

31 January 2012

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



December 2011 Quarterly Activities Report

Overview

Torrecillas Gold Project, Peru

- Maiden JORC Resource of 102,000oz @ 16.1g/t Au completed subsequent to Quarter-end for the Torrecillas vein alone, providing a 3-5 year mine life on this vein.
- Further drilling will be undertaken in 2012 to extend this resource and also provide a Maiden resource for the nearby Torrechico and Ady/Oly veins.
- High-grade drilling results of 1.0m @ 53.88g/t Au (incl. 0.3m @ 87.40g/t Au) and 0.30m @ 12.99g/t Au returned in addition to those released results 28 October 2011.
- 2,063oz sold for the Quarter at an average recovered grade of 15.1g/t Au from trial and remnant mining on the Torrecillas vein (September Quarter: 1,798oz at an average recovered grade of 16.3g/t Au).
- EBITDA of US\$1.31M for the Quarter from production of 2,063oz at a cash cost of US\$994/oz (September Quarter: EBITDA of US\$1.38m from production of 1,798oz at a cash cost of US\$891/oz).
- Ventilation rehabilitation works undertaken in the December Quarter amounted to US\$360k or US\$174/oz in the December Quarter cash cost.
- Approximately 5,000 tonnes of low grade stockpiles were accessed in October 2011 from previous mining activities. This ore has an average assayed grade of 4.73g/t and is forecast to be blended with ore from the underground during the first half of 2012.
- Final planning completed for re-commencement of the Torrecillas decline in February 2012 through the use of mechanized development. This will provide access down the level 20 during 2012 and allow for a substantial increase in ore production while continuing with remnant mining of the levels 12 – 15.

Engenho Gold Mine, Brazil

- Mundo signs Termo de Compromisso (Term of Commitment) with the Minas Gerais State Environmental Department to permit Mundo to re-commence its final Crista licensing on 9 November 2011.
- Engenho underground mine placed on Care and Maintenance (C&M) in November 2011 with the last gold shipment occurring in early December. Approximately 200 employees were made redundant with a minimal workforce remaining for C&M activities of the mine during the wet season and to prepare the mobile equipment fleet for sale.
- Mundo Mineracao Ltda, Mundo's Brazilian subsidiary, files for Recuperação Judicial, the Brazilian equivalent to the US Chapter 11 process. The filing for creditor protection was intended to preserve Mundo's assets in Brazil and allow Mundo Brazil to reorganize its debts under a statutory timetable, not a timetable dictated by its creditors.
- Negative EBITDA from the Engenho operation of A\$0.4M for the Quarter, including closure costs.
- Gold production was 1,715ozs for the quarter at an average cash cost of A1,469/oz.

Corporate

- Discussions continuing with ASX regarding lifting the voluntary suspension of the Company's shares within the next four weeks pending finalization of negotiations with the banks and creditors in Brazil. The Company is continuing to keep the ASX informed of developments.
- BBX Resources Ltd extends its option to acquire the Chapada project by 30 days subsequent to Quarter-end.

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 Mundo Minerals' flagship gold production asset in South America. A maiden JORC resource of 102,000oz at a grade of 16.1g/t Au was announced in January 2012. A strategy to ramp-up production from this asset is currently being implemented with the re-commencement of decline development scheduled to commence in the March Quarter of 2012. Exploration efforts during 2012 are expected to focus on two additional high-grade veins, with a view of establishing additional high-grade underground mining operations (targeted +15gt Au head grade).

Gold Production – Remnant Mining and Financial Performance

During the Quarter, further progress was made with trial mining at the Torrecillas Project with recovered grades averaging 15.1g/t Au and production for the Quarter of 4,751 tonnes of ore shipped to the mill for toll-treatment compared with 3,564 tonnes @ 16.3g/t in the September Quarter.

The shipments to the mill in the December Quarter included 380 tonnes of low grade ore from the stockpiles on surface at Torrecillas. A total of 5,380 tones of low grade ore averaging 4.73g/t was assessed during this Quarter for use as a blend. Gold sales for the September Quarter totalled 2,063 ounces at an average sale price of US\$1,576 per ounce. The average cash cost of US\$994/oz, including US\$174/oz for the ventilation works.

Mining at Torrecillas delivered earnings before interest, tax, depreciation and amortization (EBITDA) of US\$1.31 million for the Quarter and included approximately US\$360,000 of costs for ventilation rehabilitation works undertaken in the December Quarter.

