

# **MUNDO MINERALS LIMITED**

**ABN 97 117 790 897**

## **OFFER DOCUMENT**

**For a non-renounceable pro rata offer of New Shares at an issue price of 15 cents each on the basis of 1 New Share for every 2 Shares held at the Record Date to raise approximately \$12.6 million before costs.**

**This Offer opens on Friday 19 February 2010 and closes at 5:00pm (WST) on Friday 5 March 2010. Valid acceptances must be received by the Closing Date.**

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**THIS IS AN IMPORTANT DOCUMENT**

**IF YOU DO NOT UNDERSTAND THIS DOCUMENT, OR ARE IN DOUBT AS TO HOW TO ACT, YOU SHOULD CONSULT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER**

## Important Information

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### Offer Document

This Offer Document is issued pursuant to section 708AA of the Corporations Act for the offer of New Shares without disclosure to investors under Part 6D.2 of the Corporations Act. This Offer Document was lodged with ASX on 8 February 2010. ASX takes no responsibility for the content of this Offer Document.

### Investment decisions

This Offer Document is not a prospectus and does not contain all of the information that an investor would find in a prospectus or which may be required by an investor in order to make an informed investment decision regarding, or about the rights attaching to, New Shares. Nevertheless, this Offer Document contains important information and requires your immediate attention. It should be read in its entirety. If you are in any doubt as to how to deal with this Offer Document, you should consult your professional adviser as soon as possible.

### Overseas Shareholders

This Offer Document does not, and is not intended to, constitute an offer or invitation in the United States, or to any person acting for the account or benefit of a person in the United States, or in any other place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No offer is being made to Shareholders with a registered address outside Australia or New Zealand. The distribution of this Offer Document and the Entitlement and Acceptance Form (including electronic copies) outside Australia or New Zealand may be restricted by law. If you come into possession of these documents, you should observe such restrictions and should seek your own advice about such restrictions. Please refer to Section 1.13 for further information.

### Publicly available information

Information about the Company is publicly available and can be obtained from ASIC and ASX (including ASX's website [www.asx.com.au](http://www.asx.com.au)). The contents of any website or ASIC or ASX filing by the Company are not incorporated into this Offer Document and do not constitute part of the Offer. This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in New Shares or the Company.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Offer Document. Any such extraneous information or representation may not be relied upon.

### Forward-looking statements

This Offer Document includes forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

### Accepting the Offer

Applications for New Shares by Eligible Shareholders may only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out the Entitlement of an Eligible Shareholder to participate in the Offer. Please read the instructions in this Offer Document and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement. By returning an Entitlement and Acceptance Form or lodging an Entitlement and Acceptance Form with your stockbroker or otherwise arranging for payment for your New Shares in accordance with the instructions on the Entitlement and Acceptance Form, you acknowledge that you have received and read this Offer Document, you have acted in accordance with the terms of the Offer detailed in this Offer Document and you agree to all of the terms and conditions as detailed in this Offer Document.

### Defined terms

Capitalised terms and certain other terms used in this Offer Document are defined in the Glossary of defined terms in Section 7.

### Currency

All references in this Offer Document to "\$", "AUD" or "dollar" are references to Australian currency unless otherwise indicated.

### Reference to time

All references in this document to time relate to the time in Perth, Western Australia.

### Date of this document

This document is dated 8 February 2010.

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## Letter from the Chief Executive Officer

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8 February 2010

Dear Shareholder

Mundo Minerals Limited has announced a non-renounceable rights issue entitling Shareholders to subscribe for 1 New Share in the Company for every 2 Shares currently held at a price of 15 cents per Share. This issue of Shares, which if fully subscribed will raise up to \$12.6 million, with the \$3.96 million recently raised through a placement of Shares to institutions and sophisticated investors, appropriately realigns the liquidity of the Company balance sheet to effectively manage the next stage of the Company balance sheet.

