

Mundo Minerals Limited

Stock Exchange Announcement – 17 August 2007

August 2007 Project Progress Report

Mundo Minerals Limited

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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:

114.15 million

Unlisted Options on Issue:

2.22 million

Update regarding Engenho Project Progress and Earthquake in Peru

- **Engenho continues to remain on progress to commence production on or before second quarter 2008.**
- **All budgetary expectations with respect to Engenho continue to be within expectations or below budget**
- **Strong progress has been made on development of project infrastructure**
- **Earthquake in Peru causes no damage to Torrecillas gold project and no personnel injuries**
- **Diamond drilling to commence at Tocantins in September**
- **Review of resource potential on all corporate assets currently in progress**

Engenho Gold Project , Brazil

Mundo Minerals advises that all major capital items associated with the development of the Engenho project including underground mining equipment have been sourced and are within or below anticipated budgetary expectations. The crusher has been constructed, all site works have been completed and it is anticipated that the crusher will be moved to site within the next two weeks.

Refurbishment of the ball mill is currently being commissioned. As part of the refurbishment, an enhanced capacity motor has been included to allow for an anticipated increase in production capacity subject to exploration on advanced exploration targets on the Engenho tenements.

Construction of the tailings dam is well advanced and is anticipated to be completed by mid October.

Commencement of mining activities is scheduled to commence in October 2007 as anticipated. All underground mining equipment except the jumbo has been sourced as second hand with appropriate engineering reports prepared for each piece of equipment. A new jumbo has been ordered and is expected to be delivered by the second week of October 2007. This will not impair the mining schedule. Significant savings of anticipated capital costs associated with the underground mining equipment have been achieved.

All key mining personnel have been recruited and are working with the company on developing the Engenho gold project.

Torrecillas Gold Project, Peru

As announced in the media, Peru experienced a substantial earthquake on 15 August 2007. A review of the Torrecillas gold project has shown that there is no damage incurred from the earthquake and no injuries have been sustained by any personnel at the mine site or in Lima.

A contract has been let with an experienced mining contractor for the development of the decline to access the vein structures at Torrecillas to allow the extent of mineralization to be assessed and a preliminary resource to be delineated prior to commencement of commercial production from the Torrecillas gold project. Cost of development has been negotiated at approximately US\$760 per development metre compared to a development cost of in excess of A\$4000 per metre experienced in Australia. The decline will be developed on a 4 x 4.5 metre infrastructure. The contractor is an experienced contractor and work practices will be comparable to those experienced in Australia.

Asset Review

As a result of additional information being reviewed at all assets currently being developed by Mundo Minerals, a revised assessment is currently being completed on the resource potential of each asset. Early assessments indicate that there is a positive reassessment of the resource potential from each asset. The review has not been completed and it is expected that a market update will be available within the next three weeks. It is seen as appropriate to provide some market guidance to this update early given the current market volatility and investment decisions being made by investors.

John Langford
Chief Executive Officer

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 Prospecção 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.

