

Mundo Minerals Limited

Shareholder Update – May 2007

Dear Shareholder,

Much has been achieved in the six months since Mundo Minerals made its debut on the Australian Stock Exchange in November 2006; I am therefore pleased to take this opportunity to update you on our progress and recent achievements.

During the past six months, we have moved quickly to put in place the foundations which your Board believes are required to achieve sustained shareholder growth – and to realise our long-term objective of becoming a substantial, Australian-domiciled international gold production company.

Specifically, we have:

- « completed the Feasibility Study on our first gold production asset, the 100%-owned **Engenho Gold Project** in Brazil, confirming the robust economic parameters of this project and providing a strong base case to obtain suitable project financing;
- « announced Board approval to proceed with development of the Engenho asset under an accelerated timetable which is targeting first production during the first half of 2008;
- « recruited a highly experienced and talented senior management and operational team in Brazil – reporting to our Managing Director-South America, Mike Schmulian – and put in place all the necessary in-country administrative systems, expertise and support to ensure that we can achieve our exploration and development objectives in South America;
- « completed an initial project assessment of the **Torrecillas Gold Project** in south-east Peru and announced Board approval to proceed with the acquisition of this advanced project for US\$2 million, payable in stages;
- « commenced a Feasibility Study and detailed exploration program to enable us to commit to full-scale project development at Torrecillas within 12-18 months;
- « commenced the recruitment process for establishing an experienced in-country management and operational team in Peru, to enable us to move rapidly to take advantage of the many exciting growth opportunities currently on offer in this country; and
- « commenced exploration activities at our third South American project, the **Tocantins Project** in Brazil, which comprises a potentially world-class gold exploration opportunity within a very large greenstone belt of similar scale to the Yilgarn greenstone belt in Western Australia, but which has had far less exploration by comparison with Australia.



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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 and

Joint 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

ENGENHO – FIRST GOLD PRODUCTION WITHIN A YEAR...

The Engenho Gold Project, which is located in the State of Minas Gerais in southern Brazil (just 20 minutes from Belo Horizonte, the country's third largest city), represents a low-risk, long-life gold production asset for Mundo Minerals.

We acquired Engenho from international gold major, AngloGold Ashanti, which closed its original operation in 2004 after treating a limited amount of ore from an open pit. While Engenho was not of a scale to justify a significant long-term involvement by a company of AngloGold's size, it did represent a significant opportunity for us to rapidly develop a source of long-term cash flow to underpin our broader objectives in South America.

It is pleasing to report that, just six months after listing on the ASX, we have completed a Feasibility Study on the Engenho Project and approved its development.

Initial site works have, in fact, recently commenced for construction of the crushing circuit – which represents a key component of the gold processing facility. Engenho will be developed as an underground mine, extracting the ore which lies below the existing open pit. The key parameters of the Engenho Project development, as defined by the recently completed Feasibility Study, are shown in the table to the right.

Item	Value
Resource	1.82 million tonnes at 5.59g/t Au for 326,500oz
Mine Life	10 years
Ore Throughput	195,000tpa
Gold Production (Life-of-Mine)	275,000oz
Gold Production (Annual – estimated)	30,000oz
Forecast Capital Cost	A\$15 million
Forecast Cash Operating Cost	US\$272/oz (A\$344/oz)
Forecast Total Production Cost	US\$376/oz (A\$475/oz)
Forecast Free Cash Flow	A\$88.4 million
Internal Rate of Return	60%
NPV – Post Tax (at 8% Discount rate, US\$640/oz gold price)	A\$48.8 million

The underground mine will utilise conventional cut-and-fill mining techniques – a well-established and proven underground mining technique – with mine development being undertaken in advance, so that development is established 2.5 years ahead of mining, enabling operational flexibility.

It is envisaged that dilution will be able to be effectively managed and that productivity from the mine should be high, with mining operations expected to focus on ensuring that the delivered mill grade remains at more than 5g/t gold. Ground conditions have been independently assessed as excellent, but the cut-and-fill technique will further enhance underground safety.

All mining, treatment and administration activities at Engenho will be undertaken on an owner-operator basis, which represents the most efficient and cost effective method of operating the mine. We expect to be able to source most mining equipment – including a jumbo, loaders and haulage equipment – second-hand from another mine in South America, currently closing down.

Ore treatment will be carried out through a conventional Carbon-in-Pulp (CIP) gold treatment circuit. A new crushing circuit has been ordered and is scheduled to be delivered in July 2007. We recently announced the acquisition of a second-hand ball mill with a suitable configuration for the plant, resulting in a significant cost reduction compared with the acquisition of a new ball mill.

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

The capital cost of the Engenho Project through to first production is estimated at A\$15 million, including the treatment plant, infrastructure, contingencies, underground equipment and development costs – in line with our original budget. Our projected development schedule for Engenho is indicated in the table to the left.

