

Mundo Minerals Limited

ACN 117 790 897

Notice of General Meeting and Explanatory Statement

**General Meeting to be held at the
Boardroom, 45 Ventnor Avenue, West Perth, WA
at 11:00am WST,
Wednesday, 27 April 2011**

The Notice of General Meeting, Explanatory Statement and Proxy Form should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser prior to voting.

Notice of General Meeting

Notice is hereby given that the fourth General Meeting of Mundo Minerals Limited ACN 117 790 897 (**Mundo or Company**) will be held at **The Boardroom, 45 Ventnor Avenue, West Perth, Western Australia** at **11:00am WST** on **Wednesday, 27 April 2011**.

The Explanatory Statement, which accompanies and forms part of this Notice, describes the various matters to be considered.

Terms used in this Notice will, unless the context otherwise requires, have the same meaning given to them in the Glossary as set out in the Explanatory Statement.

Agenda

Resolution 1 – Ratification of Tranche 1 Shares

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That for the purposes of Listing Rule 7.4 and for all other purposes, the Shareholders hereby approve and ratify the allotment and issue of 28,200,000 ordinary Shares (**Tranche 1 Shares**) by way of placement to sophisticated and institutional investors at an issue price of \$0.125 per Share to raise \$3,530,000 in the manner described in the Explanatory Statement (**Tranche 1 Placement**).”*

Voting exclusion: In accordance with Listing Rule 14.11, the Company will disregard any votes cast on Resolution 1 by those persons who were issued Shares pursuant to the Tranche 1 Placement and by an Associate of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 – Approval of Tranche 1 Options

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purposes of Listing Rule 7.1 and for all other purposes, the Shareholders hereby approve the grant of 28,200,000 Options (**Tranche 1 Options**) (being one free attaching Option for each Tranche 1 Share subscribed for by participants in the Tranche 1 Placement) exercisable at \$0.18 within three years from the date of issue, in the manner and on the terms and conditions set out in Schedule 1 to the Explanatory Statement.”*

Voting exclusion: In accordance with Listing Rule 14.11, the Company will disregard any votes cast on Resolution 2 by those persons who participated in the Tranche 1 Placement or who might obtain a benefit if the Resolution is passed, except a benefit solely in the capacity of a Shareholder if the Resolution is passed, and any Associate of such a person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 3 – Approval of Tranche 2 Placement

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, for the purposes Listing Rule 7.1 and for all other purposes, the Shareholders hereby approve the issue of up to:

- (a) *51,800,000 Shares (**Tranche 2 Shares**) to sophisticated and institutional investors at an issue price of \$0.125 per Share to raise \$6,470,000; and*
- (b) *51,800,000 Options (being one free attaching Option for each Tranche 2 Share subscribed for) exercisable at \$0.18 within three years from the date of issue, on the terms and conditions set out in Schedule 1 to the Explanatory Statement (each a **Tranche 2 Option**),*

*(**Tranche 2 Placement**) in the manner and on the terms and conditions described in the Explanatory Statement."*

Voting exclusion: In accordance with Listing Rule 14.11, the Company will disregard any votes cast on Resolution 3 by those persons who are entitled to participate in the Tranche 2 Placement or who might obtain a benefit if the Resolution is passed, except a benefit solely in the capacity of a Shareholder if the Resolution is passed, and any Associate of such a person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4 – Approval of allocation of Shortfall Securities

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, for the purposes Listing Rule 7.1, and for all other purposes, the Shareholders hereby approve the issue and allotment of Securities that are not subscribed for by Eligible Shareholders pursuant to the Company's proposed securities purchase plan (**Shortfall Securities**) to those investors as determined by the Directors to be eligible in the manner and on the terms and conditions described in the Explanatory Statement."*

Voting exclusion: In accordance with Listing Rule 14.11, the Company will disregard any votes cast on Resolution 4 by those persons who are entitled to participate in the allocation of Shortfall Securities or who might obtain a benefit if the Resolution is passed, except a benefit solely in the capacity of a Shareholder if the Resolution is passed, and any Associate of such a person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5 – Approval of allocation of Shortfall Securities to Directors

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, for the purposes Listing Rule 10.11, sections 208 and 195(4) of the Corporations Act, and for all other purposes, the Shareholders hereby approve the issue and allotment of Shortfall Securities to Directors of the Company, being a related party transaction pursuant to section 208 of the Corporations Act, in the manner and on the terms and conditions described in the Explanatory Statement."

Voting exclusion: In accordance with Listing Rule 14.11, the Company will disregard any votes cast on Resolution 5 by any Director and any Associate of a Director. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By order of the Board

A handwritten signature in black ink, appearing to read 'Ashley Pattison', written in a cursive style.

Ashley Pattison
Company Secretary

22 March 2011

Proxy, Voting and Meeting Instructions

Lodgement of a Proxy Form

The Proxy Form (and any power of attorney or other authority, if any, under which it is signed) must be received at an address given below by **11:00am WST, Monday, 25 April 2011** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled General Meeting.