Performance for the year is summarized in the chart and table below:

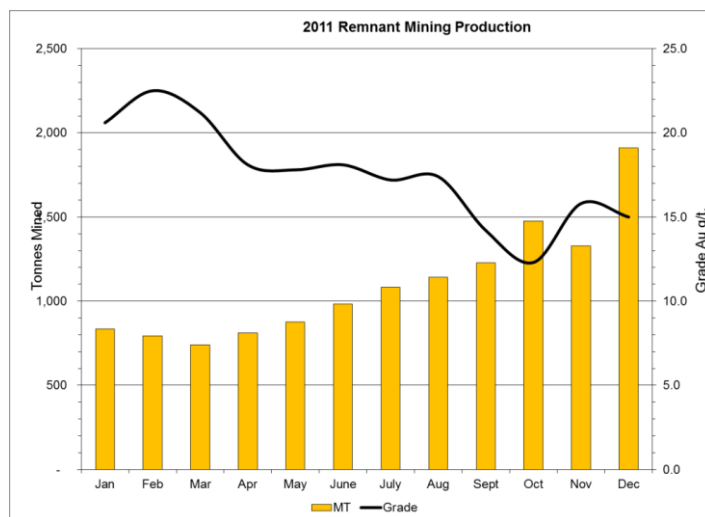


Chart 1 – 2011 CY Production Profile

Statistics	CY11
Tonnes Mined	13,206
Grade – Au g/t	16.9
Oz Mined / Sold	7,055 ozs / 6,270 ozs
Toll Treatment Recovery Paid	89%
Cash Cost p/oz	US\$920

Table 1 – KPI Statistics

Safety

There were two safety issues that occurred during the Quarter. A contractor on site experienced two LTI's. No further incidents have occurred.

JORC Resource

Subsequent to Quarter-end, the Company announced a maiden JORC compliant Mineral Resource for the Torrecillas Project of 102,100 ounces at an average grade of 16.1g/t gold.

The resource, which follows successful diamond drilling programs completed in 2011, is for the Torrecillas vein only – one of 13 identified high-grade veins at the Torrecillas Project. Drilling and some trial mining has also been completed at the nearby Ady and Ady/Oly veins, laying the foundations for potential JORC resources to be calculated later this year.

Details of the maiden JORC resource are presented in Table 2 below:

Vein	Measured			Indicated			Inferred		
	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
Torrecillas	69,000	18.8	40,100	55,000	14.7	26,000	73,200	15.3	36,000

Table 2 – Resource Summary for the Torrecillas Gold Project (above a 5g/t Au cut-off)

All resources were estimated by Mundo personnel in Peru and subsequently reviewed by the Company’s independent technical expert prior to reporting. This process included validation of relevant data used for the estimate, review of the interpretation, domaining, compositing, estimation methodology and model validation.

2012 Development Plan

The Company has completed final planning completed for re-commencement of the Torrecillas decline in February 2012 through the use of mechanized development. This will provide access down to the level 20 during 2012 and allow for a substantial increase in ore production while remnant mining of the 12-15 levels continues.

The Company is budgeting approximately 1,600 metres of decline development at Torrecillas at a cost of US\$980/m including ground support. This development strategy, together with the completion of a maiden JORC resource model for the Project, provides a strong foundation for Mundo Minerals’ mining plans at Torrecillas.

Production from mining operations is forecast at 16,000oz in calendar 2012 at a forecast cash cost of less than US\$800/oz. The Company is aiming to further increase gold production to 25,000oz in 2013 in parallel with an aggressive exploration program designed to further increase its resource inventory, initially at the Torrecillas, Torrechico and Ady/Oly veins.

The broader Torrecillas Project encompasses some 16,000ha of under-explored tenements containing 13 identified vein systems.

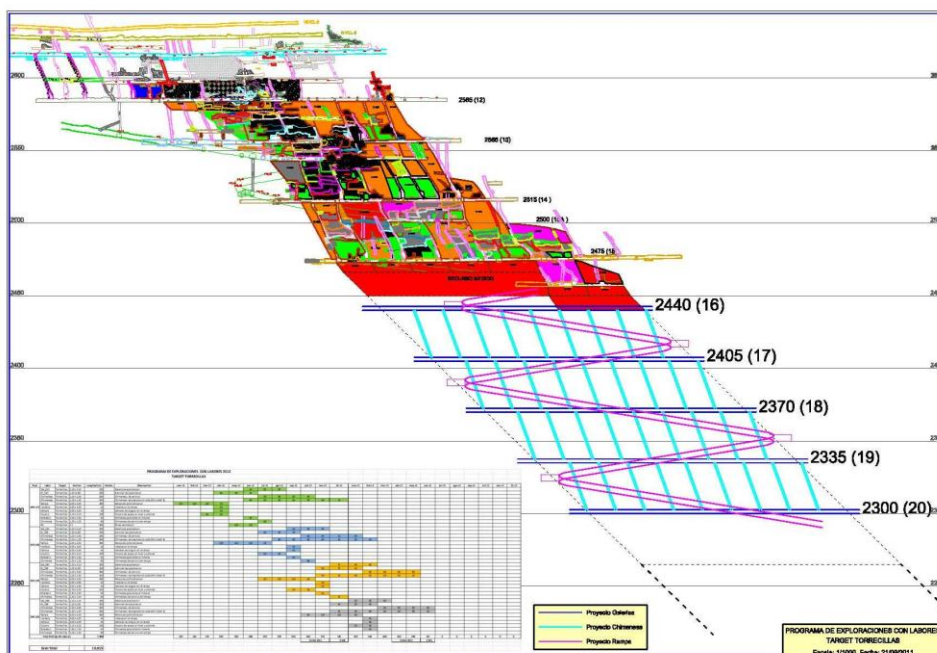


Diagram 1 – Primary Development Forecast

Engenho Gold Project, Brazil (100%-owned)