Once in production, Engenho offers exciting longer-term growth potential. The Engenho resource remains open at depth, and we plan to commence exploration targeting extensions to the resource once suitable underground drilling positions can be established. In addition, there is excellent potential to identify duplicate ore bodies similar to Engenho on our 100%-owned tenements.

TORRECILLAS – A STRATEGIC GROWTH OPPORTUNITY IN PERU...

The Torrecillas Project comprises some 9,000ha of tenements with a history of high-grade gold production in the Nazca-Ocuná gold belt in south-eastern Peru – a region which hosts a number of small-to-medium sized gold mines. These include the Ares, Capitana, Arirahua, Caraveli and Laytaruma operations – each of which has a production range of 25,000 – 80,000oz per annum.

The project area contains extensive multiple narrow-veined, high-grade gold deposits, one of which has been mined by private interests over the past 20 years. This operation, despite the very primitive mining techniques employed, has yielded a remarkable average production grade for the majority of the production period of approximately 30g/t.

Under an agreement with the existing owners, Mundo Minerals held an option to acquire the Torrecillas Project for US\$2 million, payable in stages over two years. Since listing on the ASX last year, we completed a detailed assessment of the Project and carried out limited drilling programs to confirm the extent and commercial potential of the high-grade vein system. After reviewing the results of this work, your Board approved the acquisition of the Project on 15 April 2007.

TORRECILLAS CONTINUED...

After completing the acquisition of the Project, we intend to investigate various opportunities to maximise mining efficiencies and enhance productivity to increase gold production. This process is expected to take 12-18 months, after which the final feasibility study will be complete.

We will also focus on establishing an administrative and operational base in Peru to ensure that we can take advantage of additional exciting opportunities on offer in this country. 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.



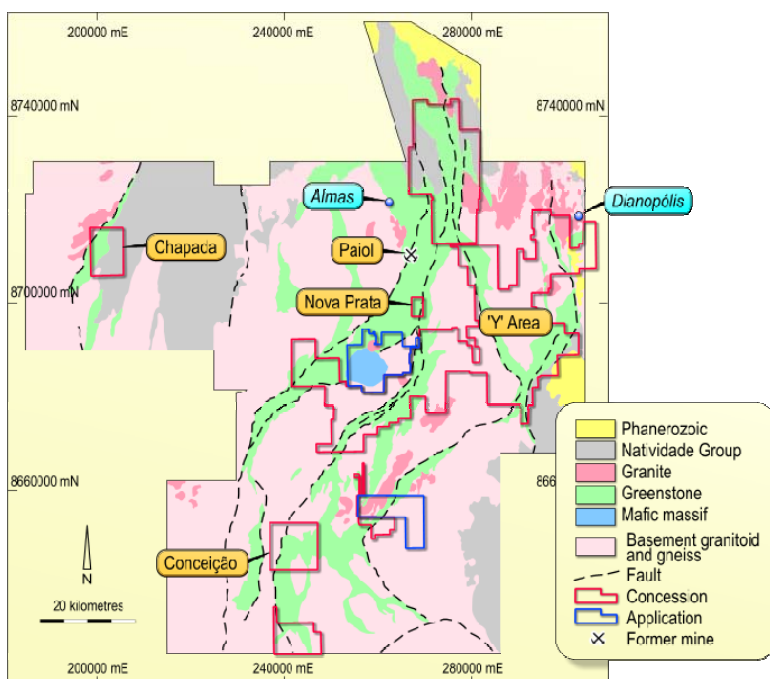
As one of a limited number of mining companies with expertise in the development of mid-sized mining operations in Peru, we will be well placed to leverage off an initial operating base at Torrecillas.

We have already commenced the process of appointing a Country Manager to oversee our emerging operations in Peru. A senior geologist is already in place on site with extensive experience in the region. We also plan to establish a low-cost administrative office to support our activities in the region.

TOCANTINS – A MAJOR EXPLORATION PROJECT

Our third South American gold asset, the Tocantins Project is a joint venture where we have 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). We can increase our equity position to 80% by taking any gold resource discovered to a bankable feasibility study.

Tocantins represents a potentially world-class exploration opportunity for Mundo Minerals. Our tenements are located in a highly prospective region which includes three greenstone belts with the potential to contain multiple mid-size gold deposits. These greenstone belts are geologically similar to the highly prolific and world-renowned Yilgarn greenstone belt in Western Australia, covering a strike zone of some 200km.



Since listing, we have been very active at Tocantins, initially conducting a mapping, sampling and 5,000m diamond and RAB drilling program to test high-level geochemical anomalies previously identified on the Tocantins tenements.

We have also recently completed a comprehensive compilation of existing regional and prospect-scale exploration data, reviewing data from previous work conducted by IAMGOLD. This has resulted in the definition of a large number of highly prospective targets. Follow-up field reconnaissance conducted by our senior exploration staff has further enhanced a number of high level exploration targets.

