



MUNDO MINERALS (MUN)

RESEARCH **TOLHURST**

Last Price \$0.75
Price Target \$1.00
Sector Gold

Risk Rating HIGH
Short term <12m BUY
Long Term > 12m BUY

Company update	December quarterly report
Recommendation Change	No
Target Price Change	Yes (previous \$0.90)
Forecast Change	Yes - significant upgrade due to performance above

December Quarterly Report

Event

Quarterly report shows development at Engenho is exceeding expectations

Impact

Mundo anticipates commencing commissioning on its Engenho Gold mine in March 2008. At this stage, Mundo expects the project to come in significantly ahead of previous forecasts:

- Calendar 2008 production is forecast at 32% above previous budget (25,383 oz)
- Annualised production is now forecast at 34k ounces per annum, 21% above previous estimates
- Final capital costs is expected to be 21% below previously budgeted costs
- Forecast cash operating costs are estimated at 5% below budget (A\$325/oz)

The net effect of these changes, in addition to our recent increase in our long term gold price assumptions from \$US500/oz to \$US600/oz is a significant increase in our valuation on Mundo from \$0.72 to \$0.98.

Market Stats

Market	\$m	94
12 Month Price		\$0.25 - \$0.93
Monthly Turnover	\$m	3.1
Monthly Volume	m	4.3
Monthly Turnover (of total)	%	3.4

Fundamentals		2007A	2008E	2009E	2010E
Net Profit	\$m	-1.9	-0.9	16.3	15.6
EPS	¢	-1.9	-0.6	11.1	10.6
EPS Growth	%	N/A	N/A	N/A	-4.3
PE	x	-38.9	-127.6	6.8	7.1
DPS	¢	0.0	0.0	0.0	0.0
Yield	%	N/A	N/A	N/A	N/A
Franking	%	0	0	0	0
P/CF	x	133.7	9.3	4.1	4.8
EV/EBITDA	x				
ROE	%	-11.7	-3.6	45.9	30.5

Forecast Returns % Return- 12 months

Forecast Price Appreciation	32.3
Expected Dividend Yield	0.0
Total Forecast Return	32.3

+Share Price 1 Year

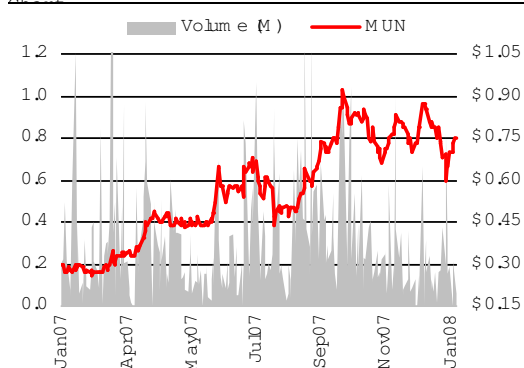


Figure 1 Crusher Operating at Engenho

At Tocantins, Brazil (where Mundo is earning a 51% interest), Mundo reported some outstanding results during the quarter, with best intersections including 2.65m at 37.02g/t and 0.6m at 16.7g/t, with the zone of mineralisation extended to in excess of 2.5km through extended soil sampling.

Development of the trial mine at Torrecillas in Peru (Mundo 100%) is proceeding well, with zones of significant sulphides exposed on two levels, and assays pending. Mundo is looking to send a 400kg sample to Germany in April to assess potential mechanical sorting techniques for this high grade ore. Mundo has placed an 18 month time frame in gaining sufficient data on this project to formulate a development strategy.

Valuation

We have a valuation of \$0.98 on Mundo, only looking at the most advanced project, Engenho. Even this deposit remains open at depth with good potential to extend mine life through further drilling.

Research Analyst - Cathy Moises
For further information contact your financial advisor

This information must be read in conjunction with the Analyst Certification
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Last Price	Price Target	Sector	Risk Rating	Short term <12m	Long Term > 12m
\$0.75	\$1.00	Gold	HIGH	BUY	BUY

Mundo has performed exceptionally well since listing, is debt free with 19.2m cash on hand, and 3 excellent projects on their books. We have upgraded the valuation to \$0.98 and as a result we have also increased our price target to \$1.00, and retain our BUY recommendation on the company.

