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Company Announcements Office
Australian Securities Exchange
20 Bridge St
Sydney NSW 2000



June 2011 Quarterly Activities Report

HIGHLIGHTS

Torrecillas Gold Project, Peru – Major resource drilling program underway; DFS well advanced

- **Average recovered grades of 18g/t Au** achieved through the mill from trial mining on the Torrecillas vein (March Qtr: 21.5g/t Au) – *despite continued mining of low-grade remnant ore from the upper levels under the current trial mining strategy.*
- **EBITDA of US\$0.8M** for the Quarter from production of **1,544 ounces at a cash cost of US\$940/oz.**
- **Major drilling program comprising 10,500m of surface and underground diamond drilling** underway with three surface and two underground diamond rigs operating – *program 25% complete with assays pending.*
- **Large bulk metallurgical sample (600t) delivers +93% recovery** with all other parameters in line with the Definitive Feasibility Study (DFS) expectations.
- DFS continuing with **infrastructure design and costing nearing completion**, trial mining and ground support trials continuing and community meetings and permitting well advanced.
- **Applications lodged for an additional 3,000ha of concessions** surrounding the Torrecillas Project to provide additional exploration ground and secure the planned location for required infrastructure including water supply and preferred locations for camp facilities.

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

- Lower gold production of **3,393oz at a cash operating cost of A\$997/oz** (March Qtr: 4,669 oz @ A\$980/oz) reflecting lower head grade, which is currently a key focus for management at the operation.
- **EBITDA** from the Engenho operation of **A\$1.6M for the Quarter.**
- **Restructure of the Engenho gold operations initiated** in response to operational challenges experienced during the Quarter, targeting a **15% reduction in headcount and operating costs.**
- **1,000m in-fill diamond drill program** completed at Engenho underground to establish a new JORC resource, with approval for an additional 1,200m program granted subsequent to the end of the Quarter.
- **Definitive timetable for development of the new Crista open cut** announced together with **plans to accelerate production** once mining starts.

Corporate – Restructure and recapitalisation complete

- **\$9.77M raised before costs during the Quarter with completion of Tranche 2** of the previously announced share placement in early May 2011 and closure of the SPP closed in early June 2011.
- **Mr Ashley Pattison** commenced as **CEO and Managing Director** of the Company on 27 April 2011.
- Subsequent to Quarter-end, **Mr Grant Dyker was appointed CFO** and **Mr Alan Sexton was appointed General Manager – South America.**

Torrecillas Gold Project Peru (100%-owned)

The Torrecillas Gold Project, which is located within a 16,000ha 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 and Financial Performance

During the Quarter, further excellent progress was made with trial mining at the Torrecillas Project with recovered grades averaging 18g/t Au and a total of 2,668 tonnes of ore mined for the June Quarter (March Quarter: 2,272 tonnes).

The average mined grade remained high despite the current strategy of only conducting remnant mining on the developed levels of the Torrecillas Vein. This strategy will continue until the Definitive Feasibility Study (“DFS”) is completed (see below).

Gold sales for the June Quarter were 1,544 ounces at an average realized price of US\$1,506 per ounce. The average cash cost for the Quarter was US\$940 per ounce.

Trial mining at Torrecillas delivered earnings before interest, tax, depreciation and amortization (EBITDA) of US\$0.8 million for the Quarter.

Safety

There were two safety issues that occurred during the Quarter. A contractor on site experienced two LTI's. The Contractor's work was suspended while a full re-induction was undertaken for their entire workforce and the Contractor's supervisor was replaced by the Contractor. No further incidents have occurred.

Feasibility Study Update

At the end of June, the Company's CEO and Chief Operating Officer completed a thorough review of the DFS status for the Torrecillas Project. The key conclusions from this review were that:

- the permitting process is well advanced with two of three community meetings held to date reflecting significant regional support for the Torrecillas Project and without any protest or confrontation being experienced in other regions of Peru;
- the testing of water supply from bores drilled on the Company's concessions has been completed with the results indicating that there is sufficient water to meet the requirements of the mill and camp;
- a commercial supply of LNG has been sourced in Southern Peru to enable the installation of 6MW gas power plant at site that will satisfy the project's power requirements at an economic price of US\$0.21 per KW/h;
- most of the infrastructure design and costing is nearing completion, including a camp for 600 plus workers and contractors;
- trial mining of a large stope using the proposed mining method and specialized contractors is currently underway;
- the resource drill-out remains the major risk to the DFS and close consultation is continuing between SRK, the Company's consulting geologist, who is very experienced in the Nazca-Ocona belt in Peru, and its in-country team with a view to actively mitigating this risk through the current drill program.

Subsequent to the end of the Quarter, Mundo completed a large metallurgical batch treatment of 600 tonnes of Torrecillas ore in conjunction with Ausenco and the toll treatment plant in Peru. This batch treatment provided all technical information required for Ausenco to complete the mill design and confirmed recoveries of +93%, in line with the expected parameters for the DFS.

During the Quarter, the Company also lodged applications for an additional 3,000ha of concessions surrounding the Torrecillas Project to provide additional exploration ground and secure the planned location for required infrastructure including water supply and preferred locations for camp facilities.

JORC Resource Drilling

A major program of resource drilling commenced at Torrecillas during the June Quarter as part of the DFS. This program comprises 10,500m of surface and underground diamond drilling, with three surface and two underground diamond rigs currently operating. The program is currently approximately 25% complete, with a large number of assay results pending.

As advised earlier this week, the drilling and resource modelling required as part of the DFS has so far taken substantially longer than initially anticipated. The main reason for the delay was issues experienced with the original drilling contractor, who failed to mobilise all of the rigs on schedule. As a result, the Company has now brought a second drilling contractor on site to speed up the drilling process.

