

Mundo Minerals Limited

Stock Exchange Announcement – 18 July 2007

\$18M Capital Raising to Secure Development of South American Gold Assets

Highlights

- Placement of 36,000,000 shares at 50 cents per share in two tranches to raise a total of A\$18 million.
- Directors announce a Share Purchase Plan to enable existing shareholders to increase their holdings at the same price as the share placement.
- Development of 100%-owned Engenho Gold Project in Brazil fully funded from this equity raising.
- Proceeds will also underpin initial development work at Torrecillas (Peru) and diamond drilling at Tocantins (Brazil), to be advanced in the immediate future.
- Mundo balance sheet to remain debt free and totally unhedged, maintaining full participation in any increase in the gold price.
- Mundo will also retain full cash flow from the Engenho Project which is available to further develop the Company's other emerging assets in Latin America.

Mundo Minerals Limited (ASX: MUN) is pleased to advise that it has completed a placement of **14.4 million shares at 50 cents per share** to sophisticated and professional investors, raising **A\$7.2 million**. In addition, the Company intends to seek shareholder approval to raise a further **A\$10.8 million** through the placement of a second tranche of shares at the same price, amounting to a total capital raising of **A\$18 million**.

Both tranches of the placement have been fully committed primarily by institutional investors. Significant support was received from Lodge Partners and Tolhurst Noall in completing this placement.

The landmark capital raising, together with existing cash reserves, will secure all required funding for the 100%-owned **Engenho Gold Project** in Brazil, while at the same time enabling Mundo to accelerate exploration and evaluation activities at its other two South American gold projects. This effectively underpins the Company's future development.

The first tranche of the share placement is within the limits set out in the ASX Listing Rules, which allows a company to place up to 15% of its issued capital without shareholder approval. Mundo's Board intends to seek shareholder approval to place the second tranche, comprising **21.6 million shares at 50 cents** each to raise a further **A\$10.8 million**. A shareholder meeting will be convened and expected to be held on 24 August 2007 to seek this approval.

In conjunction with the share placement, Mundo also today announced its intention to implement a Share Purchase Plan ("SPP"). Under the SPP, all Mundo shareholders with registered addresses in Australia and New Zealand as at 18 July 2007 will be able acquire

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:

Joe Mobilia

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:

99.75 million

Unlisted Options on Issue:

1.82 million

up to **\$5,000** worth of shares at **50 cents per share**, providing them with the opportunity to increase their shareholdings on the same basis as sophisticated and professional investors participating in the placement

The indicative timetable associated with the share placement and SPP is as follows:.

Event	Date
Announcement of trading halt	Monday 16 July 2007
Undertake Share Placement to investors (Tranche 1)	Tuesday 17 July 2007
Announcement of Share Placements and SPP and resumption of trading	Wednesday 18 July 2007
SPP Record date	Wednesday 18 July 2007
Despatch of EGM notice to approve Tranche 2 of Placement, along with SPP offer documents	Monday 23 July 2007
DvP Settlement of Placement (Tranche 1)	Tuesday 24 July 2007
Allotment of Placement shares (Tranche 1)	Wednesday 25 July 2007
Tranche 1 shares expected to commence trading on ASX	Friday 27 July 2007
SPP closing date	Wednesday 22 August 2007
EGM to approve Placement (Tranche 2) and refresh Placement capacity	Friday 24 August 2007
DvP Settlement of Placement (Tranche 2)	Wednesday 29 August 2007
Allotment of Placement shares (Tranche 2) and SPP shares	Thursday 30 August 2007
Tranche 2 shares and SPP shares expected to commence trading on ASX	Friday 31 August 2007

USE OF FUNDS

The proceeds of the share placement (assuming shareholders approve the second tranche) and SPP (assuming fully subscribed) will increase Mundo's available cash reserves to in excess of \$31 million, providing a strong foundation for the Company to achieve its core growth objectives as an emerging mid-tier gold company. Specifically, the funds raised, together with existing cash, will:

- provide all the required capital to complete development of the **Engenho Gold Project** in Brazil, which is on schedule to commence production in the first quarter of 2008 at an initial rate of approximately 30,000oz per annum;
- underpin the immediate commencement of the next phase of assessment of the **Torreillas Gold Project** in Peru, which will take 18-24 months;
- provide funding to undertake a major diamond drilling program targeting the recently identified extensive gold anomaly at the **Conceição East prospect**, part of Mundo's **Tocantins Gold Project** in Brazil. Drilling is targeted to commence during the third Quarter of 2008.

Development activities at Engenho, Mundo's first gold production asset in South America, are well advanced with installation of the crusher now underway on site. Dewatering of the open pit has commenced in anticipation of mine development commencing in October 2007, and regulatory approval was recently received for construction of the tailings dam. This critical event will enable construction to be completed before the onset of heavy rainfall, which normally occurs between November and February.

The next phase of project assessment has already commenced at the Tocantins Project in Peru, with tenders received for development of an exploration decline. This will facilitate access a number of the high-grade veins in order to establish an initial resource and enable a decision to commence production to be made within 18 months to 2 years. Tocantins is expected to emerge as the Company's second production asset.

Recently announced initial results from an ongoing RAB drilling program at the **Conceição Prospect** at the **Tocantins Gold Project** in Brazil have upgraded the potential for a significant new gold discovery on these tenements. Tocantins is a large greenfields gold exploration project located in Central Brazil.

Commenting on the announcement, Mundo's Chief Executive Officer, Mr John Langford, said this next phase of project development and assessment was expected to significantly consolidate Mundo Minerals as an emerging mid-tier production house with a sustainable production assets and a growing resource base.

"The Board assessed a number of alternative funding propositions including the implementation of some hedging," Mr Langford said. "Some of these options required equity to be offered with the funding and all had commercial returns to be provided to the financier, including ongoing fee structures. In addition, cash flow from Engenho would be required to be directed or set aside for repayment of the finance."

"In light of the significant progress achieved in the past six months in unlocking the potential of all our core assets, the Board has concluded that shareholders will benefit most from retaining 100% of the available cash flow from Engenho, remaining fully exposed to potential increases in the gold price, and being able to immediately implement development strategies at Torrecillas and Tocantins rather than being restricted until free cash flow is available from Engenho."

A notice of shareholders meeting and details of the Share Purchase Plan will be issued as soon as the documentation is completed.

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.

