

Mundo Minerals Limited

Stock Exchange Announcement – 15 November 2006

Activities Update – South American Operations

HIGHLIGHTS

- **Diamond drilling commences at the Torrecillas gold exploration project, Peru, with the initial program to continue until February 2007.**
- **Key members of executive, operational and exploration team recruited for South American gold operations.**
- **Exemption provided for first stage of the approval process for the 100%-owned Engenho Gold Project, Brazil, enabling the approval process to be fast-tracked.**
- **Exploration strategies developed for the Tocantins and Torrecillas exploration projects, with Board approval for initial exploration and drilling programs.**

Following its successful listing on the Australian Stock Exchange, Mundo Minerals Limited (ASX Code: **MUN**) is pleased to announce an update on its South American gold operations, including the commencement of diamond drilling at one of its key exploration projects in Peru, development progress with the **Engenho Gold Project** in Brazil, the recruitment of its technical and operational team and development of a comprehensive exploration strategy for its projects in Brazil and Peru.

Commencement of Drilling – Peru

Mundo Minerals advises that a program of diamond drilling has commenced at the **Torrecillas Gold Project** in Peru, representing its maiden exploration program as a listed company. Drilling commenced on 8 November 2006 and it is to continue until late February 2007. The drilling is part of an initial phase of exploration designed to test the commercial potential of the Torrecillas Project before the Directors form a view as to whether to exercise the option to acquire 100% of the Project.

Executive, Operational and Exploration Team

Mundo is pleased to advise that it has recruited a senior executive team to manage the South American mining and exploration activities of the Company.

The executive team is headed by experienced international mining executive **Michael Schmulian**. Michael is a geologist who, prior to joining Mundo Minerals, was employed with AngloGold Ashanti as the Group's brownfields exploration manager for South America. Michael has lived in Brazil for 17 years and has an extensive knowledge of the resources sector in South America. He has drawn on this extensive knowledge to select a highly qualified and committed executive team to manage Mundo's operations.

The technical team responsible for the Company's 100%-owned Engenho Gold Project comprises:

José Antonio Kurcewicz, a mining engineer with in excess of 20 years experience in the resources sector in Brazil. Mr Kurecewicz is responsible for all mining activities including mine design, managing mining operations; mine safety and managing the approvals process to allow the Engenho Gold Project to be developed within the projected timeframe of 18 months.

Cesar Sanez, a metallurgist with more than 30 years experience working in South and North America in both treatment facility management and project management roles. He has a Masters Degree from the University of Montana. Mr Sanez will be responsible for developing an optimum treatment flow process and ultimately managing the treatment facility at the Engenho Gold Project. Mr Sanez is currently engaged on a contract basis and will join Mundo Minerals in 2007 when the Engenho Gold Project requires his full time commitment.

Mundo has also retained the services of consultants to assist with the environmental and mining approvals process for development of the Engenho Project.

Mundo's exploration team in South America is led by **Jean-Marc Lopez**. Mr Lopez is a geologist with in excess of 20 years experience in exploration and mine geology in Brazil, Central America and Canada.

The administrative activities of the Company in Brazil are being managed by **Ronis Bragança**, who has had 20 years experience in the gold and resources sector in Brazil. Mr Bragança has recently completed an MBA.

Engenho Development Update

Mundo is pleased to advise that, following initial discussions with the environmental authorities in Brazil, a written exemption has been provided to the Company for the first stage of the environmental process for the 100%-owned **Engenho Gold Project**, which means that the Company is not required to undertake processes such as community consultation.

This exemption has been granted as there have been previous mining activities on the project and the Company has been able to demonstrate that the mining and processing activities will not cause any environmental degradation. The formal environmental and mining approval documentation will be lodged with the authorities in November 2006. It is expected that approvals will be granted early in 2007 with construction of the treatment facility commencing soon after.

Exploration Strategy

Mundo's exploration team, headed by Mr Lopez, has completed development of exploration strategies for both the Company's key exploration assets, the Torrecillas Gold Project in Peru and the Tocantins Gold Project in Brazil.

The Mundo Board has formally approved initial exploration programs at both projects, with drilling scheduled to commence in the near future. Drilling contractors have been retained for both projects and field exploration teams are already in place. As indicated above, an initial program of diamond drilling has already commenced at Torrecillas.

Mr Lopez is also completing an extensive review of the Engenho resource model and it is expected that the results from this will be available in the near future.

Mundo Minerals will continue to update the market as activities on the various projects develop.

John Langford
Chief Executive Officer

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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.

Approximately \$3.7 million of the IPO funds have been allocated to capital and operating expenditure required to bring the **Engenho Project**, which is located in the State of Minas Gerais in Brazil, into production within an 18-month timeframe. The Project, which has a contained resource of 1.13 million tonnes at 5.82g/t gold, 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 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. Under the option agreement, Mundo has a period of 14 months from 1 February 2006 to prove a minimum resource of 150,000 ounces of gold at 12 g/t. It can exercise the option and 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 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.