Proxy Forms may be lodged:

In person: 45 Ventnor Avenue, West Perth 6005

By mail: Company Secretary, Mundo Minerals Limited, 45 Ventnor Avenue, West Perth 6005

By fax: (08) 9429 8800 (within Australia)

+61 8 9429 8800 (outside Australia)

Appointment of a proxy

A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy. The proxy may, but need not be, a Shareholder of the Company.

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a Shareholder of the Company.

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company on +61 8 9429 8800 or you may photocopy the Proxy Form.

To appoint a second proxy you must on each Proxy Form state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

Corporate Shareholders

Corporate Shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

- two directors of the company;
- a director and a company secretary of the company; or
- for a proprietary company that has a sole director who is also the sole company secretary – that director.

Votes on Resolution

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the Resolutions. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on the Resolutions by inserting the percentage or number of Shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the Resolutions, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on the Resolutions will be invalid.

Voting entitlement (snapshot date)

For the purposes of determining voting and attendance entitlements at the General Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at **11:00am WST, Monday, 25 April 2011**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Corporate representatives

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company and/or the Company's share registry before the General Meeting or at the registration desk on the day of the General Meeting.

Explanatory Statement

1. Introduction

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary.

2. Capital raising

On 4 March 2011, the Company announced a \$10-15 million capital raising to drive gold production and resource growth (**Capital Raising**).

A copy of the Company's announcement accompanies this Explanatory Statement.

The capital raising comprises:

- (a) **Tranche 1 Placement:** 28,200,000 Shares have been issued by way of placement to institutional and sophisticated investors in Australia and the United States at a price of \$0.125 per Share to raise \$3.53 million. Subject to Shareholder approval, the Company has also agreed to issue 28,200,000 free attaching Options to these investors on the basis of one Option granted for every Share issued.
- (b) **Tranche 2 Placement:** Subject to Shareholder approval, the Company has arranged the placement of a further 51,800,000 Shares and 51,800,000 Options by way of placement to institutional and sophisticated investors in Australia and the United States at an issue price of \$0.125 per Share to raise \$6.47 million, with one free attaching Option granted for each Share issued.
- (c) **Securities purchase plan (SPP) offer to Shareholders:** The Company also proposes to undertake a securities purchase plan offer to Shareholders to raise up to \$5 million (**SPP Offer**). Under the SPP Offer Shareholders who did not participate in the Tranche 1 and Tranche 2 Placements (**Eligible Shareholders**) will be offered the opportunity to subscribe for Shares to the amount of \$5,000 at an issue price of \$0.125 per Share, with one free attaching Option for every Share issued. The SPP Offer will be made pursuant to a prospectus. The conduct of the SPP Offer will be conditional on Shareholders approving the Resolutions.

The Tranche 1 and Tranche 2 Placements have been arranged by Patersons Securities Limited in Australia and EAS Advisors LLC in the United States.

The Options to be granted under the Tranche 1 and Tranche 2 Placements and under the SPP offer will be exercisable at \$0.18 within three years from the date of issue, and will be granted on the terms set out in Schedule 1.

The funds raised by the capital raising will be applied towards the continued development of Mundo's key gold assets in Peru and Brazil, including:

- (a) complete the current definitive feasibility study on the Torrecillas Gold Project in Peru, where development of a commercial high-grade gold mine is targeted to commence by the 4th quarter of 2011;
- (b) fund a major program of resource drilling at Torrecillas commencing in the 2nd quarter of 2011, targeting the finalisation of an initial JORC compliant resource;
- (c) provide additional working capital to support the development of the new Crista open pit, located 2km north of the Engenho underground mine in Brazil, and treatment facility; this new high-grade ore source is expected to enable production from Engenho to increase to 43,000oz pa from 25,000oz pa currently (sourced from the existing underground mine);
- (d) fund aggressive resource drilling at the Olhos anomaly, located adjacent to Crista, where an extensive zone of near-surface gold mineralization has been defined; and
- (e) 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.

The funds raised will also strengthen the Company's balance sheet.

3. Purpose of General Meeting

The purpose of the General Meeting is to enable Shareholders to:

- (a) ratify the issue of the Tranche 1 Shares that have already been issued (Resolution 1);
- (b) approve the grant of the Tranche 1 Options (Resolution 2);
- (c) approve the grant of the Tranche 2 Placement of Shares and Options (Resolution 3);
- (d) approve the issue of Shortfall Securities to investors (Resolution 4); and
- (e) approve the issue of Shortfall Securities to Directors (Resolution 5).

4. SPP Offer

The SPP Offer will provide existing Shareholders with the opportunity to participate in the capital raising on the same basis as the participants in the Tranche 1 and Tranche 2 Placements.

Under the SPP Offer Shareholders who did not participate in the Tranche 1 and Tranche 2 Placements will be able to subscribe for a maximum of \$5,000 in Shares, with maximum subscriptions under the SPP Offer totalling \$5 million.

The SPP Offer will be made pursuant to a prospectus. It is not proposed to have the SPP Offer underwritten.

As the SPP Offer is part of an overall \$15 million capital raising strategy, the conduct of the SPP Offer is conditional on Shareholders approving the Resolutions in the Notice of Meeting.

It is proposed the SPP Offer will be completed shortly after the General Meeting.

