

Mundo Minerals Limited

Stock Exchange Announcement – April 2007

Quarterly Report – 31 March 2007

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

Capital Structure

Fully-Paid Shares on Issue:

99.75 million

Unlisted Options on Issue:

1.82 million

HIGHLIGHTS

- **Feasibility Study on Engenho Gold Project, Brazil completed, confirming robust economic parameters.**
- **Board approval to proceed with development of Engenho Project announced on 15 April 2007.**
- **Major lead time items acquired and construction critical path confirmed.**
- **Accelerated development timetable finalized, with initial production scheduled for first half of 2008.**
- **Engenho mine plan confirms expected minimum 10-year mine life.**
- **Initial project assessment completed at Torrecillas Gold Project, south east Peru.**
- **Significant high-grade gold assays confirm commercial development potential at Torrecillas.**
- **Mundo Board approves acquisition of Torrecillas Project for US\$2 million, payable in stages.**
- **Exploration target generation further refined at Tocantins Gold Project, Brazil.**
- **Experienced technical team enhanced with further key appointments.**

Mundo Minerals has achieved significant progress on the development of all of its South American gold assets in the five months since listing on ASX on 15 November 2006. During the March 2007 Quarter, the Company completed the Feasibility Study on the Engenho Gold Project in Brazil, undertook detailed assessment of the Torrecillas Gold Project in Peru, and continued intensive exploration programs at the Tocantins Project in Brazil.

Subject to the end of the Quarter, the Engenho Feasibility Study was presented to the Mundo Minerals Board and approval announced to proceed with development, paving the way for the Company's transition to gold production in early 2008. In addition, Mundo Minerals will be developing the feasibility study on the Torrecillas Project in Peru as a potential second production centre, while continuing a systematic exploration program on the Tocantins Gold Project in Brazil.

Engenho Gold Project – Brazil (100%-owned)

During the Quarter, Mundo Minerals completed the Feasibility Study on the Engenho Gold Project in Brazil, with the final study presented to the Board in early April 2007. The Feasibility Study confirmed the technical and economic viability of the project and was adopted by the Board on 15 April 2007.

The Feasibility Study is based on an underground mining operation at Engenho delivering 195,000tpa of ore to a conventional CIP gold treatment facility, to be located on site.

The mine plan envisages extraction of over 1.8 million tonnes of ore at a diluted grade of 4.94g/t gold over a 10-year mine life, resulting in the production of over **275,000 ounces** (based on average recovery of 93%). Annual gold production is expected to average approximately **30,000 ounces**.

Based on a gold price of US\$640/ounce, the Engenho Project is forecast to have a cash cost of production of **US\$272/ounce** (A\$344/ounce) and a total production cost of US\$376/ounce (A\$475/ounce). Over the life of the mine, it will generate estimated free cash of A\$88.4 million, with a Net Present Value (using an 8% discount) rate of **A\$48.8 million** and Internal Rate of Return of 60%.

The project NPV equates to a value of approximately **48 cents per share** for the Engenho Project alone, excluding any allowance for the Company's option over the Torrecillas Project in Peru (see below) or its Tocantins exploration project in Brazil. This valuation also excludes the potential to increase the existing resource at Engenho and exploration upside on Mundo's tenements.

The Engenho resource remains open at depth, with the mine plan based on the known resource (1.82 million tonnes at 5.59g/t Au for 326,500oz). Once the Project is in production, Mundo Minerals intends to commence exploration targeting extensions to the resource at depth once suitable underground drilling positions can be established. In addition, the potential to identify duplicate ore bodies similar to Engenho on the Company's 100%-owned tenements is regarded as excellent based on exploration data provided by the project vendor, AngloGold Ashanti.

The Feasibility Study concluded that an owner-operator mining operation is the most efficient and cost effective method of operating the mine, with the majority of mining equipment expected to be sourced second-hand. A new crushing circuit has been ordered and is scheduled to be delivered in July 2007, while the Company recently announced the acquisition of a suitably configured second-hand ball mill, resulting in a significant cost reduction compared with the acquisition of a new ball mill.

The estimated project capital cost through to first production is estimated at approximately A\$15 million, including treatment plant, infrastructure, contingencies, underground equipment and development costs. This is in line with the Company's original budget after allowing for adjustments due to the decision to opt for owner-operator mining rather than contract mining. It is expected that project finance of approximately A\$15m will be secured to finance the project and the board approval is subject to this finance being secured. Discussions have commenced with a number of parties with respect to negotiating an acceptable financing arrangement for the development of the Engenho Gold Project.

