



MUNDO MINERALS (MUN)

RESEARCH

TOLHURST

Last Price	Price Target	Sector	Risk Rating	Short term <12m	Long Term >12m
\$0.545	\$0.80	Gold	HIGH	BUY	BUY

Company update	Yes
Recommendation Change	Yes (upgraded from Accumulate)
Target Price Change	Yes (upgraded on the basis of significant exploration)
Forecast Change	Yes

Market Stats

Market	\$m	34
12 Month Price		\$0.25-\$0.665
Monthly Turnover	\$m	1.6
Monthly Volume	#m	4.5
% of SOI traded per month	%	13.2

Fundamentals		2007E	2008E	2009E	2010E
Net Profit	\$m	-2.1	-1.2	3.2	3.0
EPS	¢	-2.1	-1.2	3.2	3.0
EPS Growth	%	Na	0.4	3.6	-0.1
PE	x	-26.1	-43.9	16.9	18.4
DPS	¢	0	0	0	0
Yield	%	0	0	0	0
Franking	%	0	0	0	0
P/CF	x	92.6	17.4	5.6	5.7
ROE	%	-13	-8	18	14

Forecast Returns % Return- 12 months

Forecast Price Appreciation	46.8
Expected Dividend Yield	0
Total Forecast Return	46.8

Share Price Chart 1 Year

Engenho Update.

Event

Mundo have announced an update on their Engenho project. Having just returned from a site visit to Engenho (in Brazil), we comment not only on the announcement, but on our first hand views of the project.

Details

Mundo have identified a strong geochemical anomaly at Mazoca, 2km from the Engenho Mine. This new discovery has very strong similarities to the existing Engenho discovery, giving early indications of the potential for a 2nd quite significant resource here if follow up drilling pans out. Full details on both this, and on our observations at Engenho are provided on the following page.

Response

Given the excellent headway made in the development of the Engenho project and the clear potential for further upgrades to the current resources at Engenho, and the surrounding areas, we have upgraded our valuation on the project to reflect an earlier start up than we previously predicted and some upgrade to our expectations on material ultimately mined here. In addition we have also upgraded our estimate on the value of the exploration tenements given excellent recent results from both Tocantins (Brazil) and Torrecillas (Peru).

Recommendation and Valuation

With a significant upgrade to the overall valuation of the company, and very strong potential for further discoveries of size, particularly at Tocantins, we have upgraded our recommendation on Mundo from Accumulate to BUY **despite** the recent strong share price performance taking the price well above our previous target.

The company is focussed, has excellent management in place both in Australia and at the key projects, and has one of the strongest exploration portfolios for a junior company we have seen which is already producing excellent results within months of the listing on the Stock Exchange.

MUNDO MINERALS (MUN)

RESEARCH



Last Price	Price Target	Sector	Risk Rating	Short term <12m	Long Term >12m
\$0.545	\$0.80	Gold	HIGH	BUY	BUY

Valuation Summary	A\$m	A\$/share
Operations		
Engenho	55.6	\$0.56
Exploration	10.0	\$0.10
Sub Total Operations	65.6	\$0.66
Financial		
Forward sales	0.0	\$0.00
Cash	7.5	\$0.08
Total Borrowings	0.0	\$0.00
Corporate/Other	-5.1	-\$0.05
Sub Total Financial	2.4	\$0.02
Valuation per share	68.0	\$0.68

Last Price \$0.545	Price Target \$0.80	Sector Gold	Risk Rating HIGH	Short term <12m BUY	Long Term >12m BUY
-----------------------	------------------------	----------------	---------------------	------------------------	-----------------------

Details

Mundo has identified a significant geochemical anomaly located 2km from the Engenho Anomaly which is currently under development. Whilst drilling on Mazoca is expected to commence later this year, short term focus at Engenho is the development of the underground mine .

