

MUNDO MINERALS LIMITED

MUN

Tuesday, 10 July 2007

Initial encouraging results from Brazilian greenstone gold project

Recommendation Speculative Buy

Overview

MUN has had initial success at its Tocantins gold project in central Brazil. Reconnaissance RAB drilling, targeting a 3 kilometre long soil anomaly at Conceição East, has returned intercepts from surface of 2 metres averaging 9.05 g/t gold, 2 metres averaging 4.34 g/t gold and 2 metres averaging 3.47 g/t gold. The drilling also returned an intercept of 0.7 metres averaging 14.0 g/t gold from a depth of 14 metres to the limit of penetration. In addition, rock chip sampling has returned values up to 9.44 g/t gold in quartz veins and up to 8.77 g/t gold in banded-iron formation (BIF) units. Overall, mineralisation has been identified within three BIF units along a zone in excess of 700 metres in length. The current program consists of 10,000 metres of RAB drilling, approximately 45% of which has been completed with assay results received for about 40% of those holes.

MUN is spending US\$1.3 million to earn a 51% interest in the Tocantins project from a Brazilian joint venture between AngloGold Ashanti and IAMGOLD. The project includes three greenstone belts extending over a strike length of nearly 200 kilometres. Exploration licences and applications cover a combined 1,860 square kilometres. It is expected that MUN will complete the earn-in by early next year. The company may increase its interest to 80% by taking any resource discovered to bank feasibility status. MUN's evaluation of the project has commenced in the Conceição region.

The Conceição region was a significant gold producer in the late 19th and early 20th centuries. Historical production was from relatively shallow underground operations associated with a series of prominent BIF units, yielding typical recovered grades of around 8 to 9 g/t gold. The depth of mining was restricted by the limited pumping capacity at the time and difficulties in treating the deeper sulphidic ore.

The region has been subjected to very limited exploration using modern exploratory techniques. Part of the area currently being tested by the RAB drilling is covered by lateritic duricrust up to 10 metres thick, rendering the primitive prospecting methods of the historical miners totally ineffective. The mineralisation identified to date is associated with BIF units and local quartz veining, along an established north east trend.

The intercepts returned from MUN's initial evaluation should not be viewed as giving an estimate of the thickness and grade of gold mineralisation, due to the limitations of RAB drilling and the early stage of the project, but should be seen as providing encouragement that MUN's analogy with the greenstone belts of Western Australia may prove correct. This prospectivity may be further enhanced as a follow up diamond drilling program is being planned and is expected to commence in the next few weeks.

MUN is also advancing the development of the Engenho gold project in southeast Brazil. Subject to board approval for project finance of approximately \$15 million production from the underground mine is expected to commence in the first quarter of 2008 at an annual output of 30,000 ounces of gold. Cash flow from this operation, and a potential high grade gold mine at Torrecillas in Peru, is expected to be directed essentially toward exploration at Tocantins.

Impact

MUN has received initial success in defining diamond drill targets over a 700 metre strike length at its Tocantins gold project in central Brazil. The company has access to a large ground holding and through analogies with the greenstone belts of Western Australia is embarking on a systematic evaluation of the potential for this region to host multiple medium sized gold deposits. Cash flow from an underground operation at the site of the former Engenho open cut gold mine within the Iron Quadrangle in southeast Brazil will greatly assist the company's endeavours.

Snapshot

Last Price	\$0.565
Market Cap (m)	\$56.3
52 Week High	\$0.665
52 Week Low	\$0.25
Sector	Metals & Mining

Investment Fundamentals

Cash reserves	\$9 million
Shares on issue	99.75 million
Options on issue	1.82 million unquoted
Directors	George Jones (Chairman) John Langford (CEO) Mike Schmulian (exec) Brian Hurley (non exec) Barry Eldridge (non exec) Robert McKenzie (non exec)
Major shareholders	Anglo Pacific Group 6.24%

Source: Intersuisse Estimates

Price Chart



Business Description

MUN is progressing the evaluation and development of gold projects in South America. It aims to bring its underground Engenho gold mine into production in early 2008 in order to support exploration and evaluation of a large greenfields gold project in central Brazil as well as progress the evaluation of a high grade narrow vein gold project in Peru and other opportunities that may arise.

Analyst: Paul Gooday

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Important Information

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Prepared by Paul Gooday