Mundo has a defined strategy of developing gold assets in Brazil and Peru and these funds will predominantly be used to further develop the production profile at the Engenho gold project in Brazil by providing funds to develop the Crista ore body and infrastructure required to enhance the current production facilities for the allow the additional production capacity required. In addition to this, funds will be used to continue development work at the Torrecillas gold project in Peru and finalisation of the feasibility study prior to the Company committing to full production. This work will include developing and assessing two additional vein structures to assess the quantum of mineralisation and grade as well as to allow a proper assessment of the appropriate production rates that will be applicable to mining and developing the veins. This is consistent with the strategies that have been in place since the project was acquired. Funding will also allow ancillary work associated with assessing infrastructure and other economic factors that are required to allow a full feasibility study to be completed.

Additional drilling will be undertaken at the Jaquiera gold project in Brazil to allow the Company to assess the economic potential of this asset prior to determining whether to exercise an option to acquire this asset.

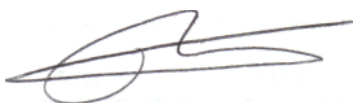
The equity raising will also provide working capital for the Company which in addition to funds earned from existing mining operations should allow the Company to appropriately develop the assets and maintain solid financial health.

All of the Companies assets have excellent potential and the Company is confident that the work to be undertaken in the next phase of asset development should, subject to the work continuing to enhance the asset potential as has been identified to date, move the Company to a stage where it is close to achieving the production goals that have previously been stated.

The issue is priced to allow all Shareholders to equitably participate in the future development of the Company and benefit from any value that is created from the work to be completed.

The Directors will all be participating in the Rights Issue and you are encouraged to consider enhancing your investment in Mundo through taking up your Rights.

We refer you to the latest presentation on the Company website [www.mundominerals.com](http://www.mundominerals.com) as well as a presentation on the Company's activities on Boardroom Radio. Please visit [www.brr.com.au](http://www.brr.com.au) to get further information.



Yours sincerely

**John Langford**  
Chief Executive Officer

# 1. Details of the Offer

## 1.1 The Offer

Mundo Minerals Limited ABN 97 117 790 897 (**Mundo** or **Company**) is making a non-renounceable pro rata offer (**Offer**) of fully paid ordinary Shares in the capital of the Company (**New Shares**) to Eligible Shareholders. Eligible Shareholders will be entitled to apply for 1 New Share for every 2 Shares held at an issue price of 15 cents per New Share. The issue price is payable in full on application.

As at the Record Date, the Company is expected to have on issue 168,038,507 Shares and 6,100,000 unlisted options. Up to 84,019,254 New Shares will be issued under the Offer, raising up to \$12.6 million before costs.

The Rights Issue is currently not underwritten.

The number of New Shares to which you are entitled is shown on the Entitlement and Acceptance Form which accompanies this Offer Document. Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a New Share, such fraction will be rounded up to the nearest whole New Share.

Mundo optionholders also have an opportunity to participate in the Offer, provided that they exercise their options and become the registered holders of Shares in respect of the exercised options by 5.00pm (WST) on the Record Date.

New Shares will be fully paid and will rank equally in all respects with the Company's existing issued Shares, including as to dividends and voting rights.

## 1.2 Timetable

Event	Date
Announcement of Offer	8 February 2010
Lodgement of Appendix 3B and cleansing statement with ASX	8 February 2010
Notice of Rights Issue sent to security holders	10 February 2010
Securities quoted on an "ex" basis	11 February 2010
Record Date	17 February 2010
Offer Document and Entitlement and Acceptance Form sent to Shareholders	19 February 2010
Offer opens	19 February 2010
Offer closes	5:00pm on 5 March 2010
New Shares quoted on a deferred settlement basis	9 March 2010
Shortfall notification date	9 March 2010
Allotment, quotation and despatch of holding statements for New Shares	11 March 2010
Ordinary trading of New Shares commences	11 March 2010

The above dates are indicative only and may be subject to change. The Directors reserve the right to vary these dates, including the Closing Date, without prior notice but subject to any applicable requirements of the Corporations Act or the Listing Rules. This may include extending the Offer or accepting late acceptances, either generally or in particular cases.

## 1.3 Use of proceeds of the Offer

The funding will primarily be used to fund developing the Crista deposit to production via the Engenho treatment plant, including infrastructure improvements

required to increase the production throughput of existing facilities. Expenditure will include a second ball mill, additional tankage and a gravity circuit.