Scale back

In the event that the SPP Offer is oversubscribed for, the Company will scale back all applications received so that only a maximum of 40,000,000 Shares and 40,000,000 free attaching Options are issued. The Directors do not consider it likely that every Shareholder will elect to apply for \$5,000 in Shares under the SPP Offer.

In the event of a scale back, each applicant will be treated equally and scaled back on a pro rata basis, based on each application size.

5. Effect of Capital Raising on Mundo's capital structure

The table below illustrates the effect of the Capital Raising on the Company's share capital structure assuming maximum subscription pursuant to the Tranche 1 and 2 Placements and the SPP Offer:

Securities currently on issue	Securities issued under the Tranche 1 Placement	Securities issued under the Tranche 2 Placement	Securities issued under the SPP Offer	Total Shares on issue upon completion of Capital Raising**
201,375,177 Shares	28,200,000 Shares	51,800,000 Shares	40,000,000 Shares	321,375,177 Shares
10,350,000 Options*	28,200,000 Options	51,800,000 Options	40,000,000 Options	

* All Options are currently unlisted Options.

** Assuming none of the Options issued pursuant to the Capital Raising have been exercised.

With the share capital of the Company increasing by 120,000,000 Shares through the Capital Raising process, the total diluting effect on the shareholdings of existing Shareholders is 59.6%.

6. Resolution 1 – Ratification of Tranche 1 Shares

Ratification of the issue of Tranche 1 Shares pursuant to the Tranche 1 Placement is now being sought.

The effect of Shareholders passing Resolution 1 will be to "refresh" the number of Securities which the Company can issue within any 12 month period in accordance with Listing Rule 7.1. This will allow the Company to raise further working capital of up to a maximum of 15% of the Company's total issued Shares, without the need to obtain members' approval prior to the capital raising.

Listing Rules information requirements

Listing Rule 7.1 provides that prior approval of shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 states that an issue by a company of securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and the company's members subsequently approve it.

Under Resolution 1, the Company seeks Shareholder approval for, and ratification of, the issue of the Tranche 1 Shares as set out below so as to restore the Company's capacity under Listing Rule 7.1 to issue further Securities representing up to 15% of the Company's issued capital in the next 12 months.

For the purposes of the information requirements of Listing Rule 7.5, the following matters are noted:

- (a) the Company issued 28,200,000 Tranche 1 Shares on 4 March 2011 at an issue price of \$0.125 per Share;
- (b) all Tranche 1 Shares issued rank equally with all other Shares on issue;
- (c) the Tranche 1 Shares were issued to Investors as arranged by Patersons Securities Limited in Australia and EAS Advisors LLC in the United States of America (**Joint Managers**);
- (d) none of the persons to whom Tranche 1 Shares have been granted is a Director or an associate of a Director; and
- (e) the placement of the Tranche 1 Shares raised a total of \$3,530,000 in capital before costs and expenses of the Tranche 1 Placement, and it is proposed that the funds raised by the Tranche 1 Placement will be used to provide working capital for development of the Company's mining projects.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1 in order to provide the Company with the flexibility to raise additional funds in the future as and when required.

7. Resolution 2 - Approval of Tranche 1 Options

Pursuant to the Tranche 1 Placement the Company proposes, subject to Shareholder approval, to grant one free attaching Option for each Tranche 1 Share subscribed for by participants under the Tranche 1 Placement (**Tranche 1 Option**).

Each Tranche 1 Option will be exercisable at \$0.18 within 3 years from the date of issue, and on the terms and conditions set out in Schedule 1 to this Explanatory Statement.

Listing Rules information requirements

Listing Rule 7.1 provides that a listed company may not issue equity securities in any 12 month period which exceeds 15% of the number of issued securities of the company held at the beginning of the 12 month period, except with the prior approval of shareholders of the company in general meeting unless another exception to Listing Rule 7.1 applies.

Resolution 2 requires Shareholder approval pursuant to Listing Rule 7.1.

The effect of Resolution 2, if passed, will be that the Tranche 1 Options granted will be exempt from the 15% limit under Listing Rule 7.1. This will allow the Company to grant the Tranche 1 Options and provide flexibility during the next 12 month period to issue further equity Securities in order to raise further capital, if required.

For the purposes of the information requirements of Listing Rule 7.3, the following matters are noted:

- (a) the maximum number of Tranche 1 Options the Company proposes to grant is 28,200,000;

- (b) the Tranche 1 Options will be granted no later than 3 months after the date of the General Meeting;
- (c) the Tranche 1 Options will be granted to Investors as arranged by the Joint Managers;
- (d) none of the persons to whom Tranche 1 Options will be granted will be a Director or an associate of a Director;
- (e) the Shares issued upon the exercise of a Tranche 1 Option will be issued as fully paid ordinary Shares, ranking equally with the Company's existing Shares;
- (f) the Tranche 1 Options will be granted on the terms set out in Schedule 1 to this Explanatory Statement;
- (g) Mundo will apply for the Tranche 1 Options to be quoted on ASX; and
- (h) no funds will be raised on the issue of the Tranche 1 Options, however a total of \$5,076,000 will be raised if all Tranche 1 Options are exercised at \$0.18 each; it is proposed that the funds raised from the exercise of Options will be used for exploration and development of the Company's mining projects (particularly those noted above in section 2 of this Explanatory Statement).

