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Company Announcements Office
Australian Securities Exchange Limited
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Court approves Chapter 11-style protection for Mundo's Brazilian subsidiary

Decision has no impact on Mundo's Peru gold projects, where production is ramping up and a resource estimate is due in January 2012

Key Points

- **Brazilian court approves Mundo Mineração Ltda's request for "Recuperação Judicial", a Chapter 11-style protection over its Engenho and Crista gold projects in Brazil, neither of which is now in production.**
- **Decision means Mundo Mineração Ltda has six months to either agree a deed of settlement with creditors owed more than US\$6 million, including 43% of its Brazilian bank debt, or risk enforcement by creditors on its Brazilian assets.**
- **Mundo Mineração Ltda negotiating with banks owed the remaining 57% of the Brazilian bank debt to grant a similar stay.**
- **Neither outcome will affect Mundo's Peruvian assets, including the Torrecillas mine where trial mining operations are on track to generate ~2,000oz per month in Q4 2012.**
- **Preparations underway to further increase gold production in CY2012 with development of the main Torrecillas decline set to resume in early 2012.**
- **JORC resource for Torrecillas on track to be released early in the New Year.**

Mundo Minerals Limited (ASX: MUN) advises that its wholly owned subsidiary, Mundo Mineração Ltda has been granted Brazilian court approval for protection under Recuperação Judicial, the Brazilian equivalent of US Chapter 11 bankruptcy protection in respect to the Company's Brazilian assets.

The decision means Mundo Mineração Ltda now has 60 days to present a re-organisation plan to the Court. If its creditors object then the plan will be presented to the creditors for approval. If approved Mundo Mineração Ltda will have an extended period to implement it. Should creditors reject the plan, the creditors have the right to seek to wind up the Brazilian operations of Mundo Mineração Ltda.

Mundo Mineração Ltda hopes to strike a similar style arrangement out of court with the Brazilian Banks owed the remaining 57% or US\$4.6 million of the debt that is not subject to the Recuperação Judicial process.

Mundo Mineração Ltda's negotiations with both groups of creditors may result in one of several possible scenarios. These include a debt repayment plan which would see the company retain its Brazilian assets, the sale of part or all of these assets or a combination of these alternatives.

Mundo Minerals Limited emphasises that no matter which of these scenarios unfolds in Brazil, it does not affect the Company's Peru assets and Mundo's plans for them. These assets are beyond the reach of the Brazilian creditors and are not subject to the Recuperação Judicial ruling.

A more extensive operations update on the Peru assets is contained below.

Operational Update on the Brazilian Assets:

Engenho Mine (Brazil)

Mining operations at the Engenho underground mine ceased on 9 December 2011, with ongoing stripping of gold-in-circuit from the processing plant ending on Monday 19 December 2011.

The underground operation has been prepared for a Care & Maintenance period with pumping and electrical infrastructure maintained to the deepest point of mining, the 480 level (320m below surface). It is estimated that approximately 10,000 tonnes of developed ore remains on this level of the mine.

All mobile equipment has been removed to the surface and is currently being prepared for sale on the second hand machinery market within Brazil. Initial assessment of the written down value of the fleet is approximately R\$3M with repair and preparation costs estimated to be less than R\$200k.

Proposals are currently being sought from interested parties for this equipment. It is expected that the majority of equipment will be ready for sale by the start of January 2012.

The processing plant will also be placed on care & maintenance later this month with all tanks emptied and carbon on-sold to other interested mining operations.

The workforce in Brazil has been reduced from 230 employees in July to a point where a core team of 25 will remain in the New Year.

These employees have been retained to continue exploration activities, undertake the care and maintenance program at the Engenho mine and to continue basic operational support that is required in-country such as mineral rights management, finance, environment health and safety activities, IT and human resources.

Crista

As previously foreshadowed in its announcement of 29 November 2011, Mundo Mineração Ltda has now received confirmation from its consultants that the Crista approval is not on the agenda of COPHAM (the licensing approval committee in Rio Nova, Brazil that reports to SUPRAM) for its meeting on 19 December 2011.

As a result, the earliest COPHAM meeting where the matter could be included on the agenda is scheduled for late February 2012.

Mundo Mineração Ltda is therefore unable to commence any works on the development of the Crista open pit and associated infrastructure, which includes plans to build a 4km haul road. These works will remain on hold until the required licencing and approvals are granted.

Tocantins Project: Ampar Drilling

Four diamond drill holes have been completed totalling approximately 400m at the Ampar-Conceicao prospect at the Tocantins JV in northern Brazil. The current program adds to the three holes drilled in 2009, which included an intercept of 1m at 22gpt Au.

Drilling since the start of December 2011 has intersected sulphide mineralisation >15m in all holes, which is expected to carry gold grades once assays results are received in early January 2012. Samples from the first three holes will be assayed in early January and results will be released when received.

The exploration team is also completing a substantial amount of surface work on the iron ore potential of this property.

Operational Update on the Peru Assets:

Torrecillas Project

Mining operations at the Torrecillas Project continue to ramp up in preparation for establishing an increased production profile for the 2012 calendar year.

Mine production for December Quarter, 2011 is forecast to increase to ~ 2,000oz, up from 1798oz in the September Quarter 2011.

To increase production in 2012, the decline will be resumed early next year. Preparations for this are already underway. These include:

- installation of a 70,000cfm surface fan on the exhaust incline shaft that will be completed by Christmas;
- assessment of mining tenders for the decline and associated development, for which the Company plans to utilise jumbos and other trackless equipment;
- Installation of power generation equipment on the surface to power both the surface exhaust fan and the mining equipment; and
- the planned procurement of additional jackleg-machines, secondary ventilation fans and winches to facilitate production from additional stopes that will become available once the decline advances from the current 16A Level (250m below surface).

As previously advised, the surface and underground diamond drilling program was completed at the end of November 2011 and the Company intends to finalise and release a maiden JORC Resource for the project early in the new year.

Corporate Update:

Resignation of Mr Grant Dyker

Mr Grant Dyker has resigned as Mundo's Chief Financial Officer and Company Secretary effective 31 December 2011.

The Board is assessing replacement options for Mr Dyker.

Suspension of Shares

Following consultation with the ASX, the shares of Mundo Minerals Limited will continue to remain in suspension until further certainty is obtained over the Brazilian operations and the refinancing initiatives.

For and on behalf of the Board,

Ashley Pattison
Managing Director
21 December 2011

Forward Looking Statements

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