In addition, funds will be used to continue development at the Torrecillas project in Peru and finalise the feasibility study as well as finalising the drilling programme at the Jaquiera gold project in Brazil.

Overall, the Directors believe that the funds raised pursuant to the Rights Issue will provide a stronger platform for the Company to drive its stated asset development strategy and that the financial structure of the Company will be more appropriately aligned with the potential growth requirements of the Company's assets.

Use of proceeds	Amount *
Engenho gold project	
• Development of Crista and upgrade of infrastructure	\$2,800,000
• Regional exploration	\$1,200,000
Test ancillary veins and feasibility study at Torrecillas gold project	\$3,200,000
Drilling and scoping study at Jaquiera gold project	\$1,300,000
Debt retirement	\$1,600,000
Working capital and fees	\$2,502,890
<b>Total</b>	<b>\$12,602,890</b>

\* These amounts are indicative only.

#### 1.4 ASX announcements

The Company is listed on ASX and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise as well as the lodgement of yearly and half-yearly financial statements, audit or review reports and quarterly reports.

The Company has recently lodged a number of announcements with ASX including its Quarterly Cash Flow and Activities Reports for the period ending 31 December 2009. The Company lodged its Annual Report on 14 September 2009.

On 8 February 2010, the Company announced the Rights Issue and the completion of the Placement. The Company also announced that it would repay a \$2 million loan from Anglo Pacific Group previously advanced for working capital. The repayment of these funds means that the proposed convertible note issue announced in November 2009 will not proceed.

These announcements are available for inspection at ASX and may be viewed on the ASX website at [www.asx.com.au](http://www.asx.com.au) or on the Company's website at [www.mundominerals.com](http://www.mundominerals.com). From time to time, the Company makes announcements in respect of various matters. The Directors encourage Shareholders to refer to the Company's website and the ASX website to ensure they are kept fully informed.

#### 1.5 Entitlement and eligibility

Each Eligible Shareholder who is registered as the holder of Shares at 5:00pm (WST) on the Record Date is entitled to participate in the Offer. The number of New

Shares to which you are entitled is shown on your Entitlement and Acceptance Form accompanying this Offer Document.

If you decide not to accept all or part of your Entitlement or fail to do so by the Closing Date, your rights to participate in the Offer will lapse and the New Shares not taken up by you will form part of the Shortfall. As a result of this Offer, Shareholders who do not take up all of their Entitlement will have their percentage shareholding in the Company diluted.

Mundo reserves the right (in its sole discretion) to:

- reject any application that it believes comes from a person who is not an Eligible Shareholder or valid transferee of New Shares; and
- reduce the number of New Shares allocated to Eligible Shareholders or persons claiming to be Eligible Shareholders, if their claim to be entitled to participate in the Offer proves to be false, exaggerated or unsubstantiated.

The Directors reserve the right not to proceed with the whole or any part of the Offer at any time prior to the allotment of New Shares. In that event, relevant Application Monies will be refunded without interest.

## **1.6 Shortfall**

Any New Shares not subscribed for will form part of the Shortfall.

## **1.7 Applying for Additional Shares**

Eligible Shareholders may, in addition to their Entitlement, apply for Additional Shares regardless of the size of their present holding by specifying the total amount of New Shares they wish to apply for (including the Additional Share) on their Entitlement and Acceptance Form.

Applications for Additional Shares may be satisfied out of the Shortfall.

As permitted by the Listing Rules, the Directors reserve the right to issue the Shortfall at their discretion. Accordingly, the Company cannot guarantee that you will receive the Additional Shares you apply for in excess of your Entitlement.

If more Additional Shares are applied for than the quantity of the Shortfall, those applications will be scaled back in a manner determined by the Directors in their absolute discretion. It is an express term of the Offer that Applicants for Additional Shares will be bound to accept a lesser number of Additional Shares allocated to them than applied for. If you do not receive any or all or the Additional Shares you applied for, any excess Application Monies will be returned to you without interest.

## **1.8 Minimum subscription**

There is no minimum subscription for the Offer.