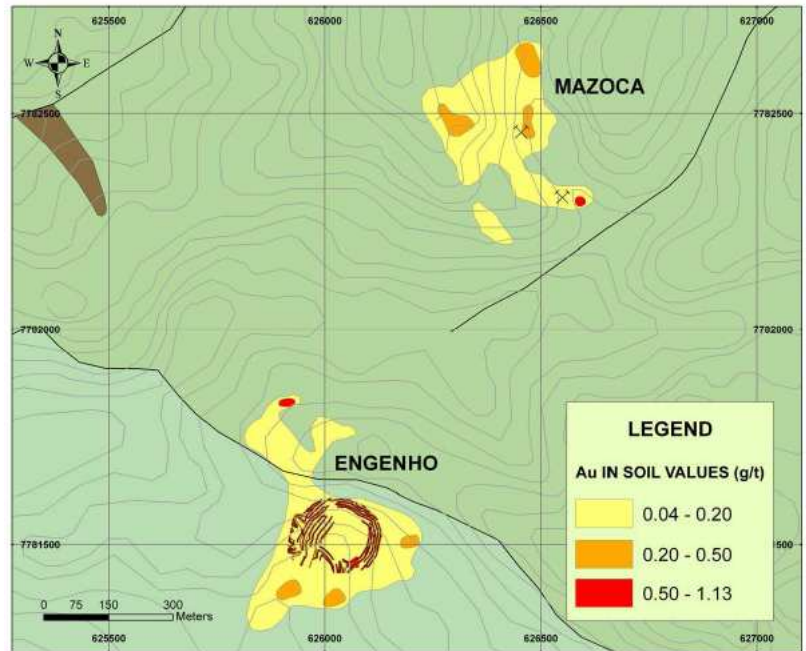


Fig. 1 Comparison of anomalies

The site visit showed the development is very much on schedule :

- The plant site is fully cleared and levelled in preparation for installation for the crusher expected within the next few weeks. The crusher will be utilised early on to provide road gravel from the old Anglo stockpiles.



Last Price	Price Target	Sector	Risk Rating	Short term <12m	Long Term >12m
\$0.545	\$0.80	Gold	HIGH	BUY	BUY

- Dewatering of the open pit to provide access to underground mining commenced several weeks ago and is proceeding well, with development of the decline expected to commence in October.



- A significant portion of the final tenders for key plant components have been received and are being assessed. To date there are no significant variations from the original capital expenditure estimate on the project of \$A15m.
- The visit to site confirmed this project is very much on schedule for a start up in early 2008, with all aspects of the project looking extremely positive. Mundo has put together a top class management team in Brazil headed locally by Michael Schmulian. We were highly impressed by the depth of experience, clear motivation and enthusiasm that the key management team had for their projects. An additional positive was the incentivisation put in place by Mundo CEO John Langford, with rewards for meeting specific performance hurdles... A simple concept, but rarely seen used, and highly effective!
- We also viewed the Tocantins exploration project in Brazil, and had an extensive presentation on the Torrecillas project in Peru, but we will provide further details on the findings here in a subsequent report (but all signs were again highly positive).



MUNDO MINERALS (MUN)

RESEARCH TOLHURST

Last Price \$0.545	Price Target \$0.80	Sector Gold	Risk Rating HIGH	Short term <12m BUY	Long Term >12m BUY
-----------------------	------------------------	----------------	---------------------	------------------------	-----------------------

Mundo Minerals

Profit & Loss 30 June	07E	08E	09E	10E	11E
Total Revenue	0.3	5.3	20.1	19.7	19.7
Operating Costs	0.0	2.4	9.5	9.6	9.7
Royalty	0.0	0.2	0.8	0.8	0.8
EBITDA	-2.3	-0.3	6.5	5.9	5.9
Depn & Amort	0.0	0.6	2.5	2.5	2.5
EBIT	-2.3	-1.0	4.0	3.4	3.3
Interest	0.3	-0.3	-0.8	-0.5	-0.1
NPBT	-2.1	-1.2	3.2	3.0	3.2
Tax Expense	0.0	0.0	0.0	0.0	0.0
NPAT	-2.1	-1.2	3.2	3.0	3.2

Cashflow (A\$m)	07E	08E	09E	10E	11E
Operating Cashflow	-0.7	1.3	7.7	7.5	7.8
-Capex	-5.4	-13.5	-1.2	-1.2	-1.2
-Exploration	-1.3	-1.9	-2.0	-2.1	-2.1
Free Cashflow	-7.5	-14.1	4.5	4.3	4.5
-Dividends	0.0	0.0	0.0	0.0	0.0
+Equity Raised	0.0	0.0	0.0	0.0	0.0
+Debt Drawdown	0.0	14.5	-4.0	-4.0	-4.0
-Other	0.0	0.0	0.0	0.0	0.0
Net Change in Cash	-7.5	0.4	0.5	0.3	0.5
Cash at End Period	7.5	7.9	8.4	8.7	9.2

Balance Sheet (A\$m)	07E	08E	09E	10E	11E
Cash	7.5	7.9	8.4	8.7	9.2
Total Assets	16.3	29.6	28.8	27.7	26.9
Total Debt	0.0	14.5	10.5	6.5	2.5
Total Liabilities	0.1	14.6	10.6	6.6	2.6
Shareholders Equity	16.2	15.0	18.2	21.1	24.3

Production	07E	08E	09E	10E	11E
Engenho					
Ore Milled (kt)	0.0	45.0	180.0	180.0	180.0
Head Grade - Au (g/t)	0.0	5.2	5.2	5.2	5.2
Recovery - Au (g/t)	0%	93%	93%	93%	93%
Production - Au (k oz)	0.0	7.0	28.0	28.0	28.0
Cash Cost (\$/t)	0	53	53	53	54
Cash Cost (A\$/oz)	0	342	341	343	346
Total Cost (A\$/oz)	0	461	460	462	465
Total Attributable Production					
Production - Au	7	0	7	28	28
Cash Cost	342	0	342	341	343
Cash Cost	461	0	461	460	462