Follow-up work, including drilling, is already underway at key target areas including the Y region (which contains a number of prominent geochemical anomalies) and an area known as Conceicao, which has been the site of historical high-grade gold production from sulphide-rich orebodies.

OUR TECHNICAL TEAM

We have pursued a very deliberate strategy to ensure that all of the key people in our team have significant experience in their specific area of influence and – apart from our Chief Financial Officer – all are long term residents of Brazil, which is of course our initial production focus. We will adopt a similar approach in Peru, where we have commenced the recruitment process for an appropriately qualified Country Manager with significant in-country experience.

We believe that this approach will ensure that we have an appropriately balanced, highly skilled in-country team in place which does not need to move through the learning curve of an Australian-listed company developing a business in a new country.

In summary, our team understands the industry and the regulations and is well connected with the appropriate companies and people to assist us to progress the development of our assets. This strategy is already delivering tangible benefits to Mundo Minerals, as demonstrated by the progress we have made in our first five months.

KEY TECHNICAL TEAM – IN PROFILE

Mike Schmulian – Managing Director, South America

Mike Schmulian is a geologist who manages the South American operations for Mundo Minerals. Mike worked with WMC in the late 1970's and 1980's. He was transferred to Brazil in the mid 1980's by WMC to act as country manager. Prior to joining Mundo Minerals, Mike was brownfields exploration manager responsible for South America for AngloGold Ashanti. Mike has lived in Brazil for over 18 years and has an extensive knowledge of the resources sector in the region and has been responsible for developing the technical team in Brazil and Peru for Mundo Minerals and driving the development of the Company assets in South America.

Jean-Marc Lopez – Exploration Manager

Jean-Marc is a geologist with 20 years' experience in exploration and mine geology in Brazil, Central America and Canada. He has extensive exploration management experience and acted as Brazil Country Manager for Canadian junior Seahawk, managing the development of the Piteiras emerald mine. Jean-Marc is responsible for managing the exploration team and has provided strong input into the reassessment of the Engenho resource model and the economic decision to acquire the Torrecillas gold project in Peru.

José Antonio Kurcewicz – Mine Manager, Engenho Gold Project

José has in excess of 20 years mining experience in Brazil. He is responsible for all mine planning and establishing a competent and experienced mining team to develop the Engenho ore body. Mr Kurcewicz is a permanent member of the Mundo executive team in Brazil.

Cesar Sanes – Metallurgist, Engenho Gold Project

Cesar has been appointed to manage the treatment facility for Engenho. Mr Sanes is a metallurgist with in excess of 30 years experience in managing treatment facilities in South America. He has previously worked with Mr Schmulian in establishing treatment facilities for WMC in Brazil. Cesar is currently working on a contract basis and will commence on a permanent basis in approximately May 2007 when the project requires his services on a permanent basis.

Lafayette Caporali – Project Manager, Engenho Gold Project

Lafayette has been appointed to manage design and construction of the treatment facility. He has just completed the construction of a treatment plant for another Australian listed company, Elkedra Diamonds. It is anticipated that the construction of the treatment facility will be managed by Mr Caporali with technical support provided by a well established engineering firm, based in Belo Horizonte. This firm is preparing all engineering drawings and specifications for Mundo.

Joe Mobilia – Chief Financial Officer

Mr Mobilia commenced with Mundo Minerals on 12 February 2007 and has extensive experience in resource projects. He was previously working with Barrick Gold and prior to that Golden Star Resources, a TSX-listed company. He has had significant experience in working with operating gold projects and will be working closely with the Brazilian-based technical team with respect to managing the financial aspects of this project.

Ronisdalber (Ronis) Bragança – Administration Manager, South America

Ronis has 20 years experience in various senior administration roles in the gold mining and exploration industries and has recently completed an MBA degree.

SUMMARY

With the range of activities outlined above proceeding across its asset base, Mundo Minerals is exceptionally well placed to realise its vision of becoming a significant new mid-tier Australian-domiciled gold producer.

We have a strong pipeline of exploration and development projects, an aggressive development timetable, a strong financial position (cash of \$11.3 million at the end of the March Quarter) and an accomplished in-country management team in place – backed by a highly experienced and well-connected Board of Directors.

I am confident that the future for Mundo Minerals is extremely bright, and I look forward to keeping you informed of our progress, which can also be monitored by visiting our web site at www.mundominerals.com.

John Langford
Chief Executive Officer

CHANGE OF PREMISES

As of June 2007, the Mundo Minerals corporate office will be located at new premises in West Perth.

The new contact details are as follows:

Address: 45 Ventnor Avenue,
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Facsimile: +618 9429 8800

The web and email addresses remain unchanged as follows:

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