



# Mundo Minerals Ltd

## MUNDO ANNOUNCES \$10-15M CAPITAL RAISING TO DRIVE GOLD PRODUCTION AND RESOURCE GROWTH

*LEADING US INSTITUTIONS UNDERPIN \$10M PLACEMENT WITH EXISTING SHAREHOLDERS TO BE OFFERED \$5M SHARE PURCHASE PLAN TO SUPPORT COMPANY-CHANGING ASSET DEVELOPMENT*

### Highlights:

- Heavily oversubscribed \$10M share placement at 12.5 cents per share plus a free attaching option to sophisticated and institutional investors, including several substantial US-based funds, to be undertaken in two tranches:
  - *28.2M shares to raise \$3.53M (Tranche 1) to be completed immediately;*
  - *51.8M shares to raise \$6.47M (Tranche 2) to be completed subject to shareholder approval*
- In addition to the share placement, Mundo intends to launch a Share Purchase Plan (SPP) to enable all existing shareholders to purchase a maximum of \$5,000 worth of shares at the same price and on the same terms as the placement, with subscriptions capped at \$5 million.
- Capital raising will result in the introduction of several Tier One US investment funds to the Mundo Minerals register, significantly strengthening its capital base, while enabling existing shareholders to participate in this milestone raising on the same terms.
- Proceeds to be used to complete the current Definitive Feasibility Study and underpin resource drilling at the flagship Torrecillas Gold Project in Peru, where development of a commercial high-grade gold mine is targeted to commence by Q4 of 2011.
- The development of Torrecillas is expected to deliver substantial production growth for Mundo Minerals, with a forecast average head grade of 15g/t Au and targeted cash operating costs of US\$400/oz (based on developmental mining to date).
- The raising will also allow resource drilling to commence at the highly prospective Olhos exploration target near the Engenho Gold Mine in Brazil with the aim of developing a third production source for the Project to supplement the existing underground operations and emerging Crista open pit.
- The capital raising will also provide additional working capital to support the proposed development of the Crista open pit mine at Engenho.

International gold producer, Mundo Minerals Limited (ASX Code: **MUN** – “Mundo” or “the Company”), is pleased to announce that it has secured the support of several substantial US-based investment funds and leading institutions as part of a key **\$10-15 million capital raising** to underpin its plans to develop a second South American gold mine and lift gold production to a targeted annualized level of **150,000 ounces over the next three years** and to build a substantial resource base through extensive drill programs.

The capital raising comprises a heavily oversubscribed **\$10 million share placement** to sophisticated and institutional investors, including several substantial US-based equity funds, and a proposed **Share Purchase Plan (SPP)** to existing shareholders, **capped at \$5 million**, to be undertaken on the same terms as the placement.

The share placement, which was Lead Managed by Patersons Securities Limited with assistance from EAS Advisors LLC, will strengthen the Company's balance sheet and deliver additional working capital to progress the development of its key assets while final regulatory approval is awaited for the new Crista open pit at the Engenho Gold Mine in Brazil.

In addition, the placement will result in the introduction of a number of large US-based funds to the Company's share register, substantially enhancing its international investment profile and liquidity. The SPP will enable all existing Mundo Minerals shareholders to participate in this landmark capital raising on the same terms as the share placement.

The funds will be used to complete the current Definitive Feasibility Study and secure financing for a full-scale commercial development of the high-grade (15g/t Au) **Torrecillas Project** in Peru, provide additional working capital to support the development of a new high-grade (5g/t) open pit production centre at the **Engenho Gold Project** in Brazil (where Mundo is targeting a production increase from 25,000oz pa to ~43,000oz pa), and fund major resource development drilling programs in both Peru and Brazil.

The Torrecillas development combined with the development of the Crista open pit at Engenho– will, if successful, cement Mundo Minerals' position in the ranks of leading mid-tier international gold producers.

Mundo Minerals' CEO, Mr John Langford, said the capital raising would strengthen the Company's capital base as it enters a company-defining period of asset development and growth which will put in on track to achieve annualized gold production of 150,000oz over the next three years.

"The Board has embarked on this capital raising after taking into consideration a number of different funding alternatives to progress the Company to the next level of growth and development," he said. "While the raising will result in some dilution to existing shareholders, we believe that the benefits of introducing several leading US investment funds – several with more than US\$4 billion in funds under management – to our register far outweigh any downside.

"Their decision to invest represents a strong endorsement of our business model, asset base, management and operational team as well as our production growth plans over the next three years. These investors clearly share our view that Mundo Minerals is substantially under-valued when benchmarked against our peers in the junior gold sector and can see the opportunity for a significant uplift in value over the next 18 months as we bring the Torrecillas asset into full commercial development and ramp up production at Engenho.

"The placement will ensure that the Company has immediate access to funds to progress its key development assets in the immediate term, while the proceeds from Tranche 2 and the Share Purchase Plan will give us a solid funding buffer to ensure we can move ahead with our growth strategy without delay.

"The Company is embarking on a strong growth curve with the aim of starting mining this year at the new Crista satellite open pit at Engenho and increasing gold output from Engenho to an annualized level of 43,000oz. In addition, this development will open up an entirely new, highly prospective area at Crista and the neighbouring Olhos and Mazoca prospects where we have defined significant new gold targets. The funds raised will enable us to drill out these prospects with the aim of identifying a JORC resource this year," he added.