Directors' recommendation

The passing of Resolution 2 will:

- (a) enable the Company to satisfy the it's obligations to grant the Tranche 1 Options to the Investors who have already been issued Shares under the Tranche 1 Placement; and
- (b) provide flexibility for the Company to raise additional funds in the future as and when required.

For these reasons, the Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

8. Resolution 3 – Approval of Tranche 2 Placement

Subject to Shareholder approval the Company is proposing to make a further placement to Investors of 51,800,000 Shares at an issue price of \$0.125 per Share (**Tranche 2 Share**), with one free attaching Option exercisable at \$0.18 within three years from the date of issue (**Tranche 2 Option**) (**Tranche 2 Placement**).

Listing Rule 7.3 information

Listing Rule 7.1 provides that a listed company may not issue equity securities in any 12 month period which exceeds 15% of the number of issued securities of the company held at the beginning of the 12 month period, except with the prior approval of shareholders of the company in general meeting unless another exception to Listing Rule 7.1 applies.

Resolution 3 requires Shareholder approval pursuant to Listing Rule 7.1.

The effect of Resolution 3, if passed, will be that the Tranche 2 Securities issued will be exempt from the 15% limit under Listing Rule 7.1. This will allow the Company to

grant the Tranche 2 Securities and provide flexibility during the next 12 month period to issue further equity Securities in order to raise further capital, if required.

For the purposes of the information requirements of Listing Rule 7.3, the following matters are noted:

- (a) the maximum number of Tranche 2 Shares the Company proposes to issue is 51,800,000, raising \$6,470,000 before costs and expenses of the Tranche 2 Placement;
- (b) it is proposed that one free attaching Tranche 2 Option exercisable at \$0.18 within three years from the date of issue will be granted for every Tranche 2 Share issued;
- (c) the maximum number of Tranche 2 Options the Company proposes to grant is 51,800,000; no funds will be raised on the issue of the Tranche 2 Options, however a total of \$9,324,000 will be raised if all Tranche 2 Options are exercised at \$0.18 each;
- (d) the Tranche 2 Securities will be issued on one date that is no less than 3 months after the date of the General Meeting;
- (e) the Tranche 2 Securities will be issued to Investors as determined and arranged by the Joint Managers;
- (f) none of the persons to whom Tranche 2 Securities will be issued will be a Director or an associate of a Director;
- (g) the Tranche 2 Shares will be issued as fully paid ordinary Shares, ranking equally with the Company's existing Shares;
- (h) the Tranche 2 Options will be granted on the terms set out in Schedule 1 to this Explanatory Statement;
- (i) Mundo will apply for the Tranche 2 Shares and the Tranche 2 Options to be quoted on ASX; and
- (j) it is proposed that the funds raised from the Tranche 2 Placement will be used for exploration and development of the Company's mining projects (particularly those noted above in section 2 of this Explanatory Statement).

Directors' recommendation

The passing of Resolution 3 will:

- (a) enable the Company to raise additional funds from the substantial new Shareholders who have committed to participate in the Tranche 2 Placement;
- (b) provide the Company with additional working capital which is, in the Directors' view, prudent given that the current market is experiencing significant volatility and fluctuation;
- (c) strengthen the Company's balance sheet and provide the Company with additional working capital to commit to the development of its key gold mining projects (which will enable the commencement of a US\$5.4 million exploration program to occur); and

- (d) provide flexibility for the Company to raise additional funds in the future as and when required.

For these reasons, the Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

9. Resolution 4 – Approval of allocation of Shortfall Securities

The Company proposes to undertake a securities purchase plan offer to Shareholders to raise up to \$5 million (**SPP Offer**). Under the SPP Offer, Eligible Shareholders will be offered the opportunity to subscribe for up to 40,000 Shares at an issue price of \$0.125 per Share, with one free attaching Option for every Share issued, to raise \$5,000. The SPP Offer will be conditional on Shareholders approving the Resolutions.

If, after conducting the SPP Offer, there are Shortfall Securities, the Directors propose, subject to Shareholder approval, to issue Shortfall Securities to eligible investors (as determined at the sole discretion of the Directors).

In determining eligible investors able to participate in the issue of any Shortfall Securities, the Directors will give preference to applicants who:

- (a) are Eligible Shareholders who hold at least 500,000 Shares as at the date of this Notice of Meeting; and
- (b) did not or will not participate in the Tranche 1 Placement or Tranche 2 Placement.

Listing Rule 7.1 requirements

Listing Rule 7.1 provides that a listed company may not issue equity securities in any 12 month period which exceeds 15% of the number of issued securities of the company held at the beginning of the 12 month period, except with the prior approval of shareholders of the company in general meeting unless another exception to Listing Rule 7.1 applies.

An exception to Listing Rule 7.1 is the issue of securities under a securities purchase plan where the number of securities to be issued is not greater than 30% of the number of fully paid ordinary securities on issue and certain other conditions are satisfied including the issue price of shares under the SPP being at least 80% of the average market price of shares in the 5 days on which sales in shares were recorded, either before the day on which the offer was announced or before the offer was made.

