

16 December 2011

Company Announcements Office
Australian Securities Exchange Limited
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Brazil Update – Mundo’s Brazilian Subsidiary to seek protection from its creditors under a Brazilian Chapter 11 equivalent

Mundo Minerals Ltd (ASX code: MUN) advises that, following advice from its financial and legal advisers, its wholly owned Brazilian subsidiary, Mundo Mineração Ltda, has filed in a Brazilian court for “Recuperação Judicial”, the Brazilian equivalent to the US Chapter 11 process. This process provides for a judge to consider the matter and if appropriate make an order providing Mundo Mineração with creditor protection and the ability to seek the approval of its creditors for a corporate reorganisation. It relates solely to Mundo’s Brazilian operations and assets held by Mundo Mineração. The parent company and Mundo’s Peruvian operations are not directly affected by the judicial process.

The decision of Mundo Mineração to seek creditor protection, an option which was foreshadowed at the Company’s recent Annual General Meeting, was not taken lightly by the Directors of Mundo. For the past several weeks, Mundo has sought to reach commercial “standstill” agreements with its secured lenders and creditors in Brazil.

Despite obtaining standstill agreements with three of its four lenders in Brazil, Mundo was not able to satisfy the requirements of one of its lenders, including the receipt of approval to commence development of the new Crista open pit, and the provision of additional corporate guarantees by Mundo Minerals Ltd.

As previously announced, Mundo has been advised by its environmental advisers in Brazil and the officers of SUPRAM that the approval process for the Crista open pit has been further delayed to a meeting now scheduled to 19 December 2011, with the final license approval unlikely to be determined until late February 2012.

On this timetable, it is unlikely that first ore production from Crista would be achieved before mid-2012.

If the order under the Recuperação Judicial process is granted by the Court, there is a stay of certain claims against Mundo Mineração for an initial period of up to 180 days. The automatic stay applies to unsecured creditors and to approximately 43% or US\$3.5 million of the local Brazilian bank debt. Whilst it is currently unclear as to the intentions of the local Brazilian banks representing 57% of the debt that is excluded from the Recuperação Judicial process, Mundo Mineração is hopeful of a favourable commercial outcome that achieves a similar stay on these claims.

During the initial 180 day stay period, Mundo Mineração must present within the first 60 days a reorganization plan. If the reorganization plan is not objected to by any of Mundo Mineração’s creditors, it is automatically approved. If any of the creditors objects to the plan, a general creditors meeting will be held within 150 days of the court decision approving the processing of the claim. If the reorganization plan is approved by the relevant classes of creditors at this meeting, it can then be subsequently implemented over an extended period with an extended stay. This would provide time for Mundo to reorganize its Brazilian subsidiary under a statutory and Court timetable, not a timetable dictated by its creditors.

The reorganisation may be supported by a refinancing package, the sale of assets and/or the eventual cash flow from the Crista open pit operation from mid-2012 or from Mundo’s Peruvian subsidiary operations.

At prevailing exchange rates, Mundo Mineração has in total approximately US\$8.1 million of term debt and hire purchase commitments (secured US\$4.4 million and unsecured US\$3.7 million), with four local banks in Brazil relating to the Engenho Gold Project. Approximately US\$1.8 million of this amount is under hire purchase facilities that are secured against plant and equipment – all of which are readily saleable.

In addition, Mundo Mineração has approximately US\$2.5 million of other unsecured creditor liabilities, including employee termination payment liabilities.

Mundo owes Anglo Pacific Group Plc. (APG) approximately \$3.4 million under a convertible debenture facility, on terms whereby APG has the right to have security over some of the assets of Mundo Mineração. Mundo is in discussions with APG in relation to a standstill for this facility and Mundo is hopeful that a suitable standstill will be entered into.

“Preservation of the Company and its subsidiaries’ assets was a key decision point for the Board and protection was sought to prevent any involuntary action being taken by secured and unsecured creditors in Brazil,” said Mundo Minerals Managing Director, Ashley Pattison.

“It is important to note that the Recuperação Judicial process allows decision-making control over the Brazilian operations to be undertaken by the Brazilian management and that the operations can continue as a going concern, which includes completion of the underground mining plan and the development of Crista, when permitted,” he added.

It is the Board’s intention to request that ASX keep the Company’s shares suspended until further announcements are made in relation to this complex process and whilst the Company continues to assess other advanced options available to it including further asset sales and potential fund raising opportunities that continue to be explored.

For and on behalf of the Board,

Ashley Pattison
Managing Director
16 December 2011

Forward Looking Statements

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