Reserves	Mt	g/t Au	K oz Au
Engenho	0.0	0.0	0

Resources	Mt	g/t Au	K oz Au
Engenho	1.8	5.59	326.5
Total	1.8	5.6	326.5

Financial Summary	07E	08E	09E	10E	11E
Pre-abnormal eps (cents)	-2.1	-1.2	3.2	3.0	3.2
PER (x)	-26.07	-43.91	16.92	18.37	17.05
DPS (cents)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.00	0.00	0.00	0.00	0.00
CFPS (cents)	0.6	3.1	9.7	9.6	9.9
ROA (%)	-13%	-4%	11%	11%	12%
ROE (%)	-13%	-8%	18%	14%	13%
Net Sales Margin	-83%	-23%	16%	15%	16%
EBIT Margin	-93%	-18%	20%	17%	17%
Net Debt to Equity	-46%	44%	12%	-10%	-27%
Debt to Assets	0%	49%	36%	23%	9%

Directors/Management

George Jones	Non Executive Chairman
John Langford	Managing Director
Michael Schmillan	Managing Director - South Africa
Brian Hurley	Non Executive Director
Bany Ehrige	Non Executive Director
Rob McKenzie	Non Executive Director

Substantial Shareholders

Substantial Shareholders	Shares (m)	%

Valuation Summary

Valuation Summary	A\$m	A\$/share
Operations		
Engenho	55.6	\$0.56
Exploration	10.0	\$0.10
Sub Total Operations	65.6	\$0.66
Financial		
Forward sales	0.0	\$0.00
Cash	7.5	\$0.08
Total Borrowings	0.0	\$0.00
Corporate Other	-5.1	-\$0.05
Sub Total Financial	2.4	\$0.02
Valuation per share	68.0	\$0.68

Assumptions	07E	08E	09E	10E	11E
Gold Price (\$US/oz)	605	585	525	500	500
Average Exchange Rate	0.84	0.79	0.74	0.72	0.72
Gold Price (\$A/oz)	722.06	740.38	709.06	694.44	694.44

MUNDO MINERALS (MUN)

RESEARCH



Last Price	Price Target	Sector	Risk Rating	Short term <12m	Long Term >12m
\$0.545	\$0.80	Gold	HIGH	BUY	BUY

Tolhurst's Recommendation and Risk Rating system:

Recommendations are assessments of each Tolhurst Analyst's view of potential total returns over Short Term and/or Long Term time horizons. A Short Term time horizon is less than 12 months; a Long Term time horizon is greater than 12 months.

Expected total Return is measured as (capital gain (or loss) + dividend)/purchase price

We have divided our recommendations into four main categories:

Buy: Expected Total Return more than 20%

Accumulate: Expected Total Return between 5% - 20%

Hold: Expected Total Return between -5% and 5%

Sell: Expected Total Return less than -5%

Risk Ratings:

Risk is a subjective assessment of overall risk within a company including price volatility and earnings variability, external liquidity, and size.

We divide our risk into three categories:

High: Company typically has high price volatility and earnings variability, low external liquidity and has a small market capitalisation.

Medium: Company typically has moderate price volatility and earnings variability, external liquidity and a medium size market capitalisation.

Low: Company typically has low price volatility and earnings variability, high external liquidity and is a large size market capitalisation.

Disclosure of Interest:

Tolhurst Ltd ('Tolhurst') and/or entities and persons connected with it may have an interest in the securities the subject of the recommendations set out in this report. In addition, Tolhurst and/or its agents will receive brokerage on any transaction involving the relevant securities.

Tolhurst may seek from the company subject to this Research Report and/or their shareholders, advisory mandates or mandates for dealings in securities, and therefore may receive commissions or fees from the companies, and/or their shareholders, at some time in the future.

Disclaimer

The information and opinions contained in this report have been obtained from sources Tolhurst believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate or complete and it should not be relied upon as such. Information and opinions contained in the report are published for the assistance of recipients, but are not relied upon as authoritative and may be subject to change without notice. Except to the extent that liability cannot be excluded, no Tolhurst Group company accepts any liability for any direct or consequential loss arising from any use of material contained in this report.

General Advice Warning

This report is intended to provide general advice. In preparing this advice, Tolhurst did not take into account the investment objective, the financial situation and particular needs of any particular person. Before making an investment decision on the basis of this advice, you need to consider, with or without the assistance of a securities adviser, whether the advice is appropriate in light of your particular investment needs, objectives and financial circumstances.

Analyst verification

I verify that I, Cathy Moises have prepared this research report accurately and that any financial forecasts and recommendations that are expressed are solely my own personal opinions. In addition, I certify that no part of my compensation is or will be directly or indirectly tied to the specific recommendation or financial forecasts expressed in this report.

This report has been reviewed by peers within the research department.