Although the issue of Securities under the SPP Offer will not represent more than 30% of the existing number of Securities on issue, issues of Shortfall Securities do not fall within the exception referred to above. In the event that there are Shortfall Securities the approval of Shareholders is sought to enable the Company to issue the Shortfall Securities without relying on the 15% placement capacity under Listing Rule 7.1.

Should Shareholder approval of the SPP Offer not be obtained, the Directors intend to issue Shortfall Securities to applicants, from the 15% placement capacity allowed by Listing Rule 7.1.

The effect of Resolution 4, if passed, will be that the Shortfall Securities issued to investors will be exempt from the 15% limit under Listing Rule 7.1. This will restore the Company's capacity under Listing Rule 7.1 to issue further Securities representing up to 15% of the Company's issued capital in the next 12 months.

Listing Rule 7.3 information requirements

In accordance with Listing Rule 7.3, the following details are provided in relation to Resolution 4:

- (a) the maximum number of Shortfall Securities to be issued to investors pursuant to Resolution 4 is (assuming no Eligible Shareholders participate in the SPP Offer) 40,000,000 Shares, and one free attaching Option for each Share issued, totalling 40,000,000 Options; the Directors consider it likely that the number of Shortfall Securities will be considerably less than these numbers;
- (b) the Shortfall Securities will be issued and allotted no later than 3 months after the date of the General Meeting (or such later date as permitted by the Listing Rules);
- (c) the issue price of each Share will be \$0.125; the Options will be granted for nil consideration;
- (d) the Shortfall Securities will be issued to investors as determined by the Directors (including Directors or their Associates if Resolution 5 is passed);
- (e) the Shares the subject of Resolution 4 are fully paid ordinary shares and will rank equally with existing Shares, and will be quoted by ASX;
- (f) the Options will be granted on the terms set out in Schedule 1 of this Explanatory Memorandum; and
- (g) the intended use of the funds raised under the SPP Offer is set out in section 2 of this Explanatory Memorandum.

Directors' recommendation

The passing of Resolution 4 will:

- (a) provide the opportunity for Eligible Shareholders who did not participate in the Tranche 1 and 2 Placements to participate in the Capital Raising process;
- (b) provide the Company with additional working capital which is, in the Directors' view, prudent given that the current market is experiencing significant volatility and fluctuation;
- (c) strengthen the Company's balance sheet and provide the Company with additional working capital to commit to the development of its key gold mining projects (which will enable the commencement of a US\$5.4 million exploration program to occur); and
- (d) provide flexibility for the Company to raise additional funds in the future as and when required.

For these reasons, the Directors unanimously recommend Shareholders vote in favour of Resolution 4.

10. Resolution 5 – Approval of allocation of Shortfall Securities to Directors

The Company is seeking Shareholder approval for all of the Directors to participate in the allocation of Shortfall Securities pursuant to the SPP Offer in accordance with the terms and conditions of the SPP.

Each of the Directors is a significant Shareholder in the Company and each Director has indicated a desire to participate in the issue of Shortfall Securities in the event that Shareholders do not subscribe to all of the SPP Offer in accordance with their entitlement.

The nature of the SPP Offer is that by reason of the fixed maximum number of Securities that may be issued to each Shareholder, the SPP Offer will tend to dilute the percentage shareholding interests of the Company's larger Shareholders.

It is therefore considered appropriate that the Company's larger Shareholders, including Directors and their Associates, who have been supportive of the Company since its inception be provided with an opportunity to maintain their percentage shareholding interests in the Company by subscribing for Securities on the same terms as the Tranche 1 and Tranche 2 Placements.

The Directors are related parties of the Company by virtue of each of them being a Director, and as such, section 208 and associated provisions regulating related party transactions apply in respect of this transaction.

As such the approval of Shareholders is sought to approve the participation of the Directors in the allocation of Shortfall Securities pursuant to the SPP Offer.

Additionally, Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in the opinion of ASX, such that approval should be obtained. It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances for the reasons set out below.

Accordingly, Shareholder approval is sought for the purposes of Listing Rule 10.11 and section 208 of the Corporations Act for the Directors to subscribe for Shortfall Securities under the SPP Offer.

Corporations Act – related party transaction

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Directors are related parties of the Company by virtue of being Directors of the Company by application of section 228 of the Corporations Act.

The issue of Securities under the SPP to any of the Directors therefore constitutes the giving of a financial benefit to a related party pursuant to the Corporations Act.

Corporations Act – material personal interest

Section 195(1) of the Corporations Act provides that a director who has a material personal interest in a matter being considered at a directors' meeting must not be present while the matter is being considered or vote on the matter.

The Directors are unable to consider and vote on the matter, given that all of the Directors have an interest in the proposed issue of Shortfall Securities pursuant to the SPP Offer.

As such Shareholder approval is being sought pursuant to section 195(4) of the Corporations Act, which provides that if there are not enough directors to form a quorum because of the application of section 195(1) of the Corporations Act, one or more of the directors (including those with a material personal interest) may call a general meeting of shareholders to pass a resolution dealing with the matter.

The effect of Resolution 5, if passed, will be to approve the allocation of Shortfall Securities to Directors pursuant to the terms of the SPP.

If Resolution 5 is not passed, no Shortfall Securities will be issued to Directors (but each Director will still be able to subscribe for \$5,000 in Securities under the SPP Offer like any other Shareholder).