The projected timeframe for developing the project is as follows:

Engenho Gold Project – Projected Development Timetable

| | |
|--|--------------|
| Commencement of de-watering and crusher site works | April 2007 |
| Project finance to be confirmed | June 2007 |
| Final regulatory approvals | July 2007 |
| Mine development commences | October 2007 |

| | |
|-------------------------------|---------|
| Treatment plant commissioning | Q2 2008 |
| Production commences | Q2 2008 |

During the Quarter, Mundo Minerals completed the establishment of an assay laboratory at the Engenho Project. While the facility will not be required for the operation of the Engenho Project itself for some time, the laboratory has been established for use as an exploration tool to provide rapid turnaround of assay data to the exploration team working on the Tocantins gold exploration project, also in Brazil (see below). An experienced laboratory manager has been appointed to manage this facility.

The Engenho assay laboratory will provide a faster information flow to the geological team and assist with more strategic and focused exploration. Significant assays will be sent to an independent laboratory for checking prior to release of information to the market in accordance with professional practice.

Torrecillas Gold Project – Peru (100% owned)

During the Quarter, Mundo Minerals undertook a detailed assessment of the Torrecillas Gold Project in Peru ahead of the expiry of an option to acquire the Project on 15 April 2007. After reviewing the results of this assessment and initial exploration activities, the Board of Mundo Minerals approved the acquisition of the Project on 15 April 2007. The Company will now focus on the next stage of project assessment and on establishing an administrative and operational base in Peru to ensure that it can take advantage of additional opportunities in this country from an initial potential production base at Torrecillas.

The Torrecillas Project contains multiple narrow-veined, high-grade mineralised zones extending over the tenements. There has been low-level production over the past 20 years from one of the veins, which has yielded an average production grade for the majority of the production period of approximately 30g/t. This is mainly due to the primitive nature of the mining techniques employed. As part of its ongoing assessment of the Torrecillas Project, Mundo Minerals will be investigating various opportunities to maximize mining efficiencies and enhance productivity to increase gold production. It is expected that the next phase of project assessment will take 18-24 months, after which the final feasibility study will be complete.

The total consideration for acquisition of the Torrecillas Project is US\$2 million, payable over two years on the basis of payments of US\$500,000 each six months after the exercise of the option. The final payment increases to US\$750,000 should Mundo delineate a 200,000oz gold resource at the time the final payment is due. A royalty of US\$8/ounce is payable after production of 90,000 ounces of gold has been achieved. In addition, a 2% Net Smelter Royalty is payable on any non-gold metals produced from the project.

The Torrecillas Project represents an attractive opportunity to develop a production base within the regionally significant Nazca-Ocunã gold belt. A number of underground mines are currently operating in the region on narrow vein, high-grade gold deposits analogous to Torrecillas – including Arirahua (27,000oz per annum), Caraveli (25,000oz per annum), El Capitana (31,000oz per annum) and Laytaruma (31,000oz per annum). Minera Ares SAC produces 198,000oz per annum from a number of operations through the region, including the Arcata mine in the Nazca belt.

Limited drilling and sampling carried out by Mundo Minerals since November 2006 has confirmed the continuity of an extensive system of six high-grade veins within the Torrecillas tenements which generally extend over an approximate 2km strike length. This program returned encouraging results with significant underground sampling results announced during the Quarter including **1.1m @ 26.5g/t Au, 0.8m @ 75.77g/t, 0.3m @ 141.45g/t and 0.3m @ 95.66g/t**. A full table of underground sampling results from Torrecillas is appended to this Quarterly Report.

Importantly, regional research has indicated that the vein system at Torrecillas is mesothermal, similar to other mines in the region, which indicates that the mineralisation continues at depth. Some nearby mines being developed on a small production basis operate to depths in excess of 400 metres. Current mining activities at Torrecillas itself have been limited to a 200m section of a single vein.

The acquisition offers the opportunity to gain a foothold in a regionally significant mining region with the potential to yield a number of additional production assets. As one of a limited number of mining companies with expertise in the development of mid-sized mining operations in Peru, Mundo Minerals would be well placed to leverage off an initial operating base at Torrecillas.

After exercising the option, the Company plans to commence a broader exploration, feasibility and development program initially focusing on a detailed assessment of the high-grade production potential within the vein system. Various activities are planned in moving towards a detailed feasibility study, including bulk sampling to assess potential mining economics.