## **1.9 Entitlement and Acceptance Form**

Acceptance of a completed Entitlement and Acceptance Form by the Company creates a legally binding contract between the Applicant and the Company for the number of New Shares accepted by the Company. The Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of New Shares.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Company's decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

### **1.10 Issue of New Shares and dispatch of holding statements**

New Shares offered by this Offer Document are expected to be issued, and holding statements dispatched, on the date specified in the timetable in Section 1.2 of this Offer Document. No issue of New Shares will be made until ASX grants permission for the quotation of the New Shares.

It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. The sale by the Applicant of New Shares prior to the receipt of a holding statement is at the Applicant's own risk.

Eligible Shareholders who wish to trade New Shares obtained under the Offer should contact the Share Registry to ascertain their allocation before trading.

### **1.11 Non-renounceable offer – no rights trading**

The Offer is non-renounceable. This means that Eligible Shareholders are unable to sell or transfer their Rights to subscribe for New Shares.

### **1.12 ASX quotation**

Mundo will apply for official quotation of the New Shares on ASX. Subject to approval, it is expected that normal trading of New Shares issued under the Offer will commence on 11 March 2010.

### **1.13 Brokerage**

No investor will pay brokerage as a subscriber for New Shares under the Offer.

### **1.14 Application Money**

Application Monies will be held in a trust account until the New Shares are allotted to Eligible Shareholders.

The trust account established by Mundo for this purpose will be solely used for handling Application Monies.

Any interest earned on Application Monies will be for the benefit of, and remains the sole property of, Mundo and will be retained by Mundo whether or not the allotment and issue of New Shares takes place.

Applications and payments made under the Rights Issue may not be withdrawn once they have been received by Mundo.

### **1.15 Overseas Shareholders**

The Company will not make an Offer to Excluded Shareholders, being those Shareholders with a registered address outside Australia or New Zealand (**Eligible Jurisdictions**). The Company has decided that it is unreasonable to extend the Offer to Excluded Shareholders having regard to:

- (a) the number of Shareholders outside the Eligible Jurisdictions;
- (b) the number and value of New Shares that would be offered to Shareholders outside the Eligible Jurisdictions; and
- (c) the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

The Offer is being made to all Eligible Shareholders. The Company is not required to determine whether or not any registered Eligible Shareholder is holding Shares on behalf of persons who are resident outside the Eligible Jurisdictions (including nominees, custodians and trustees) or the identity or residence of any beneficial owners of Shares. Any Eligible Shareholders holding Shares on behalf of persons

who are resident outside Eligible Jurisdictions are responsible for ensuring that any dealing with New Shares issued under the Offer do not breach the laws and regulations in the relevant overseas jurisdiction, and should seek independent professional advice and observe any applicable restrictions relating to the taking up of Entitlements or the distribution of this Offer Document or the Entitlement and Acceptance Form.

The distribution of this Offer Document and the Entitlement and Acceptance Form (including electronic copies) outside the Eligible Jurisdictions may be restricted by law and therefore persons who come into possession of this Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

### **United States**

Any person in the United States or any person that is, or is acting for the account or benefit of, a “U.S. person” (as defined in Regulation S under the United States Securities Act of 1933, as amended (**Securities Act**)) (**U.S. Person**), with a holding through a nominee may not participate in the Offer and the nominee must not take up any Entitlement or send this Offer Document or any other materials relating to the Offer into the United States or to any person that is, or is acting for the account or benefit of, a U.S. Person. The Company is not able to advise on foreign laws.

This Offer Document does not, and is not intended to, constitute an offer or invitation in the United States, or to any person acting for the account or benefit of a person in the United States, or in any other place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

### **New Zealand**

The New Shares being offered under this Offer Document are also being offered to Eligible Shareholders with registered addresses in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). This Offer Document is not an investment statement or prospectus under New Zealand law, and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

## 2. Impact of the Offer on your shareholding

Based on Mundo's capital structure as at the date of this Offer Document, the capital structure of Mundo following completion of the Offer is expected (subject to the Offer being fully subscribed) to be as follows:<sup>1</sup>

Shares	Number
Shares on issue at the Record Date	168,038,507
Maximum New Shares offered under the Rights Issue *	84,019,254
<b>Total Shares on issue at completion of Rights Issue *</b>	<b>252,057,761</b>

\* Assuming no options (identified below) are exercised and the Offer is fully subscribed.