Crista Delays

Despite an agreement being reached with the Brazilian Government in early November, Mundo experienced further delays in the approval process for its Crista Open Cut mine at the Engenho Gold Project. The delay resulted from the introduction of a new government agency into the approval process, IPHAN.

This additional delay came despite the Company having adhered to the required timetable for the submission of all information to the Brazilian authorities. All documents for the Crista open pit licensing were lodged with the relevant authorities in November 2011.

As at the date of this report, Mundo is still waiting for a response from the responsible department, IPHAN.

Care and Maintenance

In October 2011, the Directors resolved to place the Engenho Gold Project in Brazil on care and maintenance by the end of 2011 following the completion of mining activities at the Engenho underground mine on the current level and remnant mining from the upper levels.

The decision was prompted by three key factors:

- the falling production profile over September and October reflecting a decline in both grade and tonnes against the resource model;
- the limited resource inventory and therefore the need to make a substantial investment in an underground drilling program, which the Board believes cannot be justified; and
- continued delays by Brazilian authorities to:
 - (i) confirm the boundaries of the proposed national park;
 - (ii) the exclusion of part of the Engenho concession from the park, which includes the Crista deposit; and
 - (iii) issue the relevant license to commence construction of the haul road and pre-strip of the open cut mine.

The closure of the Engenho underground mine has unfortunately resulted in 200 employees being made redundant from the operations by the end of December, and the overall workforce in Brazil being scaled back to 200 employees for care and maintenance and administration requirements.

The remaining workforce is looking after the mine during the current Brazilian wet season and also preparing the mobile mining fleet for sale to the benefit of creditors.

Creditor Protection

Following advice from its financial and legal advisers, Mundo filed for Recuperação Judicial, the Brazilian equivalent to the US Chapter 11 process, in the courts in Brazil in mid December 2011. This process relates solely to Mundo Minerals' wholly-owned Brazilian subsidiary and does not impact the holding company in Australia or its Peruvian operations.

For almost two months, the Company sought to reach commercial agreements with its secured lenders and creditors to obtain a standstill with all secured lenders to allow the company time to restructure its debts.

Despite signing agreements with three of the four lenders in country, negotiations broke down with one lender as a result of certain condition precedents not being able to be satisfied, including the receipt of approval to commence development of the new Crista open pit, and the delivery of additional corporate guarantees that were not able to be delivered by the parent company in Australia.

As outlined above, the uncertainty around the Crista development left little option but to seek creditor protection.

Subsequent to Quarter-end, Mundo has been working with its advisors to prepare a proposal for creditors to consider in early March 2012. In addition, the Company has been seeking buyer of its assets in Brazil to pay down the amounts owed to Creditors. These processes continue.

Gold Operations and Production

Gold production for the December Quarter was 1,715ozs at an average cash operating cost of A\$1,469/oz (September Quarter: 3,174oz at a cash operating cost of A\$1,108/oz). Rising cash costs are a direct result of falling production (tonnes & grade) and a relatively fixed cost base.

Financial

The Engenho underground mine delivered a negative EBITDA of A\$0.4 million for the Quarter, including restructuring and closure costs incurred up to 31 December 2011.

Care and maintenance costs are approximately A\$120,000 per month and, to date, these costs have been funded by proceeds from the December quarter gold sales.

As at 31 December 2011, the Company holds approximately 155oz of gold in stock with AnlgoGold Ashanti ("Anglo"), the Company's refiner. The Company is currently seeking the release of this gold, which is being held by AngloGold until the debts owed to them are paid in full. The Company's legal counsel is seeking an injunction given that the debts claimed by Anglo form part of the Recuperação Judicial process.

Safety

No incidents were reported in the December 2011 Quarter.

Corporate

Cash held at 31 December 2011 was \$3.6M. Corporate Debt outside of our Brazilian operations was \$5.3M.

Subsequent to Quarter-end, BBX Resources Ltd advised the Company of its intention to extend its option to acquire the Chapada Project for a further 30 days to complete its due diligence activities.

Given the continued uncertainty with the Brazilian operations, it is the Board's intention to keep the Company's shares in voluntary suspension. However, the Company is working closely with the ASX and expects to have its shares reinstated to trading in February 2012.

For and on behalf of the Board,



Ashley Pattison
Chief Executive Officer
31 January 2012

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.