

Mundo Minerals Limited

Stock Exchange Announcement – 3 May 2007

INITIAL SITE WORKS COMMENCE AT ENGENHO GOLD PROJECT, BRAZIL

Further to the announcement of 16 April regarding development approval for the **Engenho Gold Project** in Brazil, Mundo Minerals Limited (ASX: **MUN**) is pleased to advise that initial site works at the project have now commenced.

The site works are in preparation for commencement of construction of the crushing circuit, which represents a key component of the gold treatment facility at Engenho. A new crushing circuit has been ordered and is scheduled to be delivered in July 2007, with commissioning planned for August 2007. Initial mine development is scheduled to commence in October 2007.

Mundo Minerals has received written approval from the authorities in Brazil for construction and operation of the crushing circuit, with full environmental, mining and treatment approvals for the project expected to be received in July 2007.

This will enable the Company to achieve its recently announced accelerated development timetable for the Engenho Project targeting first gold production in March/April 2007.

The Company recently completed the Feasibility Study on the Engenho Gold Project, confirming the technical and economic viability of the project. The Study was adopted by the Board on 15 April 2007, with formal development approval announced on 16 April. Full details of this BFS including projected economic parameters can be found in that announcement.

Mundo Minerals is well advanced with discussions regarding a number of potential financing options for the Engenho Project. An announcement regarding funding is expected to be made in early June 2007.

The Company is also pleased to advise that a technical team is now in Peru to carry out settlement of the acquisition of the Torrecillas Gold Project (as announced on 16 April). This team will also commence preparations for the establishment of Mundo Minerals' in-country administrative and exploration office in Peru.

John Langford
Chief Executive Officer

Mundo Minerals Limited

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Australian Stock Exchange:

Code: MUN

Board of Directors

Non-executive Chairman:

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Chief Executive Officer:

John Langford

Managing Director – South America:

Mike Schmulian

Non-executive Directors:

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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

Capital Structure

Fully-Paid Shares on Issue:

99.75 million

Unlisted Options on Issue:

1.82 million

Background Information

Mundo Minerals Limited (ASX: MUN) is an Australian-domiciled international 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 gold production company.

Mundo is aiming to commence initial production at its 100%-owned **Engenho Gold Project** in Brazil during the first half of 2008, laying the foundations for its growth strategy focused on the development of a pipeline of small-to-medium sized high-grade ore bodies located in South America.

In April 2007, Mundo Minerals announced completion of the Engenho Feasibility Study, which concluded that the Project is technically and economically robust, based on an underground mining operation delivering 195,000tpa of ore to a conventional CIP gold treatment facility, to be located on site. Formal Board approval to proceed with the development was announced on 16 April 2007.

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%.

At the same time as announcing the Engenho go-ahead, the Company approved the acquisition of a second advanced South American gold asset, the Torrecillas Project located in south-eastern Peru, for US\$2.25 million payable in stages.

The **Torrecillas Project** comprises some 9,000ha of tenements located in a region which hosts a number of small-to-medium sized gold mines – each of which have a production range of 25,000 – 80,000oz per annum. A Feasibility Study and exploration programs are underway on commercial development of a series of extensive high-grade vein systems at Torrecillas, one of which has been in production on a small scale over the past 20 years.

The Company's third asset, 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 Prospeccao 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.

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