No new options will be issued under the Offer. The Company currently has the following unlisted options on issue.

Class of options	Number
Options expiring 9 November 2011 (exercisable @ \$0.30)	500,000
Options expiring 11 February 2012 (exercisable @ \$0.30)	200,000
Options expiring 1 July 2012 (exercisable @ \$0.45)	400,000
Options expiring 30 November 2013 (exercisable @ \$0.25)	500,000
Options expiring 21 May 2014 (exercisable @ \$0.40)	3,500,000
Options expiring 24.5.2011 (exercisable @ \$0.35)	1,000,000
<b>Total options currently on issue</b>	<b>6,100,000</b>

If you do not take up your Entitlement under the Offer, your percentage shareholding in Mundo will be diluted.

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<sup>1</sup> Excluding options. Actual numbers may differ due to rounding.

### 3. Effects of the Offer on control of the Company

If all Eligible Shareholders take up their Entitlements in full, then the Offer will have no effect on the control of the Company.

If some Eligible Shareholders do not take up all of their Entitlement under the Offer, then the shareholding interests of those Eligible Shareholders in the Company will be diluted.

The proportional interests of Excluded Shareholders may be diluted because such Shareholders are not entitled to participate in the Offer.

Although the issue of New Shares to the existing Substantial Shareholders may increase the shareholding interests of those persons in the Company, these arrangements are not expected to have any material effect on the control of the Company.

The current relevant interests of the Substantial Shareholders of the Company, following completion of the Placement, are as follows:

Substantial Shareholder (includes associated entities)	Number of Shares held	% of total Shares on issue
Anglo Pacific Group	28,216,926	16.79%
Purlec Pty Ltd	8,410,000	5.00%
<b>Total</b>	<b>36,626,926</b>	<b>21.79%</b>

An analysis of the potential changes in control of the Company has been undertaken to indicate the effect on the total relevant interests of the Substantial Shareholders should they take up their full Entitlement under the Offer.

The table below shows the shareholder interests of the current Substantial Shareholders if the Substantial Shareholders take up all of their Entitlements and other Shareholders take up their Entitlements in the manner set out below:

Substantial Shareholder	% of total Shares before Offer	% of total Shares after Offer			
		Take up of Entitlements by Eligible Shareholders (other than the Substantial Shareholder)			
		100%	75%	50%	0%
Anglo Pacific Group	16.79%	16.79%	17.96%	19.31%	22.71%
Purlec Pty Ltd	5.00%	5.00%	5.35%	5.75%	6.77%
<b>Total</b>	<b>21.79%</b>	<b>21.79%</b>	<b>23.31%</b>	<b>25.06%</b>	<b>29.48%</b>

## **4. Your options in respect of the Offer**

### **4.1 Your Entitlement**

As an Eligible Shareholder, your Entitlement is shown on the Entitlement and Acceptance Form that accompanies this Offer Document and has been calculated as 1 New Share for every 2 Shares you held as at 5:00pm WST on the Record Date, rounded up to the nearest whole New Share.

### **4.2 Your options**

As an Eligible Shareholder you may:

- take up some or all of your Entitlement;
- take up all of your Entitlement plus apply for Additional Shares out of any Shortfall; or
- do nothing and allow all of the New Shares representing your Entitlement to lapse.

### **4.3 Applying for New Shares**

If you want to take up all or part of your Entitlement or apply for Additional Shares, you must complete and return the Entitlement and Acceptance Form with Application Monies pursuant to the instructions that are set out on the Entitlement and Acceptance Form accompanying this Offer Document or, if you have an Australian financial institution account that supports BPAY®, by paying by BPAY® before 5:00pm WST on the Closing Date (see below for further details).

Mundo will treat you as applying for as many New Shares as your payment will pay for in full.

### **4.4 Doing nothing in respect of the Offer**

If you do nothing, your Entitlement will lapse. Although you will continue to own the same number of Shares in Mundo, your percentage shareholding in Mundo will be diluted.

