



Mundo Minerals Limited

22 March 2011

Dear Shareholder

Attached to this letter is a notice of meeting for shareholders to consider approving a recently announced equity raising. The directors of Mundo Minerals consider that the injection of equity and introduction of a group of premium institutional investment funds from the United States are fundamental to the forward strategy of developing the Mundo Minerals assets and unlocking what we believe is significant value associated with the assets owned by Mundo Minerals.

A number of equity options were considered by the directors who were mindful of the interests of existing shareholders and aware of the support that the company has had from shareholders as well as dilutionary impact any raising may have on shareholders.

The Mundo assets in Peru continue to deliver positive results and it is important for the company and shareholders that the momentum of the feasibility work be maintained so that the company can deliver commercial production from this asset towards the end of 2012. This asset, as you would be aware, has excellent grades (trial mining to date has averaged in excess of 18 g/t through the toll treatment plant) and based on current gold prices is expected to yield sustainable cash flows for the company to continue to drive asset growth and shareholder returns.

The Brazilian Engenho gold project continues to operate the underground operations on a consistent basis and an operations review is being driven by the Chief Operating Officer and Chief Financial Officer. The key to delivering strong financial returns from this project is to develop the emerging Crista open pit which is subject to final haulage road approvals. These approvals as previously advised are delayed while a proposed National Park in the region is resolved. Mundo has been assured by the relevant authorities that the Mundo tenement will not be part of any park and the development of this new resource will commence as soon as approvals have been received.

The directors considered whether to defer any equity raising until this issue was resolved as arguably any announcement would unlock additional share value prior to any raising. The directors took the view that despite assurances that any park would not impact the development of Crista, that the actual timing of resolving the park issues was subject to government timeframes and outside the control of Mundo and it was determined that it was in shareholder's best interests to continue to drive asset development.

The equity raising is supported by a group of influential US based funds who all understand and are confident with investment in South America. They are all enthusiastic about the future of Mundo Minerals and have committed the bulk of the equity raising. Some of these funds have also expressed future interest in assisting with any debt required to develop infrastructure requirements for Torrecillas in Peru. Together with active interest from a number of mainstream banks this will ensure a competitive platform for the company to negotiate any financing terms.

Shareholders will be able to participate in the equity raising through a Securities Purchase Plan (SPP) that will be launched subject to approval at the forthcoming shareholders meeting. While acknowledging that larger

Mundo Minerals Limited: ACN 117 790 897

Telephone: +61-8 9429 8889

Fully-Paid Shares on Issue: 229.58 million Unlisted Options on Issue: 10.35 million
Address: 45 Ventnor Avenue, West Perth, Western Australia 6005

Email: john.langford@mundominerals.com

www.mundominerals.com.au

shareholders do not get the same benefit to participate as smaller shareholders through a SPP, the directors have not taken a decision to have this part of the equity raising underwritten but have retained the right to place any shortfall that may arise from the SPP approved allotments. Larger shareholders who wish to participate can contact the company and the shortfall will be allocated in relative proportion of shareholding so that shareholders are equitably considered.

As part of the meeting resolutions, shareholders are asked to approve participation by directors in any shortfall. Directors have expressed an interest in supporting the company but shareholder approval is required. Any allocation to directors will be in relative proportion to any other shareholder who participates in the shortfall allocation so that again all shareholders are treated with as much equity as possible.

Mundo shareholders have been exceptionally patient while the development of assets has progressed and the relative underperformance of the underground mine has impacted the financial strength of the company. Managing the finances carefully has allowed the development of the broader assets to be advanced to a stage where the potential is understood and they require capital to be spent on them to deliver the increased production profile that the company has been striving to deliver.

Your directors do not believe it is in shareholder's interests to continue to rely on internally generated funds to unlock the emerging value of the company assets. The directors have a view that the injection of cash, potential future asset value accretion that potentially will be delivered by ongoing development of the assets as well as introduction of strategic institutional shareholders will assist in unlocking what we believe is significant shareholder value after a period where the company has been restricted in its capacity to do this through limited financial resources.

We firmly believe that these actions are in the best interests of all shareholders and we urge shareholders to support the resolutions through sending in the proxy forms.

Yours sincerely,
MUNDO MINERALS LTD



John Langford
Managing Director