

Securities Exchange Announcement – 25 May 2009

## Company Update – Operations and Production Growth

### HIGHLIGHTS

- Review of assets confirms objective of achieving 200,000oz per annum production from first three assets
- Engenho Gold Project (Brazil) continues to meet production and cost expectations
- Drilling underway at key Crista target (Engenho)
- Development at Torrecillas Project (Peru) continues to deliver promising results
- With consistent production achieved at Engenho, corporate focus returns to building the corporate asset base towards an expanded production profile

Mundo Minerals Limited (ASX: **MUN**) is pleased to provide the following update on its gold operations and project development and growth pipeline in South America.

Operationally, the Engenho Gold Project in Brazil continues to meet all of its production and cost targets, with the mine's recent performance continuing to confirm forecast production for calendar 2009 of approximately 30,000 ounces.

The Engenho resource model is continuing to meet or exceed expectations with the treatment plant achieving consistent metallurgical recoveries of approximately 94%.

Initial drilling has commenced recently at the Crista target, located approximately 1km north of the Engenho Mine. This represents a priority focus for the delineation of satellite resources to underpin an increase in production from Engenho to a targeted level of 55,000oz per annum within the next two years.

Project assessment activity at the Torrecillas Gold Project in Peru continues to deliver promising results and ore grades from the trial stoping is continuing to deliver grades of approximately 22 g/t.

### Asset Review

While the Company's exploration activities have been limited over the last six months as a consistent production profile has been established at Engenho, Mundo Minerals has been able to complete a comprehensive review of the potential of its current assets.

This review has confirmed the Company's previously stated aim of **developing an annualised production base of 200,000 ounces from its first three production assets** (Engenho, Torrecillas and Jaqueira). These assessments are not based on JORC resources and the assessment is subject to the Disclaimer below and at the end of this announcement.

The Directors of Mundo Minerals believe that it is appropriate for the outcomes from this review to be released to the market and the specifics are detailed in the body of this announcement.

Mundo Minerals  
Limited  
A.C.N 117 790 897

### Head Office

45 Ventnor Avenue  
West Perth WA 6005  
T: +61-8 9429 8889  
E: john.langford@mundominerals.com

### Australian Stock Exchange

Code: MUN

### Board of Directors

Non-executive Chairman  
Barry Eldridge

Chief Executive Officer  
John Langford

Managing Director – South America  
Mike Schmulian

Non-executive Directors  
Brian Hurley  
Rob McKenzie

### Senior Management

Chief Operating Officer  
Andrew Law

Chief Financial  
Officer/Company Secretary  
Joe Mobilia

Joint Company Secretary  
Paul Mason

Exploration Manager – South America  
Jean-Marc Lopez

Country Manager –Peru  
Sergio Zuniga

### Capital Structure

Fully-Paid Shares on Issue  
146.39 million

Unlisted Options on Issue  
5.45 million

Subject to the Disclaimer outlined below, the Company's geologists have been able to establish Conceptual Exploration Targets for the Crista and Olhos anomalies at Engenho, and for the Jaqueira and Torrecillas Projects, as set out below:

**Mundo Asset Potential Matrix**

Exploration Target	Tonnage Range	Grade Range (g/t Au)	Ounces (000's)
<b>Engenho</b>			
<i>Engenho – to 270m</i>	1.6-1.9M tonnes	~4	205-244
<i>Engenho – 270m to 500m</i>	0.9-1.1M tonnes	~4	116-142
Crista	0.7-0.8M tonnes	~6.5	146-167
Olhos/Mazoca	1.2-1.4M tonnes	~4	154-180
<b>Total – Engenho</b>			<b>621-733</b>
<b>Jaqueira</b>			
<i>Jaqueira Tenement</i>	0.75-0.95M tonnes	~8-10	217-274
<i>Other Tenements</i>	1.8-2.3M tonnes	~5	289-370
<b>Total – Jaqueira</b>			<b>506-644</b>
<b>Torrecillas</b>			
<i>Torrecillas Vein</i>	0.9-1.1k tonnes	~14-20	434-530
<i>Ady/Oly Vein</i>	0.7-0.9M tonnes	~14-20	337-434
<i>5 de Novembre Vein</i>	0.7-0.9k tonnes	~14-20	337-434
Torre Chico	0.7-0.9M tonnes	~14-20	337-434
<b>Total – Torrecillas</b>			<b>1,445-1,832</b>
<b>TOTAL – Exploration Targets</b>			<b>2,572-3,209</b>

Note: In accordance with Clause 18 of the JORC Code, it is important to note that no JORC Mineral Resources or Ore Reserves have been established on these tenements and any current assessment remains subject to ongoing exploration work and drilling. The current interpretation remains preliminary and is based on surface indicators, assays from underground channel samples, geological modelling, historical production records (in the case of Jaqueira and Torrecillas) and an assessment of the strike and width assessed from surface expressions.

Based on the assessment shown above, Mundo has prepared the following conceptual production profile and proposed timeframe for developing these assets:

**Conceptual Production profile**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Engenho	36,000	40,000	55,000	55,000	55,000
Torrecillas		60,000	100,000	100,000	100,000
Jaquiera			50,000	50,000	50,000
<b>Total annual production</b>	<b>36,000</b>	<b>100,000</b>	<b>205,000</b>	<b>205,000</b>	<b>205,000</b>

*Note: This production profile is subject to the Disclaimer at the end of this announcement and is not intended to represent current JORC resources or results from Feasibility Studies but is providing information to the market that is assessed based on the executive teams current assessment of the assets at the current stage of the asset development. The outcomes may change as additional project assessment is carried out and additional information becomes available.*

No potential production profile has been included at this stage for Tocantins based on the lack of available data appropriate for forming a conclusion regarding potential annual production or timeframe to development at this stage of the project assessment.