Listing Rule 10.12

Exception 8 of Listing Rule 10.12 allows for the issue of Securities to related parties of the Company under the SPP, provided that the offer of Securities under the SPP does not exceed the maximum amount permitted to be issued to existing Shareholders without the issue of a disclosure document in accordance with relief granted by ASIC.

The Directors consider that Exception 8 does not apply in the circumstances given that the number of Shortfall Securities that may be issued to Directors will exceed the maximum amount of Securities permitted to be issued to existing Shareholders without a disclosure document.

Corporations Act and Listing Rule requirements

In accordance with the requirements of Chapter 2E of the Corporations Act, and in particular with section 219 of the Corporations Act, and Listing Rule 10.13, the following information is provided in relation to Resolution 5:

- (a) the Directors who may participate in the issue of Shortfall Securities (if Resolution 5 is passed) are:
 - (i) Barry Eldridge;
 - (ii) John Langford;
 - (iii) Robert McKenzie; and
 - (iv) Brian Hurley;
- (b) the maximum number of Shortfall Securities that may be issued to the Directors is 2,500,000 Shares and 2,500,000 free attaching Options, comprising as follows:

Director	Maximum number of Shares*	Maximum number of free attaching Options*
Barry Eldridge	up to 1,000,000 Shares	up to 1,000,000 Options
John Langford	up to 500,000 Shares	up to 500,000 Options
Robert McKenzie	up to 500,000 Shares	up to 500,000 Options
Brian Hurley	up to 500,000 Shares	up to 500,000 Options

* Excluding each Director's entitlement to subscribe for 40,000 Shares and 40,000 free attaching Options pursuant to the SPP as an existing Shareholder.

- (c) the relevant interests of each Director in Securities as at the date of this Notice, and the maximum number of Securities that may be held by each Director upon completion of the SPP Offer is as follows:

Director	Securities held* pre-SPP Offer	Maximum Securities issued under SPP Offer**	Maximum Securities held* post-SPP Offer
Barry Eldridge	3,086,667 Shares Nil Options	1,040,000 Shares 1,040,000 Options	4,126,667 Shares 1,040,000 Options
John Langford	10,500,002 Shares Nil Options	540,000 Shares 540,000 Options	11,040,002 Shares 540,000 Options
Robert McKenzie	536,667 Shares Nil Options	540,000 Shares 540,000 Options	1,076,667 Shares 540,000 Options
Brian Hurley	1,150,002 Shares Nil Options	540,000 Shares 540,000 Options	1,690,002 Shares 540,000 Options

* Held either directly by the Director, or held indirectly through an Associate of the Director.

** Comprises 40,000 Shares and 40,000 Options which each Shareholder is entitled to apply for pursuant to the SPP Offer and the maximum number of Shortfall Securities that may be issued to the Director (or his Associate). The Company expects that the actual number of Shortfall Shares issued to each Director will be less than the maximum number for which approval is sought.

- (d) the relevant remuneration details of each Director for FY09/10 and FY10/11 (comprising salary, fees and superannuation) are set out below:

Director	FY09/10	FY10/11**
Barry Eldridge	\$78,208	\$41,058.94
John Langford	\$335,175*	\$234,622.48
Robert McKenzie	\$44,690	\$23,462.26
Brian Hurley	\$44,690	\$23,462.26

** John Langford was also paid \$4,364 in non-monetary benefits during this FY.

* These figures comprise the total amount paid to Directors during this FY up until February 2011.

- (e) the Directors do not currently hold any Options;
- (f) the free attaching Options will be granted to the Directors for nil consideration; accordingly no funds will be raised;
- (g) the free attaching Options to be granted to Directors will be granted on the terms set out in Schedule 1 of this Explanatory Statement;
- (h) the fair value of the free attaching Options to be granted to Directors has been calculated as being \$153,823.94 (with a net value of 0.0615 per Option) as at 10 March 2011, using the Black & Scholes option valuation methodology, based on the following assumptions and parameters;

Assumptions	
Market price of Shares	\$0.125*
Exercise price	\$0.18
Risk free interest rate	5.55%
Asset income rate	0.00%**
Annualised time to expiry	3 years
Volatility of asset	85%***

* Price obtained from Paritech I-Pulse.