### **4.5 Method of payment**

The method of taking up the Offer will depend on your method of payment, being:

#### **(a) Payment by cheque, bank draft or money order**

Should you wish to pay by cheque, money order or bank draft you should complete your Entitlement and Acceptance Form in accordance with the instructions set out on that form and return the form accompanied by a cheque, bank draft or money order:

- in Australian currency, drawn on an Australian branch of a financial institution;
- for an amount equal to 15 cents multiplied by the number of New Shares that you are applying for; and
- made payable to “Mundo Minerals Limited – Share Account” and crossed “Not Negotiable”.

Cash payments will not be accepted. Receipts for payment will not be issued. If your cheque is dishonoured, your application will be rejected.

Your completed Entitlement and Acceptance Form, together with your Application Monies, should be mailed using the reply paid or self addressed envelope provided with this Offer Document, to:

Mundo Minerals Limited  
c/- Security Transfer Registrars Pty Ltd  
770 Canning Highway  
APPLECROSS WA 6153

(b) **Payment by BPAY®**

If you wish to pay by BPAY® (only available to Eligible Shareholders who hold an account with an Australian financial institution that supports BPAY®):

- please follow the instructions on your personalised Entitlement and Acceptance Form (which includes the Biller Code and your unique Reference Number). Your BPAY® payment must be received by no later than 5:00pm WST on the Closing Date. Applicants should be aware that their own financial institution may impose earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the applicant to ensure that funds submitted through BPAY® are received by this time; and
- for payment by BPAY®, you do not need to submit your Entitlement and Acceptance Form but, by making a payment through BPAY®, you will be taken to have made the declarations set out in the Entitlement and Acceptance Form.

Any Application Monies received for more than your final allocation of New Shares will be refunded. No interest will be paid on any application monies received or refunded.

#### **4.6 Enquiries concerning your Entitlement**

If you have any queries concerning your Entitlement, please contact Mundo's Share Registry using the details below:

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
APPLECROSS WA 6153

Telephone: +61 8 9315 2333

Alternatively, consult your stockbroker, accountant or other professional adviser.

## **5. Risk factors**

### **5.1 Introduction**

Activities in the Company and its controlled entities, as in any business, are subject to risks which may impact on the Company's future performance.

Prior to deciding whether to take up their Entitlement, Shareholders should read the entire Offer Document and review announcements made by the Company to ASX (at [www.asx.com.au](http://www.asx.com.au) under the code MUN) in order to gain an appreciation of the Company, its activities, operations, financial position and prospects.

An investment in New Shares should be considered speculative. New Shares carry no guarantee with respect to the payment of any dividends, returns of capital or the market value of those New Shares.

Shareholders should also consider the risk factors set out below which the Directors believe represent some of the general and specific risks that Shareholders should be aware of when evaluating the Company and deciding whether to increase their shareholding in the Company. The following risk factors are not intended to be an exhaustive list of all of the risk factors to which the Company is exposed.

### **5.2 Specific risks**

The following risks have been identified as being key risks specific to an investment in Mundo.

#### **Future capital requirements**

The Company's ongoing activities may require substantial further financing in the future for its business activities, in addition to amounts raised pursuant to the Offer. Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the current market price (or Offer price) or may involve restrictive covenants which limit the Company's operations and business strategy.

Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce, delay or suspend its operations and this could have a material adverse affect on the Company's activities and could affect the Company's ability to continue as a going concern.

#### **Country risk**

The Company has projects located in the Federative Republic of Brazil and the Republic of Peru, which are less developed countries than Australia with associated political, economic, legal and social risks. There can be no assurance that the systems of government and the political systems in overseas countries will remain stable. There can be no assurance that government regulations relating to foreign investment, repatriation of foreign currency, taxation and the mining industry in these countries will not be amended or replaced in the future to the detriment of the Company's business and/or projects. The Directors are unaware of any such proposals as at the date of this Offer Document.

#### **Gold price and exchange rate fluctuations**

The revenue derived through the sale of gold exposes the potential income of the Company to gold price and exchange rate risks. Gold prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for gold, forward selling by producers and the level of

production costs in major gold-producing regions. Moreover, gold prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, gold.

Furthermore, the international price of gold is denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian and South American currencies, exposing the Company to the fluctuations and volatility of the rates of exchange between the United States dollar, the Australian dollar and South American currencies as determined in international markets.

