



# Mundo Minerals Ltd

## March 2011 Quarterly Activities Report

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### HIGHLIGHTS

#### Torrecillas Gold Project, Peru – Major resource drilling programs commence

- Average recovered grades of 21.5g/t Au achieved through the mill from trial mining on the Torrecillas vein (March Quarter: 18g/t Au)
- EBITDA of US\$0.74M for the Quarter from production of 1,364 ounces at a cash cost of US\$843/oz
- Continued positive results from development work on the 5 Noviembre and Torrechico vein structures
- Further significant progress with the Torrecillas Feasibility Study including technical work on mine productivity strategies and infrastructure
- Global mining consultants Ausenco engaged to oversee the mill design, metallurgy and tailings dam work for the Torrecillas Feasibility Study
- SRK Vancouver engaged to review the JORC Mineral Resource and Ore Reserve compilations
- ~10,000m of surface and underground diamond drilling commences with up to four surface and two underground diamond rigs to be on site by May 2011.

#### Engenho Gold Mine, Brazil – Crista open pit moves closer to development

- Engenho underground delivers gold production of 4,669 oz at a cash operating cost of A\$980/oz.
- EBITDA from the Engenho operation of A\$1.4M for the Quarter
- Significant progress was made in resolving the final approvals for the haul road for the new Crista open pit with confirmation received subsequent to Quarter end that the Engenho tenement is outside the boundaries of a proposed national park in the region
- Operations review at Engenho underground project initiated and due for completion at the end of April 2011 following the engagement of Partners in Performance to work with the Brazilian management team
- Planning completed for 4,250m drilling program to commence at Olhos target, adjacent to Crista, to establish initial JORC resource.

#### Corporate – \$15M capital raising to drive gold production growth

- \$10M share placement completed supported by a number of substantial US Tier 1 institutional investors, with the funds raised to support the development of two new gold mines at Crista and Torrecillas
- \$5M SPP now open for Mundo shareholders as at Thursday, 28 April 2011
- Subsequent to Quarter-end, Mr Ashley Pattison was appointed CEO of the Company following the retirement of Mr John Langford, the Company's founder and a substantial shareholder

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### **Torrecillas Gold Project Peru (100%-owned)**

*The Torrecillas Gold Project, which is located within a 13,000ha tenement package in a well-established gold belt in southern Peru, is emerging as Mundo Minerals' flagship gold production asset in South America. A Feasibility*

Study is underway on the development of a high-grade underground mining operation (targeted +15gt Au head grade) to justify the investment decision and support long-term commercial gold production.

### **Gold Production – Trial Mining**

During the Quarter, further excellent progress was made with trial mining at the Torrecillas Project with recovered grades averaging **21.5g/t Au** for the Quarter. Average tonnes and grades for the Quarter were consistent with the trial mining performance achieved at Torrecillas over the past two years.

Production for each month is summarized below:

	<b>Mined tonnes</b>	<b>Recovered grade g/t</b>
January	840	20.60
February	795	22.52
March	740	21.40

### **Safety**

There were no significant safety issues experienced during the Quarter. The Company is focused on a program of continuous improvement in the safety culture which has recently been expanded in Peru; this will continue during 2011 to ensure that safety standards are operated at best practice.

### **Financial Performance**

Trial mining at Torrecillas delivered earnings before interest, tax, depreciation and amortization (EBITDA) of US\$0.74 million for the Quarter from production of 1,364ozs. The average realized gold price during the Quarter was US\$1,388/oz at an average cash cost of US\$843/oz. This cost structure reflects the low level of production from trial mining and is not reflective of the operating costs expected from commercial mining operations, which should be substantially lower.

### **Development Progress – 5 Noviembre and Torrechico Vein Structures**

Work continued during the Quarter in developing along the 5 Noviembre and Torrechico vein structures, the other two high-grade vein systems that, together with Torrecillas, will underpin commercial production at the Torrecillas Project. Structurally, the development work continues to confirm expectations and remains similar to that achieved on the Torrecillas vein.

### **Feasibility Study Update**

During the Quarter, work continued on the Torrecillas Feasibility Study including infrastructure design and costing and continued trials on ground support methods, with very encouraging results.

The Company's Peru management team also made the decision during the Quarter to employ global consultants Ausenco to oversee the mill design, metallurgy and tailings dam work for the Torrecillas Project. In addition, SRK Vancouver has been engaged to review the JORC Resources and Ore Reserves for the Feasibility Study.

The June Quarter will be another active period with pump testing of water sources commencing in late April 2011, completion of trial stoping using consolidated back-fill and commencement of the resource drill-out.

### **JORC Resource Drilling**

Planning was completed during the Quarter for major surface and underground drilling programs to be undertaken over the three veins. The Company has engaged Rock Drill to undertake a total of approximately 10,000 metres of diamond drilling from surface and underground.

The first of four contracted surface rigs arrived on site in the week commencing 25 April 2011 with mobilization of the remaining rigs expected to occur before the end of May 2011. It is also expected that the first of two underground diamond rigs will be on site in the first week of May 2011 following completion of the underground drill drive on the Torrecillas vein.