** The dividend rate is zero as there is no history of one being paid.

*** Calculated using SD of daily price movements from Paritech I-Pulse for a 12 month period.

- (i) assuming the maximum amount of free attaching Options to be granted to Directors are exercised, a total of 2,500,000 Shares would be issued and allotted; this would increase the number of Shares on issue after completion of the Capital Raising from 321,375,177 Shares to 323,875,177 Shares (assuming none of the other Options offered under the Capital Raising have been exercised); this issue would effectively dilute the shareholdings of existing Shareholders by approximately 1.2%;
- (j) the Shortfall Securities will be issued to Directors no later than 1 month after the date of the General Meeting (or such later date as permitted by ASX waiver or modification of the Listing Rules) and it is anticipated the Shortfall Securities will be allotted on one date;
- (k) the Shares will be issued for consideration of \$0.125 per Share, with one free attaching Option for each Share issued, being the same price offered to the participants in the SPP Offer; accordingly a maximum of \$312,500 will be raised from the issue of up to 2,500,000 Shortfall Securities to Directors, which will comprise part of the SPP and be dealt with in the same manner as other funds raised under the Tranche 1 and 2 Placements and the SPP Offer as outlined in section 2 and 4 of this Explanatory Memorandum;
- (l) the Shares the subject of Resolution 5 are fully paid ordinary Shares and will rank equally with existing Shares, and will be quoted by ASX;
- (m) the primary purpose of enabling Directors to participate in the issue of Shortfall Securities is to enable Directors (or their Associates) who are significant Shareholders in the Company to participate in the issue of Shortfall Securities in a manner that enables them to mitigate the dilution of their shareholding interests by reason of the SPP Offer;
- (n) other than as disclosed in this Explanatory Statement, the Directors do not consider that from an economic and commercial perspective, there are any costs or detriments of any significance (including opportunity or taxation costs) for the Company or benefits foregone by the Company in issuing the Shortfall Securities to Directors on the terms set out in this Explanatory Statement; and

- (o) the most recent available data concerning the price of the Company's Shares traded on ASX over the last 12 months is as follows:

	High	Low	Last
Price	\$0.255	\$0.083	\$0.110
Date	25 October 2010	4 August 2010	18 March 2011

Directors' recommendation

The Directors decline to make a recommendation to Shareholders in relation to Resolution 5 due to their material personal interest in the outcome of the Resolution.

Glossary

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

\$	Australian dollars.
ASIC	The Australian Securities and Investment Commission.
Associate	Has the meaning given to it by Division 2 of Part 1 of the <i>Corporations Act 2001</i> (Cth).
ASX	The Australian Securities Exchange.
Board	The Board of Directors of the Company.
Capital Raising	The Tranche 1 and 2 Placements, together with the SPP Offer, to raise between \$10-15 million.
Company or Mundo	Mundo Minerals Limited ACN 117 790 897.
Company Secretary	The company secretary of the Company at the time of the General Meeting, Mr Ashley Pattison.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	A Director of the Company.
Eligible Shareholder	Shareholders who have not participated in the Tranche 1 and Tranche 2 Placements, and who are entitled to participate in the SPP Offer.
Explanatory Statement	This document, which accompanies and forms part of the Notice of Meeting.
FY	Financial Year.
General Meeting or Meeting	General Meeting of Shareholders of the Company or any meeting adjourned thereof, convened by the Notice.
Glossary	This glossary of terms.
Investors	The sophisticated and institutional investors that have participated in the Tranche 1 Placement, or who will participate in the Tranche 2 Placement, as arranged by the Joint Managers.
Joint Managers	Patersons Securities Limited in Australia and EAS Advisors LLC in the United States of America who, together, are managing the Tranche 1 Placement and the Tranche 2 Placement.
Listing Rules	The Listing Rules published by the ASX.
Meeting	The General Meeting that is the subject of this Notice of Meeting.
Member	A person entered in the register as a member of the Company.
Notice or Notice of Meeting	The notice of General Meeting which accompanies this Explanatory Statement.
Option	An option to subscribe for a Share.
Proxy Form	The proxy form accompanying this Notice of Meeting.
Resolution	A resolution set out in the Notice.
Schedule 1	Schedule 1 to this Explanatory Statement.
Securities	A Share or an Option.
Share	Fully paid ordinary share in the capital of the Company.
Shareholder	A holder of Shares.
Shortfall Securities	Securities in the Company that are offered under the SPP Offer and which are not subscribed for by Eligible Shareholders.

SPP Offer	The offer to Shareholders of Shares and Options to Eligible Shareholders under a securities purchase plan to raise \$5 million.
Tranche 1 Options	The proposed placement of one free attaching Option granted for each Tranche 1 Share subscribed for under the Tranche 1 Placement as set out in the Explanatory Statement.
Tranche 1 Placement	The placement of 28,200,000 Tranche 1 Shares at an issue price of \$0.125, each with one free attaching Tranche 1 Option for each Tranche 1 Share subscribed for under the placement as set out in the Explanatory Statement.
Tranche 1 Shares	The placement of 28,200,000 Shares pursuant to the Tranche 1 Placement on the terms set out in the Explanatory Statement.
Tranche 2 Options	The proposed placement of one free attaching Option granted for each Tranche 2 Share subscribed for under the Tranche 2 Placement as set out in the Explanatory Statement.
Tranche 2 Placement	The placement of 51,800,000 Tranche 2 Shares at an issue price of \$0.125, each with one free attaching Tranche 2 Option for each Tranche 2 Share subscribed for under the placement as set out in the Explanatory Statement.
Tranche 2 Securities	The Tranche 2 Shares and the Tranche 2 Options.
Tranche 2 Shares	The placement of 51,800,000 Shares pursuant to the Tranche 2 Placement as set out in the Explanatory Statement.
WST	Western Standard Time, being the time in Perth, Western Australia.