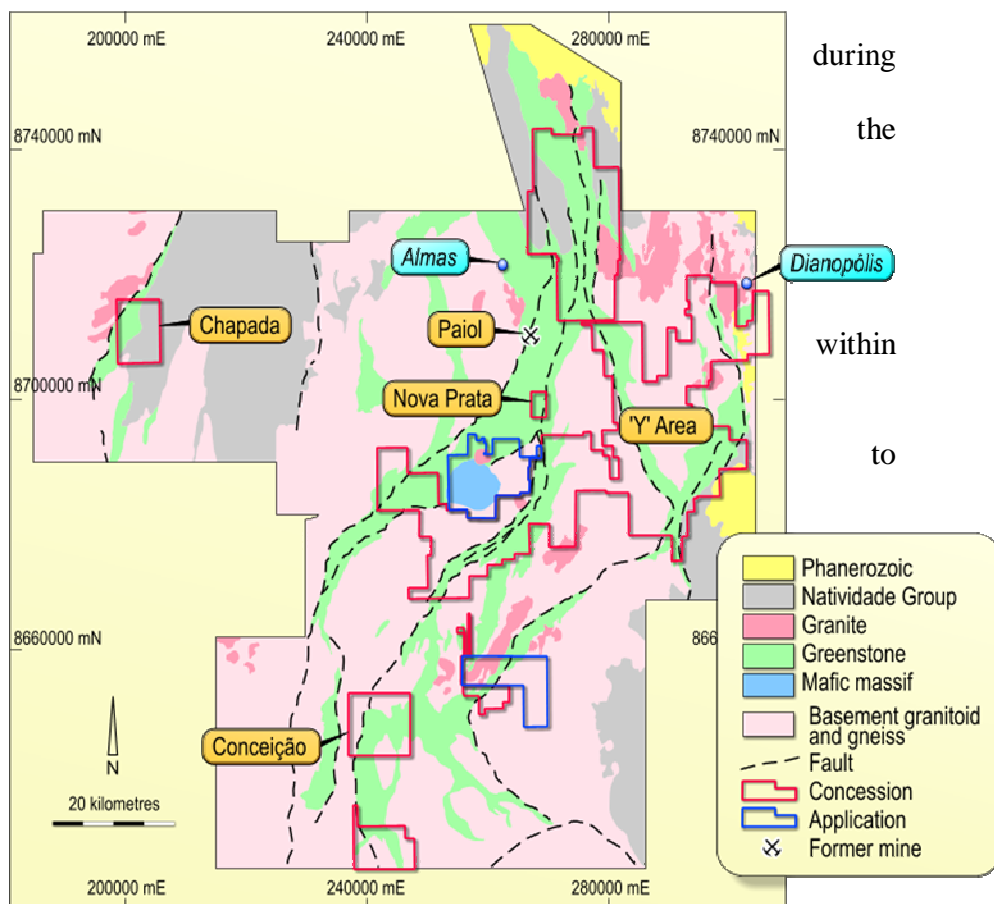
Mundo Minerals intends to appoint a Country Manager to oversee its emerging operations in Peru. A senior geologist is already in place on site with extensive experience in the region. The Company will also establish a low-cost administrative office to support its activities in the region.

Tocantins Gold Project – Brazil (Mundo earning 51%)

During the Quarter, Mundo Minerals completed a comprehensive compilation of existing regional and prospect-scale exploration data for the Tocantins Gold Project in Brazil. Previous regional exploration conducted by IamGold delineated a large number of highly prospective targets within this extensive gold-bearing region, which comprises three greenstone belts extending over a strike length of nearly 200km. These targets have been further refined through detailed data integration and evaluation.

Follow-up field reconnaissance conducted by the Company’s senior exploration staff has further enhanced a number of high level exploration targets. In addition to ongoing soil sampling and RAB drilling focused on the Y region, a systematic RAB drilling programme will commence the June Quarter focused on testing prominent geochemical anomalies in region known as Conceicao (see regional map below).

This region has been the site of historical high grade gold production from sulphide-rich ore bodies hosted banded-iron formations. The Company’s tenements include a number of old workings, extending 140m in depth and associated with extensive geochemical anomalism, which are being followed up with in-fill soil sampling and RAB drilling. Assessment of other high potential targets is continuing via geological mapping and geochemistry. Many of these targets contain historical old workings which are being mapped and sampled.



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Fig 1. Tocantins Gold Project – Key Target Areas

A senior exploration geologist, Marco Aurelio da Costa, has been appointed to manage the Tocantins exploration program. Da Costa has over 20 years of experience in greenfields and brownfields Archaean gold exploration in Brazil and Africa, mainly with Anglo American and AngloGold

Summary and Outlook

The completion of the Engenho Feasibility Study during the March Quarter and subsequent Board approvals mark the most significant milestone for Mundo Minerals since its listing on the ASX. With its first production asset now moving into development and approval received for acquisition of a second advanced asset, the Company is exceptionally well placed to realize its vision of becoming a significant new mid-tier Australian-domiciled gold producer.