In relation to the resource modelling, it is important to note that modelling for the veins will be undertaken as three separate models. It is expected that the Torrecillas vein will be completed first, as this is the area where the Company has the greatest geological confidence given that it has been developed and trial mined for more than two years. As previously advised, the Company is targeting a maiden JORC compliant Mineral Resource estimate for the Torrecillas Project. Mundo Minerals has previously published an initial Conceptual Exploration Target for the Torrecillas Project of 420-480,000t grading 15-20g/t Au for 220-250,000oz¹

Engenho Gold Project, Brazil (100%-owned)

The Engenho Gold Project has been in production for approximately two years at a stable annualized level of 18,000oz per annum from a single underground mine (average head grade of ~2.5g/t Au). Recent exploration 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 Q3 2011.

Gold Operations and Production

Gold production for the June Quarter was 3,393 ounces at an average cash operating cost of A\$997/ounce (March 2010 Quarter: 4,669 ounces at a cash operating cost of A\$980/ounce).

Production statistics for the last 12 months are shown in Table 1 below:

	Calendar 2010		Calendar 2011	
	Q3	Q4	Q1	Q2
Ounces produced	5,614	4,563	4,669	3,393
Grade	2.9	2.81	2.44	2.21
Recovery	93.3%	92.4%	94.1%	90.1%
Tonnes Milled	61,040	54,322	62,633	55,322
Cash Costs \$R	1,402	1,490	1,619	1,703
Cash Costs A\$	887	928	980	997

¹ 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.

The lower production primarily reflected a fall in head grade for the Quarter below the budget of 2.9g/t. While dilution is under control, grade variability is now the primary concern for the Engenho underground operation and the decline in grade is an issue that the Company is still working to understand and resolve.

The Engenho mine at this stage is believed to have a limited remaining resource, although further work is required to quantify this due to the lack of in-fill or exploration drilling conducted since 2009.

Mundo has recently completed a 1,000m in-fill diamond program to gain a better understanding of the areas which are currently being mined or included in the mine plan for the rest of 2011. The results of this program are still being evaluated and a new resource model is being constructed in conjunction with the Company's consulting geologists for release in the December 2011 Quarter.

A positive aspect of the in-fill drill program is that two additional parallel ore bodies have been intersected in the underground (195 and 199 ore bodies) that were seen in the early stages of mining but were thought to have disappeared.

Although it is too early to say how important this discovery could be for the future operation, it is a significant and exciting development that requires immediate follow-up. An additional 1,200m of diamond drilling has been approved in July 2011 to assess the potential of these ore bodies in more detail and also target deeper drilling in the underground to support the 2012 budget process. The first of two rigs is due back on site by the start of August 2011.

Financial

The Engenho underground mine delivered EBITDA of A\$1.6 million from gold production of 3,393oz at an average cash cost of A\$997/oz. The average gold price received for the Quarter was A\$1,357/oz.

The Company initiated a major restructure of its Brazilian operations with a focus on achieving an overall 15% reduction in costs during the Quarter. Unfortunately, this has resulted in 27 employees being made redundant across all levels of the operations with the majority of the redundancies being corporate and administration overhead positions. This restructure, which was effective 12 July 2011, was necessary to ensure the long-term viability of the Engenho operation.

The restructure will cost Mundo approximately \$1.0 million over the next four months; however, in the longer term the program is designed to save the Company approximately R\$250,000 per month in operating costs and reduces the total break-even position for the operations to 1,300oz per month in Brazil, based on a revised mining program for the remainder of the year.

Safety

There was one LTI reported during the Quarter on site, which was disappointing. 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 50 days LTI-free.

Crista

An important development with the Gaderala National Park proposal in Brazil was announced publicly in early July, as reported to the market on 5 July.

In essence, this announcement meant that, for the first time, the Company now has a definitive timetable in place that the relevant authorities are working to – which is 30 August 2011 for formalisation of the proposed park boundaries. The authorities have also once again confirmed that the footprint of the Crista open pit lies outside the proposed National Park boundaries under two scenarios that are still to be formally approved.

The process going forward from 30 August 2011 is that, once the boundaries are publicised, Mundo will lodge requests with the licensing authorities for a special license to construct the haul road and commence the pre-strip. It is a realistic expectation that this process will be a matter of weeks.

Once in hand, Mundo's appointed contractors will commence construction of the haul road, including access to the allocated waste dump areas and pre-strip of the pit.

Olhos

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 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 60-70,000oz¹ to a vertical depth of 70m.

Corporate

During the Quarter, the Company completed Tranche 2 of the share placement announced in early May 2011 and closed the SPP in early June 2011, raising a total of \$9.77 million before costs.

Mr Ashley Pattison was appointed as CEO and Managing Director of the Company on 27 April 2011.

Subsequent to Quarter end, the Company announced the appointment of Mr Grant Dyker as CFO and Mr Alan Sexton as General Manager – South America. The Company is pleased to have secured two high calibre executives to fill key roles within the organization as it prepares to enter a significant phase of growth.

The Company will be presenting at the Diggers and Dealers 2011 Mining Forum next week. An updated corporate presentation will be released to the market next week prior to that presentation on Tuesday morning.

For and on behalf of the Board,



Ashley Pattison
Chief Executive Officer
29 July 2010

Competent Person's Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information reviewed by Mr Daniel Saunders who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Saunders is employed by BMGS Perth Pty Ltd, who act as consulting geologists to Mundo Minerals Limited. Mr Saunders 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 Saunders consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.