As previously advised, the Company is targeting a maiden JORC compliant Mineral Resource estimate. Mundo Minerals has established an initial Conceptual Exploration Target for the Torrecillas Project of 420-480,000t grading 15-20g/t Au for 220-250,000oz<sup>1</sup>

## Engenho Gold Project, Brazil (100%-owned)

*The Engenho Gold Project has been in production for approximately two years at a stable annualized level of 25,000oz per annum from a single underground mine (average head grade of ~3g/t Au), providing stable and consistent cash flow. Recent exploration success has defined new emerging production centres at Crista and Olhos, located 2km north of the existing underground mine and processing facility. The imminent development of a new open pit mining operation at Crista (targeted head grade of ~4.5g/t Au) is expected to increase production from the Engenho operation. Final development approvals for Crista are expected in Q2 2011.*

### Gold Operations and Production

Gold production for the March Quarter was 4,669 ounces at an average cash operating cost of A\$980/ounce (December 2010 Quarter: 4,563 ounces at a cash operating cost of A\$928/ounce).

The March 2011 Quarter has seen the head grade fall below the budget of 2.9g/t mainly as a result of excessive dilution from one level of mining. This has been rectified by management in the current Quarter through the use of longer cable bolts (up to 9m vs. 3m) with results to date indicating that the dilution has come back in line with budget. In addition, the 24 hole drill program underway is assisting with mining accuracy of the ore development drives on the lower most levels.

As previously advised, the productivity and operating cost structure at the Engenho underground mine is currently the subject of a mine optimization study that has been initiated by the new management team in conjunction with global consulting firm, Partners in Performance. This initial study has been completed and substantial cost saving initiatives and efficiency gains have been identified and the formal implementation plan is now being assessed.

Production statistics for the March Quarter compared to previous two Quarters are shown in Table 1 below:

	Calendar 2010		Calendar 2011
	Q3	Q4	Q1
<b>Ounces produced</b>	5,614	4,563	4,669
<b>Grade</b>	2.9	2.81	2.44
<b>Recovery</b>	93.3%	92.4%	94.1%
<b>Tonnes Milled</b>	61,040	54,322	62,633
<b>Cash Costs \$R</b>	1,402	1,490	1,619
<b>Cash Costs A\$</b>	887	928	980

<sup>1</sup> JORC – Exploration Targets

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information relating to exploration targets should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient work completed to define them beyond exploration targets and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

### **Financial**

The Engenho underground mine delivered EBITDA of A\$1.4 million from gold production of 4,669oz. The average gold price received for the quarter was A\$1,348/oz.

Debt facilities have continued to be drawn down for the Engenho infrastructure upgrades. During the Quarter, these upgrades included completion of the new tailings dam and delivery of the second ball mill to site in preparation for commissioning in the September 2010 Quarter, subject to obtaining final approvals for the Crista development.



**Installation of the new ball mill at Engenho**



**New Tailings dam with Stage 1 completed**

### **Safety**

There were no significant safety incidents during the Quarter. The Company is continuing to focus on implementing and maintaining a strong safety culture at the Engenho gold operations. At Quarter end, the Engenho operations were 162 days LTI-free.

### **Crista**

The Company advised the market on 11 April 2011 that recent briefings by the State authorities had confirmed that the President of Brazil has advised that there is no longer Federal funding available to support the declaration of any National Park in the region where the Engenho Project is located and any proposal in this regard must be the sole responsibility of the State Government.

The State Government is committed to the development of mining in the region, which benefits from the substantial economic contribution made by the industry.

The final National Park plan was submitted to the State Governor in the middle of April 2011 for approval. Mundo's consultants have been briefed on the proposal and have confirmed that the Mundo tenement will now **not** form part of any proposed park. Accordingly, the Company now expects that the approvals process will move forward with expediency.

Supram, the relevant State Government authority, has confirmed that it is ready to proceed with the approvals with a sense of urgency given the five month delay that this process has now caused to the development of Crista. The Company has therefore commenced final negotiations with the open pit and haul road contractors.

Final logistical planning is also being undertaken and, on receipt of the Supram approval, the upgrade of the Engenho processing plant will be completed and commissioning of the second ball mill undertaken.

## Olhos

Surface work continued during the Quarter at Olhos in preparation for the upcoming diamond drill program in the June 2011 Quarter. A 4,250m program is planned at Olhos to drill out the open pit resource. Drilling will commence following the receipt of approval by Supram.

As previously advised, the Company is targeting a maiden JORC compliant Mineral Resource estimate. Mundo Minerals has established an initial Conceptual Exploration Target for the Olhos Open Pit of 510-540,000t grading 3-4g/t Au for 60-70,000oz<sup>2</sup> to a vertical depth of 70m.

The Company's previous experience with drilling the Crista open pit was that there is a very high consistency between the samples returned from surface trenching and augur drilling to those seen in diamond drilling.

## Corporate

The Company announced during the Quarter that it had received firm commitments to raise \$10 million through the placement of 80 million shares at \$0.125 with 80 million free attaching options, exercisable at \$0.18 within three years of issue. In addition, the Company has launched a Securities Purchase Plan (SPP) to raise up to an additional \$5 million.

The proceeds of the raisings, which were approved by shareholders at a meeting on 27 April 2011, will be used to fund:

- Construction of the Crista haul road and completion of the Engenho plant upgrade – \$3.5 million
- Brownfields exploration at the Company's Brazil and Peru properties – \$3.7 million
- Australia debt repayment – \$2.0 million
- Costs of the issues – \$0.6 million
- Working Capital – \$5.2 million

Subsequent to Quarter end, the Company also announced that Mr John Langford, the founding director and a substantial shareholder of Mundo Minerals Ltd had stepped-down from his position as Managing Director and Chief Executive Officer with the Company. The Company has appointed experienced corporate executive Mr Ashley Pattison as Managing Director and Chief Executive Officer of the Company effective 27 April 2011.

## Ashley Pattison Chief Executive Officer

### 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.*

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