**Corporate Strategy and Management Incentives**

With the Engenho operations now performing to expectations and the recent asset review confirming the potential to expand the production profile significantly, the Company's strategy has been re-focused on building the corporate asset base. This will be the primary focus of the executive team and Board of Directors moving forward.

In light of this strategic focus, Mundo's Board has also recently reviewed the Company's executive incentive plan to ensure that the senior executive and operational team is appropriately incentivised, both for the development of career opportunities and for development of the corporate asset base.

Some employees had previously been granted options with a strike price of 80 cents per share. This is not deemed appropriate in the current environment. As a result, the Directors have cancelled all of these options. Following a recent review of the senior personnel working with the Company, new option packages have been granted to the key employees at a strike price of 40 cents per share, reflecting what the Board believes is an appropriate incentive to retain the excellent and committed team Mundo has attracted.

No Director has participated in this plan. Most key employees are residents of South America and are not affected by the proposed changes arising from the recent Australian federal budget. Those employees resident in Australia and potentially affected by the proposed tax changes have had the potential implications explained to them. Mundo Minerals has a firm view that this incentive is a valid form of providing strong incentive to retain a highly professional and committed team.

**John Langford**  
**Chief Executive Officer**

**25 May 2009**

### **About Mundo Minerals**

Mundo Minerals is an Australian-domiciled international gold company with a portfolio of medium-sized gold projects in South America. Currently, the Company has four projects at different stages of development – three (including its first production asset) in Brazil and one in Peru.

Mundo Minerals' corporate strategy is based on the development of a sustainable production base of more than 250,000 ounces of gold per annum in the medium term. The Board has assessed all of the assets within the Mundo portfolio, at their current stage of development, as having strong potential to deliver a sustainable production base.

The Engenho Gold Project, which is located in the State of Minas Gerais in Brazil, is forecast to produce at an initial annualised rate of approximately 30,000 ounces per annum. Mundo's other assets in South America include the 100%-owned **Torrecillas Gold Project** in Peru, and the **Tocantins Gold Project** and **Jaqueira Gold Project** in Brazil. These projects have the potential to yield multiple resources to underpin the Company's long-term growth.

The Board is pragmatic in its approach to developing the corporate asset base and all projects will be developed according to robust commercial parameters.

### **Competent Person's Statement**

*The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Jean-Marc Lopez who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Lopez is employed by Mundo Minerals Limited and is the Company Exploration Manager. Mr Lopez 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 Lopez consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

### **Forward-Looking Statements**

*The announcement (Announcement) is provided on the basis that none of Mundo Minerals Limited ACN 117 790 897 (MUN) nor its respective officers, shareholders, related bodies corporate, partners, affiliates, employees, representatives and advisers make any representation or warranty (express or implied) as to the origin, validity, accuracy, reliability, relevance, currency or completeness of the material contained in the Announcement and no responsibility is taken for any errors or omissions. Nothing contained in the Announcement is, or may be relied upon as, a promise, representation or warranty, whether as to the past or the future. MUN excludes all warranties (including implied warranties) and all liability that can be excluded by law for any loss, claim, damage, cost or expense of any nature arising out of the Announcement (or any accompanying or other information) whatsoever, nor by reason of any reliance upon it. MUN accepts no responsibility to update any person regarding any inaccuracy, omission or change in information in this Announcement or any other information made available to a person nor any obligation to furnish the person with any further information.*

*The Announcement may contain prospective financial material which is predictive in nature and based on certain assumptions. Accordingly, actual financial results may be affected by assumptions which prove to be inaccurate or by known or unknown risks and uncertainties, and are likely to differ, possibly materially, from results ultimately achieved. The Announcement may contain "forward-looking statements". All statements other than those of historical facts included in the Announcement are forward-looking statements including, without limitation, (i) estimates of future earnings, and the sensitivity of earnings to the gold and other metals prices; (ii) estimates of future gold and other metals production and sales; (iii) estimates of future cash costs; (iv) estimates of future cash flows, and the sensitivity of cash flows to gold and other metals prices; (v) estimates of future capital expenditures; and (vi) estimates of reserves, and statements regarding future exploration results and the replacement of reserves. Where MUN expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, gold and other metals price volatility, currency fluctuations, increased production costs and variances in ore grade, recovery rates or other matters from those assumed in mining plans, as well as political and operational risks and governmental regulation and judicial outcomes. MUN does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of the Announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.*

*All persons should seek appropriate professional advice in reviewing or considering the Announcement and all other information with respect to MUN and evaluating the business, financial performance and operations of MUN. Neither the provision of the Announcement nor any information contained in the Announcement or subsequently communicated to any person in connection with the Announcement is, or should be taken as, constituting the giving of investment or financial product advice to any person in respect of dealing in MUN securities, and no such information*

*should be taken to constitute a recommendation or statement of opinion that is intended to influence a person in making a decision to deal in MUN securities. This Announcement does not purport to contain all of the information that may be required to evaluate all of the factors that would be relevant in determining whether to deal in MUN securities, including but not limited to any person's objectives, financial situation or needs. Each person should make, and will be taken to have made, its own investigation, assessment and analysis of the information in this Announcement and other matters that may be relevant to it in considering whether to deal in MUN securities.*