the required timeframe for commencement of their services.

Budgeted capital expenditure for the Engenho Gold Project, including the treatment facility, associated infrastructure and mining equipment was estimated in the Feasibility Study at A\$15 million. Mundo Minerals is confident that, in addition to bringing the project into production within the budgeted timeframe, it will also be developed well within this budgeted capital cost.

Exploration Overview

Last Quarter, Mundo Minerals advised that an anomaly similar to the original Engenho anomaly had been identified on the Company's tenements. This anomaly, known as Mazoca, is located approximately 1km north of Engenho – not 2km as previously advised.

During the September Quarter, the Company undertook a further review of the exploration data received when the Engenho Project was acquired. This work has indicated that a program of stream sampling had previously been undertaken on the tenements, resulting in the collection of a number of samples in excess of 1g/t Au – many of which require additional follow-up exploration. The distribution of the stream sampling over an extensive portion of the Company's tenements has significantly broadened the exploration potential of the areas surrounding the Engenho ore body and requires a systematic exploration approach. The illustration below shows the location of the Mazoca anomaly in relation to the Engenho ore body as well as the distribution of the stream sampling that has supported the necessity for a broader approach to short term exploration on the Mundo tenements.



Based on the similarity of the Mazoca anomaly to Engenho, this target remains the priority regional exploration target. However, in light of the historic stream sampling data, Mundo Minerals has recently commenced a broad mapping and soil sampling program over its entire tenement holding at Engenho.

A dedicated exploration budget has now been allocated for these tenements to enable initial exploration and follow-up drilling to be initiated.

Torrecillas Gold Project – Peru (100% owned)

As advised last Quarter, the next stage of assessment of the Torrecillas Gold Project is to develop an exploration decline to access the high-grade vein structures and then to commence trial development along the veins to expose the mineralised structures and properly assess the extent of the mineralization. This program is also designed to confirm the grade of the mineralisation and enable an initial JORC compliant resource to be defined. In addition to the exploration decline, development is also being undertaken from existing underground workings along the vein structures on two levels.

The exploration decline is being developed by a contractor while the existing workforce inherited by Mundo Minerals after acquiring the project is responsible for developing the vein structures from the existing workings.

The contractor has mobilized all equipment to site, completed the box cut (see below) and commenced development of the exploration decline.



It is expected to take approximately 3 months for the exploration decline to access the vein structures, although development from the existing underground workings is expected to provide access to some of the high-grade veins in the short term.

During the exploration and development stage at Torrecillas, it is anticipated that some production ore will be generated. Negotiations are at an advanced stage to gain access to other treatment facilities in the region to toll treat this ore. While this initial production ore is not expected to be significant, it will provide some revenue to partly subsidize the current exploration and feasibility study activities.

Samples of ore from Torrecillas have been sent to an ore sorting firm in Germany to provide data regarding the suitability of the ore to be processed through automated ore sorting facilities. This approach would provide flexibility in mining methodology and enable less selective mining techniques to be utilized at the project, with the ore sorting being carried out at surface without compromising the grade of ore available for processing through a treatment facility. An initial report has been received indicating that the ore responds well to optical ore sorting. Various mining techniques will be assessed and tested during the ongoing phase of exploratory development.

Mundo Minerals has also commenced an assessment of regional opportunities in Peru with the objective of expanding the company's portfolio of potential production projects in the region.

Tocantins Gold Project – Brazil (Mundo earning 51%)

During the Quarter, exploration work at the Tocantins Project was predominantly focused on the Conceição exploration target in the southern portion of the joint venture tenement area, where RAB drilling has intersected mineralization over a significant portion of the area being tested.

Two RAB drill rigs have been operating for a number of months testing the banded iron formation located on the tenements. Previously reported results from exploration in this region have included a number of significant (+1 g/t Au) assays from RAB drilling. Assays in excess of 0.5g/t from RAB drilling, which is effectively advanced geochemical sampling below the surface, are considered significant.

The results received to date have been excellent and have significantly upgraded the potential of this area. Of particular note was the outstanding intercept of **1.2 metres at 203.3g/t Au** which was received during the Quarter. For RAB drilling, this is regarded as an exceptional result.