The Directors believe that the development of the Engenho Gold Project will provide a low-risk, sustainable cash flow for the Company over an extended period. This will provide a strong platform for the Company to develop its other assets, including the Torrecillas Project, ongoing exploration and to pursue other opportunities in South America.

The Company's focus over the next 12 months will be on delivering a successful gold production project at Engenho, while at the same time advancing the Torrecillas Project to a commercial development stage. In parallel with this, Mundo Minerals will maintain aggressive exploration programs designed to underpin its longer-term growth outlook.

The Company remains in a strong financial position to achieve its objectives, with cash at the end of the Quarter of \$11.3 million.

John Langford Chief Executive Officer

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 a newly established 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 new mid-tier Australian-domiciled gold production house.

Mundo is aiming to commence initial production at its flagship asset, the **Engenho Gold Project** in Brazil, within 18 months, 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.

Mundo intends to establish a CIP treatment facility near the Engenho ore body, with estimates from Brazilian manufacturers and contractors indicating that the capital cost of a plant with a 150,000tpa treatment capacity would be approximately US\$7.5 million.

A total of approximately \$7.6 million of the IPO funds will be allocated towards exploration and acquisition costs associated with Mundo's other two assets, the **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.

At Torrecillas, Mundo has negotiated an option to explore 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 Company announced on 16 April 2007 that it has exercised the option it held over these tenements and will move to acquire 100% of the project by paying a maximum US\$2.25 million.

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 Gameleira 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.

Mundo's IPO brings to the Australian market one of the most accomplished and high profile senior management teams assembled in the resource sector in recent times. Mr Langford, who headed up the corporate finance division for Deloitte in Western Australia for 10 years, has extensive experience in the Australian resource sector and is well-known as a Director of Palace Securities Pty Ltd, the company that owns the Diggers & Dealers Mining Forum.

Joining him on the Mundo Minerals Board is a high-profile group of resource industry leaders including non-executive Chairman, Mr George Jones, Brazilian-based Executive Director, Mr Michael Schmulian, Australian mining executives, Mr Brian Hurley and Mr Barry Eldridge, and well-known Perth lawyer, Mr Rob McKenzie.

Appendix 5B

Mining exploration entity quarterly report

Name of entity

Minerals Limited

ABN

790 897

Quarter ended ("current quarter")

31 March 2007

Consolidated statement of cash flows

| | | Current quarter \$A'000 | Year to date (14 months) \$A'000 |
|---|--|----------------------------|--|
| Cash flows related to operating activities | | | |
| 1.1 | Receipts from product sales and related debtors | - | - |
| 1.2 | Payments for (a) exploration and evaluation | (1087) | (2061) |
| | (b) development | - | - |
| | (c) production | - | - |
| | (d) administration | (585) | (1558) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | 195 | 225 |
| 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 | | (1,477) | (3,394) |
| Cash flows related to investing activities | | | |
| 1.8 | Payment for purchases of: (a)prospects | - | (2,932) |
| | (b)equity investments | - | - |
| | (c) other fixed assets | (407) | (702) |
| 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 | | (407) | (3,634) |
| 1.13 | Total operating and investing cash flows (carried forward) | (1,884) | (7,028) |

| | | | |
|------|--|---------|---------|
| 1.13 | Total operating and investing cash flows (brought forward) | (1,884) | (7,028) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | 19,651 |
| 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 | - | (1,210) |
| | Net financing cash flows | - | 18,441 |
| | Net increase (decrease) in cash held | (1,884) | 11,413 |
| 1.20 | Cash at beginning of quarter/year to date | 13,228 | - |
| 1.21 | Effects of foreign exchange rates | (18) | (87) |
| 1.22 | Cash at end of quarter | 11,326 | 11,326 |

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 | 172 |
| 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.

The company was incorporated on 9 January 2006 and was admitted to the official list of Australian Stock Exchange Ltd on 10 November 2006. This is therefore the second quarterly report the company has produced. The year to date cash flows are for the period from incorporation to 31 March 2007.

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 | 1,079 |
| 4.2 Development | 3,989 |
| Total | 5,068 |

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 | 1,728 | 594 |
| 5.2 Deposits at call | 9,598 | 12,634 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 11,326 | 13,228 |

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 |
| 6.2 | Interests in mining tenements acquired or increased | Not applicable | Not applicable | Not applicable |

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 | 99,750,003 | 99,750,003 | n/a | n/a |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 50,000,000 - | 50,000,000 - | 30 cents | 30 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 <hr/> 1,820,000 | - | <i>Exercise price</i> \$0.30 \$0.30 | <i>Expiry date</i> 9 Nov 2011 11 Feb 2012 |
| 7.8 Issued during quarter | 400,000 | - | \$0.30 | 11 Feb 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> | - | - | | |

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: John Langford.....

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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