

MUNDO MINERALS UPGRADES GOLD PRODUCTION FORECAST FROM SOUTH AMERICAN MINE

FINAL CAPITAL COST EXPECTED TO BE 21% BELOW BUDGET WITH COMMISSIONING COMMENCING IN MARCH 2008

Mundo Minerals Limited (ASX: MUN – “Mundo Minerals”) today confirmed that it is on track to join the ranks of international gold producers later this Quarter at its 100%-owned Engenho Gold Project in Brazil as it upgraded its 2008 gold production forecast for the mine by 32%.

The Perth-based gold Company said in its December 2007 Quarterly Report issued today (Thursday) that Engenho had continued to exceed all of its budgeted economic parameters, with 2008 production now forecast at 25,583 ounces compared with the Bankable Feasibility Study (BFS) budget of 19,372 ounces and annualised production now forecast at 34,000 ounces, 21% above the BFS.

Moreover, Mundo Minerals is in the relatively unique position in the current high-cost environment in the global resource industry of reporting a final capital cost for its first production asset 21% below its BFS forecast (A\$13.03 million) and a forecast cash operating cost 5% below previous estimates (A\$325/ounce). Total cash operating costs are forecast at A\$454/ounce, which will enable the Company to generate a strong cash operating margin.

“This is a great result which reflects an excellent effort by our team and the attractive operating conditions in Brazil,” said Mundo Minerals’ Managing Director, Mr John Langford.

“To be able to achieve production on schedule and below budget, particularly in the current strong gold price environment, puts the Company in a very strong position to continue to deliver on its broader growth strategy in Latin America,” he added. “Importantly, our production is totally unhedged and we have a strong cash position of around \$19 million and no debt, which will insulate the Company against the current market volatility.”

Based on a gold price of US\$750/ounce (well below the spot price) and an A\$:US\$ exchange rate of 88 cents, the Engenho Project is forecast to generate earnings before interest, tax, depreciation and amortisation (EBITDA) of A\$12.8 million for 2008 and A\$17 million per annum thereafter.

Mining operations are continuing to access remaining ore in the pit wall from previous mining operations at Engenho and progress decline development to access the main underground orebody. Long-term production will come from underground at the rate of 195,000tpa of ore, with ore treated at a CIP treatment plant located on site. The current mine life is 8 years based on a resource of 1.82 million tonnes at 5.59g/t Au (326,500 ounces).

Mr Langford said plant commissioning was scheduled to commence in March, with first gold production anticipated in April 2008. “Engenho will enable the Company to become self-funding, generating a strong cash flow which, together with our existing cash reserves, will enable us to accelerate our broader growth strategy, including at our other key assets at Torrecillas in Peru and Tocantins in Brazil,” he said.

“Key parts of this strategy include a recently commenced regional exploration program at Engenho – where we see excellent potential to grow the current resource base and increase production – completing the current feasibility study at Torrecillas, and drilling out the exciting new discovery we have made at Conceição, within our Tocantins Joint Venture in central Brazil,” he added.

At Tocantins – where Mundo Minerals recently completed earning an initial 51% interest – the Company has delineated two extensive zones of gold mineralization at Conceição. Intensive diamond drilling is now focused on the central anomaly, where recent soil sampling has extended the length of the anomalous zone to in excess of 2.5km. Significant recent results from RAB drilling include 2.65m @ 37.02g/t Au and, from diamond drilling, 0.6m @ 16.7g/t Au and 1m @ 6.8g/t Au.

At Torrecillas in south-east Peru, an exploration decline is currently being developed to fully assess the high-grade mineralization, together with development work along the existing workings. This activity is part of a feasibility study targeting the establishment of a 50-60,000oz per annum commercial gold mining operation in the medium term. Recent development work has exposed zones of significant sulphides on two levels, with the mineralization consistent to that mined previously.

Mr Langford said the successful commissioning of Engenho would mark the first major milestone towards achieving the Company’s medium term strategy of establishing a +250,000 ounce per annum sustainable production base in South America, based on currently identified resource and exploration potential at its three existing assets.

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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 April 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 **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. Under the same agreement, Mundo has exercised its option to acquire a 100% interest in the tenements, by paying a maximum of 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 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.

Mundo's senior management comprises one of the most accomplished and high profile teams assembled in the Australian resource sector in recent times. Chief Executive Officer, Mr John 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.

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