"The completion of the Torrecillas Feasibility Study this year should also represent a milestone of considerable significance for Mundo Minerals," Mr Langford added. "The DFS together with programs of resource drilling and a maiden JORC resource will pave the way for final development approvals later this year. Torrecillas is expected to generate substantial cash-flow for this Company from 2012 onwards."

#### **Update on Crista Approvals**

Mundo Minerals has previously advised that the final approval for the haulage road and mining of the Crista open pit has been delayed while a broad proposal for a National Park in the region is resolved.

Discussions have been held with relevant authorities who have reviewed the Crista mining project. The authorities have indicated that this area is non-strategic for any park and it is expected that the final park will not include any of the Company's tenement area. This was recently reaffirmed when Mundo Minerals attended a public meeting in late February 2011, where the Government Authority responsible for the Park proposal reaffirmed to Mundo executives that they did not expect that the Crista area had any impact on any park proposal.

The final resolution of this is subject to the State authorities signing off on the Park proposal. While the Company has indications that this will occur in the short term, the exact timeframe cannot be quantified at this stage.

The equity raising announced today will allow exploration and development momentum to be maintained across all of the Company's key assets while this process is resolved at the Government agency level.

### **Capital Raising Details**

- Tranche 1 share placement to sophisticated and institutional investors, including substantial US-based funds comprising 28,200,000 shares, at an issue price of 12.5 cents to raise \$3.53million.
- Tranche 2 share placement to sophisticated and institutional investors including substantial US-based funds subject to shareholder approval comprising 51,800,000 shares at an issue price of 12.5 cents to raise \$6.47million.
- Issue of 80,000,000 options to subscribe for shares at an exercise price of 18 cents per option and an expiry date 3 years from the date of issue, to subscribers of the placement subject to shareholder approval, on the basis of one option for each share subscribed for.
- Subject to shareholder approval of the placement at the forthcoming EGM, the Company intends to offer a Share Purchase Plan (SPP) to allow all existing shareholders to subscribe for a maximum of \$5,000 in shares under the same terms as offered under the placement with maximum total subscriptions under the SPP of up to 40,000,000 shares to raise up to \$5 million. One free attaching option will be issued with every share issued under the SPP, with the options on the same terms as the options issued to placement subscribers. The SPP offer will be made pursuant to a prospectus. Should there be oversubscriptions, allocations will be made on a *pro rata* basis. It is not proposed to have any of the SPP offer underwritten.

The proposed timetable for the placement is as follows:

<b>Event</b>	<b>Indicative Date</b>
Issue of Tranche 1 Placement Shares	Wednesday 9 March 2011
Allotment of Tranche 1 Placement Shares	Thursday 10 March 2011
EGM to ratify Tranche 1 Placement and approve Tranche 2 Placement	Thursday 7 April 2011
Issue of Tranche 2 Placement Shares and Options	Friday 8 April 2011
Allotment of Tranche 2 Placement Shares and Options	Monday 11 April 2011

### **Use of Funds**

Mundo Minerals intends to use the proceeds of the capital raising, together with existing available cash resources and cash flow from operations in Brazil, to underpin the continued development of its key gold assets in Peru and Brazil. Specifically, the funds will be used to:

- **Complete the current Definitive Feasibility Study (DFS) on the Torrecillas Gold Project** in Peru. The DFS, which is already well progressed, is based on the development of three high-grade vein systems;

- **Fund a major program of resource drilling at Torrecillas** commencing in Q2 of CY 2011 targeting the finalisation of an initial JORC compliant resource;
- **Provide additional working capital to support the development of the new Crista open pit**, located 2km north of the Engenho underground mine and treatment facility. This new high-grade ore source (initial Phase I Measured, Indicated and Inferred Resource of 161,948t @ 5g/t Au for 26,034oz to 75m depth only) is expected to enable production from Engenho to increase to 43,000oz pa from 25,000oz pa currently (sourced from the existing underground mine);
- **Fund aggressive resource drilling at the Olhos anomaly**, located adjacent to Crista, where an extensive zone of near-surface gold mineralization has been defined over a 400m strike length; and
- **Fund resource drilling later this year at Crista** to test depth extensions of the mineralization below 75m once the orientation and structure of the mineralization is better understood from initial mining activities.

**John Langford**  
**Chief Executive Officer**

**4 March 2011**

**Competent Person's Statement**

*The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Armando Massucatto who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Massucatto is employed by Mundo Minerals Limited and is the Company Exploration Manager. Mr Massucatto has sufficient experience which is relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Massucatto consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

**Production Targets**

*The information in this report that relates to production targets refers to targets that are conceptual in nature, where there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. Production targets are currently conceptual in nature and relate to future production goals based on the current resources. Feasibility studies are currently underway to advance the economic evaluations. There remains at present insufficient certainty with respect to whether economically mineable mineralisation exists to reliably estimate future production rates. These production targets are also subject to the completion of all necessary feasibility studies, regulatory approvals, financing arrangements, execution of relevant agreements and timely project construction.*

**Forward Looking Statements**

*This report contains forward-looking statements, which include statements other than statements of historical fact. Such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of Mundo. Actual results, values, performance or achievements may differ materially from results, values, performance or achievements expressed or implied in any forward-looking statement.*