A schedule of significant assay results received from RAB drilling at Conceição to date, including previously announced results, is included in the following table:

CONCEIÇÃO TARGET - RAB HOLES RESULTS (Au > 1g/t)					
HOLE	FROM	TO	Au (g/t)	COMPOSITE INTERSECTION	DATE
TCP-07-02	0.00	1.00	1.47	0.00 to 4.00 @ 1.44 g/t	MAY 2007
	1.00	2.00	2.29		
	2.00	3.00	1.27		
	3.00	4.00	0.74		
TCP-07-02	17.00	18.00	1.26	17.00 to 18.00 @ 1.26 g/t	MAY 2007
TCP-07-16	23.00	23.60	1.13	23.00 to 23.60 @ 1.13 g/t	MAY 2007
TCP-07-17	0.00	1.00	4.76	0.00 to 1.00 @ 4.76 g/t	MAY 2007
TCP-07-19	12.00	13.00	1.07	12.00 to 13.00 @ 1.07 g/t	MAY 2007
TCP-07-28	14.00	15.00	1.15	14.00 to 15.00 @ 1.15 g/t	MAY 2007
TCP-07-42	0.00	1.00	2.51	0.00 to 4.00 @ 1.22 g/t	MAY 2007
	1.00	2.00	0.69		
	2.00	3.00	0.33		
	3.00	4.00	1.38		

TCP-07-58	12.00	13.00	1.29	12.00 to 13.00 @ 1.29 g/t	MAY 2007
TCP-07-68	0.00	2.00	3.47	0.00 to 2.00 @ 3.47 g/t	MAY 2007
TCP-07-85	2.00	4.00	1.13	2.00 to 4.00 @ 1.13 g/t	MAY 2007
TCP-07-85	12.00	14.00	2.93	12.00 to 14.00 @ 2.93 g/t	MAY 2007
TCP-07-83	14.00	14.70	14.00	14.00 to 14.70 @ 14.00 g/t	MAY 2007
TCP-07-90	0.00	2.00	4.35	0.00 to 2.00 @ 4.35 g/t	MAY 2007
TCP-07-93	6.00	8.00	1.39	6.00 to 8.00 @ 1.39 g/t	MAY 2007
TCP-07-132	0.00	2.00	9.05	0.00 to 2.00 @ 9.05 g/t	JUN 2007
TCP-07-153	24.00	25.40	1.17	24.00 to 25.40 @ 1.17 g/t	JUN 2007
TCP-07-194	10.00	12.00	1.56	10.00 to 12.00 @ 1.56 g/t	JUN 2007
TCP-07-245	0.00	2.00	1.19	0.00 to 2.00 @ 1.19 g/t	AUG 2007
TCP-07-266	6.00	7.00	242.24	6.00 to 7.20 @ 203.3 g/t	SEPT 2007
	7.00	7.20	8.60		
TCP-07-267	0.00	2.00	1.09	0.00 to 2.00 @ 1.09 g/t	SEPT 2007
TCP-07-270	12.00	12.60	6.87	12.00 to 12.60 @ 6.87 g/t	SEPT 2007
TCP-07-277	0.00	2.00	1.67	0.00 to 2.00 @ 1.67 g/t	SEPT 2007
TCP-07-431	0.00	6.00	2.21	0.00 to 6.00 @ 2.21 g/t	SEPT 2007

The map below shows the results of RAB drilling as well as rock chip sampling. The following table contains significant rock chip samples from the region including previously announced assays:

X	Y	Au (g/t)	Comments
256508	8653003	1.4	BIF
256806	8653206	1.14	Quartz Vein
259020	8653312	2.54	BIF
259515	8654211	4.48	Quartz Vein
259339	8654636	9.44	Quartz Vein
259485	8654681	1.35	Quartz.carb.vein
259575	8654246	3.29	Quartz.carb.vein
260515	8653958	8.77	BIF
256534	8651075	3.64	BIF from Gerseu Garimpo
256534	8651075	1.62	BIF from Gerseu Garimpo
256534	8651075	2.31	BIF from Gerseu Garimpo
256055	8652809	3.17	Chlorite qtz schist with pyrite

This cash position is sufficient to cover all known development and exploration commitments, placing the Company in a very strong position given the emerging sustainable cash flow which is expected to commence from the Engenho Gold Project in March 2008.