### **5.3 Mining industry risks**

Mineral exploration and mining may be hampered by circumstances beyond the control of the Company and are speculative operations which by their nature subject to a number of inherent risks, including the following.

#### **Exploration risks**

The success of the Company depends on the delineation of economically minable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to the Company's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities.

Exploration on the Company's existing exploration and mining tenements may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in the cash reserves of the Company and possible relinquishment of the exploration and mining tenements.

#### **Resource estimates**

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. These estimates were appropriate when made, but may change significantly when new information becomes available.

There are risks associated with such estimates. Resource estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to resource estimates could affect the Company's future plans and ultimately its financial performance and value.

#### **Ability to exploit successful discoveries**

It may not always be possible for the Company to exploit successful discoveries which may be made in areas in which the Company has an interest. Such exploitation would involve obtaining the necessary licences or clearances from relevant authorities that may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further, the decision to proceed to further exploitation may require participation of other companies whose interests and objectives may not be the same as the Company's.

#### **Mining and development risks**

Profitability depends on successful exploration and/or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management and proficient financial management.

Mining and development operations can be hampered by force majeure circumstances, environmental considerations and cost overruns for unforeseen events.

### **Title risks**

Interests in tenements in the Federative Republic of Brazil and the Republic of Peru are governed by legislation in their respective jurisdictions and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

### **Environmental risks**

The operations and activities of the Company in Federative Republic of Brazil and the Republic of Peru are subject to environmental laws and regulations of those countries. As with most exploration projects and mining operations, the Company's operations and activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. The Company attempts to conduct its operations and activities to the highest standard of environmental obligation, including compliance with all environmental laws.

### **Joint venture parties, agents and contractors**

There is a risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

### **Competition**

The Company competes with other companies, including major mining companies in Australia and internationally. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies.

### **Key personnel**

Recruiting and retaining qualified personnel are important to the Company's success. The number of persons skilled in the exploration and development of mining properties is limited and competition for such persons is strong.

### **Other**

Other risk factors include those normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the business or trade of Mundo.

## **5.4 General investment risks**

### **Stock market conditions**

As with all stock market investments, there are risks associated with an investment in the Company. Share prices may rise or fall and the price of Shares might trade below or above the issue price for the New Shares.

General factors that may affect the market price of Shares include economic conditions in both Australia and internationally, investor sentiment and local and international share market conditions, changes in interest rates and the rate of

inflation, variations in commodity process, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

### **Liquidity risk**

There can be no guarantee that there will continue to be an active market for Shares or that the price of Shares will increase. There may be relatively few buyers or sellers of Shares on ASX at any given time. This may affect the volatility of the market price of Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price paid under the Offer.

### **Securities investment risk**

Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of the Company's performance.

## **6. Additional information**

### **6.1 Fractional Entitlements**

Where fractions arise in the calculation of your Entitlement, the fraction will be rounded up to the next whole number of New Shares. If you have more than one holding of Shares you will be sent more than one Offer Document and you will have separate Entitlements for each holding.

### **6.2 Warning against Share splitting**

If the Company reasonably believes that a Shareholder has been party to the splitting or division of a shareholding in an attempt to obtain an advantage from the rounding up of Entitlements, then the Company reserves the right to round the Entitlement of such holdings so as to provide only the number of New Shares that would have been received but for the splitting or division.

### **6.3 Tax**

Taxation implications will vary depending upon the individual circumstances of Eligible Shareholders. Mundo and its officers do not accept any responsibility or liability for any taxation consequences of Eligible Shareholders subscribing for and disposing of New Shares.

You should obtain your independent taxation advice before deciding whether to invest in New Shares.

### **6.4 Privacy**

The Entitlement and Acceptance Form requires you to provide information that may be personal information for the purposes of the *Privacy Act 1988* (Cth). The Company (and the Share Registry on its behalf) collects, holds and uses personal information in order to assess applications for New Shares, service the needs of Shareholders, provide facilities and services and to administer the Company.

Access to information may also be provided to the Company's Related Bodies Corporate (as that term is defined in the Corporations Act), agents and service providers, regulatory bodies, mail houses and the Share Registry.

If you do not provide the information requested of you in the Entitlement and Acceptance Form, the Share Registry will not be able to process your application for New Shares or administer your holding of Shares appropriately.