Mundo Minerals

Profit & Loss 30 June	07E	08E	09E	10E	11E	Financial Summary	07E	08E	09E	10E	11E	
Total Revenue	0.5	7.5	33.8	34.1	28.4	Pre-abnorm aleps (cents)	-1.9	-0.6	11.1	10.6	6.6	
Operating Costs	0.0	-5.5	-11.2	-11.2	-11.3	PER (¢)	-39.94	-130.98	6.93	7.25	11.64	
Royalty	0.0	-0.2	-1.0	-1.0	-1.0	DPS (cents)	0.0	0.0	0.0	0.0	0.0	
EBITDA	-1.9	-0.9	19.2	17.7	11.1	Yield (%)	0.00	0.00	0.00	0.00	0.00	
Depn & Amort	0.0	-0.7	-3.4	-3.4	-3.4	CFPS (cents)	0.6	8.1	18.2	15.6	11.6	
EBIT	-1.9	-1.6	15.8	14.3	7.6	ROA (%)	-10%	-3%	44%	30%	16%	
Interest	0.0	0.8	0.5	1.3	2.1	ROE (%)	-12%	-4%	46%	31%	16%	
NPBT	-1.9	-0.9	16.3	15.6	9.7	Net Sales Margin	-401%	-11%	48%	46%	34%	
Tax Expense	0.0	0.0	0.0	0.0	0.0	EBIT Margin	-397%	-22%	47%	42%	27%	
NPAT	-1.9	-0.9	16.3	15.6	9.7	Net Debt to Equity	-52%	-22%	-53%	-72%	-80%	
						Debt to Assets	0%	0%	0%	0%	0%	
Cashflow (A\$m)	07E	08E	09E	10E	11E	Directors/Management						
Operating Cashflow	-2.2	0.8	20.7	20.9	15.0	George Jones					Non Executive Chairman	
-Capex	-5.4	-11.0	-1.2	-1.2	-1.2	John Langford					Managing Director	
-Exploration	-2.5	-11.0	-5.9	-1.9	-1.9	Michael Schumlian					Managing Director - South Africa	
Free Cashflow	-10.1	-21.2	13.6	17.8	11.9	Brian Hurley					Non Executive Director	
-Dividends	0.0	0.0	0.0	0.0	0.0	Barry Elkirke					Non Executive Director	
+Equity Raised	18.4	18.0	0.0	0.0	0.0	Rob McKenzie					Non Executive Director	
+Debt Drawdown	0.0	0.0	0.0	0.0	0.0							
-Other	0.2	0.0	0.0	0.0	0.0							
Net Change in Cash	8.5	-3.2	13.6	17.8	11.9							
Cash at End Period	8.5	5.3	18.9	36.7	48.6							
Balance Sheet (A\$m)	07E	08E	09E	10E	11E	Substantial Shareholders						
Cash	8.5	5.3	18.9	36.7	48.6	Oceanic Asset Management			9,049		6%	
Total Assets	18.4	25.5	36.9	52.4	62.1							
Total Debt	0.0	0.0	0.0	0.0	0.0							
Total Liabilities	2.0	1.4	1.4	1.4	1.4							
Shareholders Equity	16.4	24.1	35.4	51.0	60.7							
Production	07E	08E	09E	10E	11E	Valuation Summary		A\$m		A\$/share		
Engenho						Operations						
Ore Milled	(k t)	0.0	45.0	220.0	220.0	Engenho			101.8		\$0.70	
Head Grade - Au	(g/t)	0.0	5.2	5.2	5.2	Exploration			10.0		\$0.07	
Recovery - Au	(g/t)	0%	93%	93%	93%	Sub Total Operations			111.8		\$0.76	
Production - Au	(k oz)	0.0	7.0	34.2	34.2	Financial						
Cash Cost	(\$/t)	0	na	51	51	Forward sales			0.0		\$0.00	
Cash Cost	(A\$/oz)	0	na	326	329	Cash			23.3		\$0.16	
Total Cost	(A\$/oz)	0	na	455	458	Total Borrowings			0.0		\$0.00	
						Corporate/Other			4.7		\$0.03	
Total Attributable Production						Sub Total Financial			28.0		\$0.19	
Production - Au	7	0	7	34	34	Valuation per share			139.8		\$0.96	
Cash Cost	na	0	na	326	329							
Cash Cost	915	0	915	455	458	Assumptions		07E	08E	09E	10E	11E
						Gold Price (\$US/oz)		675	820	795	735	600
Resources	Mt	g/t Au			K oz Au							
Engenho	1.8	5.59			326.5							
Total	1.8	5.6			326.5							