The Company is, and expects to remain, totally ungeared and has no policy to enter into any gold hedging commitments in order to take full advantage of the current strong gold market environment.

John Langford
Chief Executive Officer

Competent Person's Statement

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.

Background Information

Mundo Minerals Limited is an Australian gold company focused on the exploration and development of a portfolio of advanced, high-quality gold assets in South America with the potential to position the Company as a substantial mid-tier Australian-domiciled gold production house.

Mundo is aiming to commence initial production at its flagship asset, the **Engenho Gold Project** in Brazil, by March 2008, laying the foundations for its growth strategy as a mid-tier Australian-domiciled producer focused on small-to-medium sized high-grade ore bodies in South America.

The Engenho Project, which is located in the State of Minas Gerais in Brazil, was previously operated by AngloGold Ashanti Limited which closed it in 2004 after treating some 171,257 tonnes of ore from an open pit through a conventional Carbon-in-Pulp (CIP) treatment facility.

Mundo's other two exploration assets in South America are the 100%-owned **Torrecillas Gold Project** in Peru and the **Tocantins Gold Project** in Brazil. These projects have the potential to yield multiple resources to underpin the Company's long-term growth.

The Torrecillas Project comprises some 9,000ha of tenements with a history of high-grade gold production in south-eastern Peru, a region which hosts a number of small-to-medium sized gold mines, including the Area, Capitana, Arirahua, Alcapay and Laytaruma operations – each of which have a production range of 25,000 – 80,000oz per annum.

The Tocantins Project is a joint venture where the Company has agreed to spend US\$1.3M to earn a 51% interest in tenements controlled by Gamaleira Prospeccao E Geologia Ltda (a Brazilian joint venture between AngloGold Ashanti and IAMGOLD Corporation). Mundo can increase this equity to 80% by taking any gold resource to a bankable feasibility study. The Tocantins tenements are located in a highly prospective region which includes three greenstone belts with the potential to contain multiple mid-size gold deposits.

Appendix 5B

Mining exploration entity quarterly report

Name of entity

Mundo Minerals Limited

ABN

97 117 790 897

Quarter ended ("current quarter")

30 September 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(1,062)	(1,062)
	(928)	(928)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	226	226
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(1,764)	(1,764)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	-	-
	(2,291)	(2,291)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	-	-
	-	-
	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(2,291)	(2,291)
1.13 Total operating and investing cash flows (carried forward)	(4,055)	(4,055)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(4,055)	(4,055)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	23,320	23,320
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – share issue expenses	(951)	(951)
	Net financing cash flows	22,369	22,369
	Net increase (decrease) in cash held	18,314	18,314
1.20	Cash at beginning of quarter/year to date	8,487	8,487
1.21	Effects of foreign exchange rates	141	141
1.22	Cash at end of quarter	26,942	26,942

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	165
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

The payments to directors and director-related entities are for executive salaries and director fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,600
4.2 Development	8,700
Total	10,300

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,149	1,045
5.2 Deposits at call	25,793	7,442
5.3 Bank overdraft		-
5.4 Other (provide details)		-
Total: cash at end of quarter (item 1.22)	26,942	8,487

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Not applicable	Not applicable	Not applicable	Not applicable
6.2 Interests in mining tenements acquired or increased	Not applicable	Not applicable	Not applicable	Not applicable

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	146,390,006	124,773,006	n/a	n/a
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	46,640,000 -	46,640,000	50 cents	50 cents
7.5 +Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -		
7.7 Options <i>(description and conversion factor)</i>	1,420,000 400,000 400,000 <hr/> 2,220,000	-	<i>Exercise price</i> \$0.30 \$0.30 \$0.45	<i>Expiry date</i> 9 Nov 2011 11 Feb 2012 1 Jul 2012
7.8 Issued during quarter	400,000	-	\$0.45	1 Jul 2012
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		
7.11 Debentures <i>(totals only)</i>	-	-		

7.12	Unsecured notes (<i>totals only</i>)	-	-
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date:
(Director/Company secretary)

Print name:Joe Mobilia.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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