### **6.5 Governing law**

The Offer Document, the Offer and the contracts formed on return of the Entitlement and Acceptance Form are governed by the laws applicable in Western Australia, Australia. Each Shareholder who applies for New Shares submits to the non-exclusive jurisdiction of the courts of Western Australia, Australia.

## 7. Glossary of defined terms

In this Offer Document, the following terms have the following meaning unless the context requires otherwise:

<b>Additional Shares</b>	Shares applied for by Eligible Shareholders in excess of their Entitlement.
<b>Applicant</b>	A person who has applied to subscribe for New Shares by submitting an Entitlement and Acceptance Form.
<b>Application Money</b>	The aggregate amount of money payable for New Shares applied for in a duly completed Entitlement and Acceptance Form.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited ACN 008 624 691 trading as the Australian Securities Exchange.
<b>Closing Date</b>	The last day for payment and return of Entitlement and Acceptance Forms, being 5:00pm (WST) on 5 March 2010 (unless extended).
<b>Company or Mundo</b>	Mundo Minerals Limited ABN 97 117 790 897.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Directors</b>	Directors of the Company.
<b>Entitlement and Acceptance Form</b>	The Entitlement and Acceptance Form accompanying this Offer Document.
<b>Eligible Jurisdictions</b>	Australia and New Zealand.
<b>Eligible Shareholder</b>	A Shareholder who: <ul style="list-style-type: none"><li>• is a registered holder of Shares; and</li><li>• has a registered address in Australia or New Zealand as shown in Mundo's Share Registry,</li></ul> at 5:00pm (WST) on the Record Date.
<b>Entitlement</b>	The number of Shares that a Shareholder is entitled to apply for under the Offer, as determined by the number of Shares held by that Shareholder at the Record Date.
<b>Excluded Shareholder</b>	A Shareholder as at the Record Date whose registered address is not situated in an Eligible Jurisdiction.
<b>Listing Rules</b>	The official listing rules of ASX.
<b>New Share</b>	A new Share to be issued under the Offer.
<b>Offer</b>	The offer of New Shares under the Rights Issue.
<b>Offer Document</b>	This document, including the Entitlement and Acceptance Form.
<b>Placement</b>	The placement of 21,048,501 Shares in the Company, as announced on 8 February 2010.

<b>Record Date</b>	5:00pm (WST) on 17 February 2010 or such other date as may be determined by the Directors.
<b>Right</b>	A right to apply for 1 New Share for every 2 Shares held at the Record Date.
<b>Rights Issue</b>	A non-renounceable pro rata offer of 1 New Share for every 2 Shares held as detailed in this Offer Document.
<b>Share Registry</b>	Security Transfer Registrars Pty Ltd ABN 95 008 894 488.
<b>Shares</b>	Fully paid ordinary shares in the capital of Mundo.
<b>Shareholder</b>	A holder of Shares.
<b>Shortfall</b>	The number of New Shares offered under the Offer for which valid applications have not been received from Eligible Shareholders of Rights before the Closing Date.
<b>Substantial Shareholder</b>	Persons who have relevant interest in 5% or more of the Company.
<b>WST</b>	Western Standard Time.

## **Corporate Directory**

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### **Directors**

Barry Eldridge – Non - Executive Chairman

John Langford – Chief Executive Officer

Brian Hurley – Non-Executive Director

Robert McKenzie – Non-Executive Director

### **Chief Operating Officer**

Andrew Law

### **Company Secretary**

Joe Mobilia

Paul Mason

### **Head Office**

45 Ventnor Avenue  
West Perth WA 6005

Telephone: +61 8 9429 8889

Facsimile: +61 8 9429 8800

Email: [admin@mundominerals.com](mailto:admin@mundominerals.com)

Website: [www.mundominerals.com](http://www.mundominerals.com)

### **Auditors**

Deloitte Touche Tohmatsu  
Level 14, Woodside Plaza  
240 St Georges Terrace  
PERTH WA 6000

### **Share Registry**

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
APPLECROSS WA 6153

Telephone: +61 8 9315 2333

Facsimile: +61 8 9315 2233

### **ASX Code**

Shares: MUN