Schedule 1

Terms and conditions of Options

All Options issued pursuant to Resolutions 2, 3, 4 and 5 will be issued on the following terms and conditions:

1. Each option (**Option**) entitles the holder to subscribe for one (1) fully paid ordinary share (**Share**) in Mundo Minerals Limited (**Company**) at an exercise price of \$0.18 each.
2. The Options shall expire within three years from the date on which they are granted. Any Option not exercised by the expiry date will automatically expire.
3. The Company must give the optionholder a certificate or holding statement stating the:
 - (a) number of Options issued to the optionholder;
 - (b) exercise price of the Options; and
 - (c) date of issue of the Options.
4. The Options are transferable. Subject to the ASX Listing Rules and the *Corporations Act 2001* (Cth) (**Corporations Act**), the optionholder may transfer some or all of the Options at any time before they expire by a:
 - (a) proper ASTC transfer or any other method permitted by the Corporations Act; or
 - (b) prescribed instrument of transfer.
5. An instrument of transfer of an Option must be: in writing; in any usual form or in any other form approved by the directors that is otherwise permitted by law; subject to the Corporations Act, executed by or on behalf of the transferor, and if required by the Company, the transferee; and delivered to the Company, at the place where the Company's register of optionholder is kept, together with the certificate (if any) of the Option to be transferred and any other evidence as the directors require to prove the title of the transferor to that Option, the right of the transferor to transfer that Option and the proper execution of the instrument of transfer.
6. The Company will apply to ASX for official quotation of the Options.
7. The optionholder is not entitled to participate in any new issue to existing shareholders of securities in the Company unless they have exercised their Options before the "record date" for determining entitlements to the new issue of securities and participate as a result of holding shares. The Company must give the optionholder notice of the proposed terms of the issue or offer in accordance with the ASX Listing Rules.
8. If the Company makes a bonus issue of shares or other securities to shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, then the number of underlying shares over which the Option is exercisable is increased by the number of shares which the optionholder would have received if the optionholder had exercised the Option before the "record date" for determining entitlements to the issue.

9. If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the optionholder (including the number of Options to which the optionholder is entitled to and the exercise price) is changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
10. Any calculations or adjustments which are required to be made will be made by the Company's board of directors and will, in the absence of manifest error, be final and conclusive and binding on the Company and the optionholder.
11. The Company must, within a reasonable period, give to the optionholder notice of any change to the exercise price of any Options held by the optionholder or the number of shares which the optionholder is entitled to subscribe for on exercise of an Option.
12. To exercise Options, the optionholder must give the Company or its share registry, at the same time:
 - (a) a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of Options being exercised and shares to be issued;
 - (b) payment of the exercise price for the shares, the subject of the exercise notice, by way of bank cheque or by other means of payment approved by the Company; and
 - (c) any certificate for the Options.
13. The optionholder may only exercise Options in multiples of 5,000 Options unless the optionholder exercises all Options held by the optionholder.
14. Options will be deemed to have been exercised on the date the exercise notice is lodged with the directors of the Company.
15. If the optionholder exercises less than the total number of Options registered in the optionholder's name:
 - (a) the optionholder must surrender their Option certificate (if any); and
 - (b) the Company must cancel the Option certificate (if any) and issue the optionholder a new Option certificate or holding statement stating the remaining number of Options held by the optionholder.
16. Within ten (10) days after receiving an application for exercise of Options and payment by the optionholder of the exercise price, the Company must issue the optionholder the number of Shares specified in the application.
17. Subject to the Company's constitution, all Shares issued on the exercise of Options will rank in all respects (including rights relating to dividends) equally with the existing ordinary Shares of the Company at the date of issue.
18. These terms and the rights and obligations of the optionholder are governed by the laws of Western Australia. The optionholder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.

MUNDO MINERALS LIMITED

ACN 117 790 897

PROXY FORM

I/We (name of Shareholder)

of (address)

being a member/members of Mundo Minerals Limited HEREBY APPOINT:

(name).....

of (address)

and/or failing him/her (name)

of (address)

or failing that person then the Chairman of the General Meeting as my/our proxy to act generally for me/us and to vote in accordance with the following directions or, if no directions are given, as the proxy sees fit at the General Meeting of the Company to be held at **11:00am WST, Wednesday, 27 April 2011** at **The Boardroom, 45 Ventnor Avenue, West Perth WA** and at any adjournment of the meeting.

Important: If the Chairman of the General Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Resolutions 1 to 5 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the General Meeting may exercise your proxy in respect of a Resolution even if he has an interest in the outcome of that Resolution, and that the votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes and your votes will not be counted in computing the required majority if a poll is called on a Resolution. The Chairman of the Meeting intends to vote all undirected proxies in favour of all Resolutions.

Should you so desire to direct the proxy how to vote, you should place a cross in the appropriate boxes below:

I/We direct my/our Proxy to vote in the following manner:

	For	Against	Abstain
Resolution 1 Ratification of Tranche 1 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Approval of Tranche 1 Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Approval of Tranche 2 Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Approval of allocation of Shortfall Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Approval of allocation of Shortfall Securities to Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

*This Proxy is appointed to represent _____% of my voting right, or if two proxies are appointed Proxy 1 represents _____% and Proxy 2 represents _____% of my/our total votes.
My/our total voting right is _____ shares.*

By:

Individuals and joint holders

Signature
Signature
Signature

Companies (affix common seal if appropriate)

Director
Director/Company Secretary
Sole Director