1 FEBRUARY 2008



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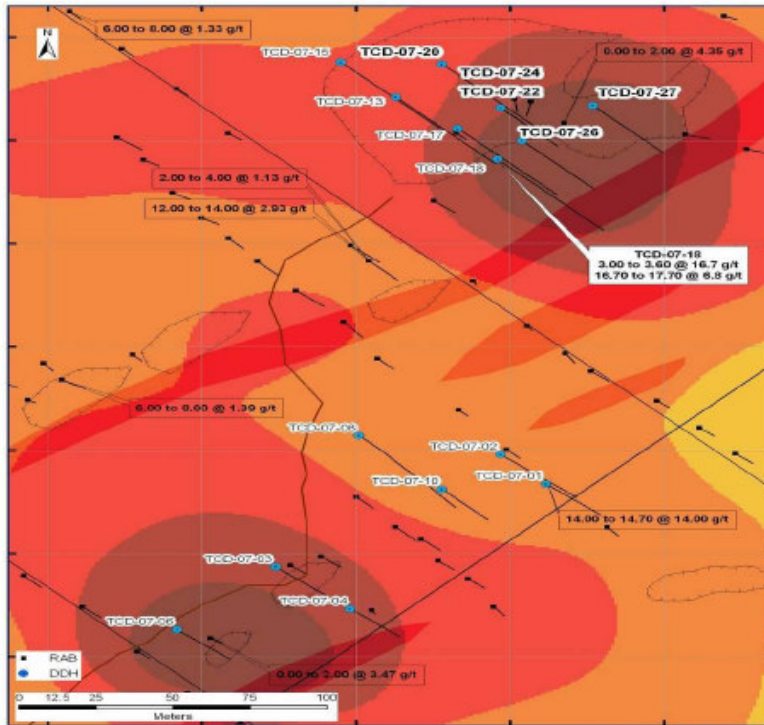
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\$0.75	\$1.00	Gold	HIGH	BUY	BUY

Research Analyst - Cathy Moises
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Drill intersections at Conceicao (Tocantins).



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\$0.75	\$1.00	Gold	HIGH	BUY	BUY

Tolhurst's Recommendation and Risk Rating system:

Recommendations are assessments of each Tolhurst Analyst's view of potential total returns over Short Term and/or Long Term time horizons. A Short Term time horizon is less than 12 months; a Long Term time horizon is greater than 12 months.

Expected total Return is measured as (capital gain (or loss) + dividend)/purchase price

We have divided our recommendations into four main categories:

Buy: Expected Total Return more than 20%

Accumulate: Expected Total Return between 5% - 20%

Hold: Expected Total Return between -5% and 5%

Sell: Expected Total Return less than -5%

Risk Ratings:

Risk is a subjective assessment of overall risk within a company including price volatility and earnings variability, external liquidity, and size. We divide our risk into three categories:

High: Company typically has high price volatility and earnings variability, low external liquidity and has a small market capitalisation.

Medium: Company typically has moderate price volatility and earnings variability, external liquidity and a medium size market capitalisation.

Low: Company typically has low price volatility and earnings variability, high external liquidity and is a large size market capitalisation

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This report has been reviewed by peers within the research department.