

Regulatory Story

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**Company** Medusa Mining Limited  
**TIDM** MML  
**Headline** Quarterly Report  
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 Medusa Mining Limited  
 25 January 2011

**QUARTERLY ACTIVITIES REPORT**  
**PERIOD ENDED**  
**31 DECEMBER 2010**

**Snapshot of Medusa:**

- Un-hedged, low cost, dividend paying gold producer focused on organic growth in the Philippines
- 5 years growth path to production of 400,000 ozs per year
- Growth underpinned by strong cashflow from Co-O Mine (narrow vein underground)
  - FY 2010/11: target 100,000 ozs at cash costs circa US\$190 per oz
  - FY 2011/12: target 120,000 to 130,000 ozs at cash costs circa US\$190 per oz
- Current Mineral Resources comprise
  - Co-O Mine: Indicated 603k ozs at 13.2 g/t gold; Inferred 898k ozs at 9.6 g/t gold
  - Bananghilig: Inferred 650k ozs at 1.3 g/t gold
- Current Probable Reserves : Co-O Mine 505k ozs @ 10.7 g/t gold
- Co-O Mine Resources and Reserves to be maintained at current levels
- Conceptual exploration target size \*\* of Co-O Mine of 3 to 7 million ozs
- Excellent exploration upside: high grade vein and disseminated bulk gold targets, plus seven copper targets
- 820 km<sup>2</sup> of tenements and exploration budget for FY 2010/11 of US\$21M

**Board of Directors:**

Peter R. Jones (Non-executive Chairman)  
 Geoffrey Davis (CEO)  
 Peter Hepburn-Brown (COO)  
 Roy Daniel (CFO)  
 Robert Weinberg (Non-executive Director)  
 Andrew Teo (Non-executive Director)

**Capital Structure:**

Ordinary shares: 188,233,911  
 Unlisted options: 750,000

**Listings:**

ASX and LSE (Code: MML), TSX (Code: MLL)

**Address and Contact Details:**

**OVERVIEW:**

**Co-O MINE PRODUCTION & DEVELOPMENT**

- Board approval for construction of new Co-O plant with capacity for 200,000 ounces per year (750,000 tonnes per year)
- Record quarterly production of 26,123 ounces at an average recovered grade of 13.09 g/t at cash cost of US\$185 per ounce
- Saga Shaft: collar completed and sinking of 3-compartment shaft has commenced. Headframe steel work is being erected
- Royal Veins: New portal for 800 metre long Level 1 adit to the Tinago Shaft will commence in the last week of January 2011

**Co-O MINE & REGIONAL DRILLING**

- Drilling is continuing with six surface rigs and four underground rigs. A fifth underground rig has been ordered.
- Results include 1.00 metre at 76.51g/t gold, 1.00 metre at 69.90 g/t gold, 2.75 metres at 50.38g/t gold and 1.20 metres at 48.72g/t gold

**BANANGHILIG DEPOSIT**

- Extensional drilling is progressing with four rigs with two more to commence work on validation of the known resource

**SAUGON PROJECT**

- Drilling with three rigs continuing. Results include 2.15 metres at 13.30 g/t Au and 179 g/t Ag, 3.90 metres at 9.63 g/t Au and 125 g/t Ag, 3.35 metres at 11.71 g/t Au and 154 g/t Ag, 1.40 metres at 27.65 g/t Au and 398 g/t Ag

**FINANCIALS & CORPORATE**

- Total cash and gold on metal account at end of quarter approximately US\$87.2 million
- A maiden unfranked dividend of A\$0.05 per share was paid to shareholders on 8 November 2010
- Medusa commenced trading on the Main Market of the London Stock Exchange on 28 October 2010.

# Quarterly Report - London Stock Exchange

PO Box 860  
Canning Bridge WA 6153  
Telephone : +618 9367 0801  
Facsimile : +618 9367 0602  
Email : [admin@medusamining.com.au](mailto:admin@medusamining.com.au)  
Website : [www.medusamining.com.au](http://www.medusamining.com.au)

*\*\* The potential target size and grade is conceptual in nature, and there has been insufficient exploration to define a mineral resource, and it is uncertain if further exploration will result in the target being defined as a mineral resource. Refer to Stock Exchange announcement dated 18 January 2010.*

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## PROJECT OVERVIEW

The locations of the Company's projects are shown on Figures 1 and 2. (please see the link at the end of this announcement)

## Co-O MINE

The Company received the Resource Stocks "Producer of the Year" award in November 2010.

## Gold Production

The production statistics for the December 2010 half-year and quarter with comparatives for the previous three quarters are summarised in Table I below.

Table I. Gold production statistics

Period	Unit	Qtr ended 31 Dec 10	Qtr ended 30 Sep 10	Qtr ended 30 Jun 10	Qtr ended 31 Mar 10	HY ended 31 Dec 10
Tonnes mined (1)	WMT	61,621	60,367	53,872	51,512	121,988
Ore milled	DMT	66,038	52,463	60,611	40,943	118,501
Recovered grade	gpt	13.09	15.77	13.65	20.61	14.28
Recovery	%	94%	94%	94%	94%	94%
Gold produced (2)	ozs	26,123	25,004	25,012	25,505	51,127
Cash costs (3)	US\$	\$185	\$187	\$182	\$180	\$186
Gold sold	ozs	23,224	25,659	24,858	-	48,883
Average gold price received	US\$	\$1,384	\$1,208	\$1,182	-	\$1,291

**Note:**

- (1) The moisture content in wet tonnes ranges between 6 to 7%
- (2) Gold production is actual gold poured (and requires no further processing) during the period and does not reflect changes in the balance of gold in circuit. It includes any gold awaiting shipment
- (3) Cash costs refers to the cost of gold mined (net of development costs), produced but not necessarily sold and includes royalties and local business taxes of US\$51 per ounce for the current qtr (Sep 10 qtr: US\$50/oz; Jun 2010 qtr: US\$46/oz, Mar 10 qtr: US\$48/oz, YTD: US\$50/oz)

Gold production for the quarter was slightly above budget at 26,123 ounces, at an average grade of 13.09 g/t gold and cash costs of US\$185 per ounce, inclusive of royalties and local business taxes of US\$51 per ounce.

Medusa, an un-hedged gold producer, sold 23,224 ounces of gold at an average price of US\$1,384 per ounce during the quarter.

A breakdown of actual and forecasted production ounces and cost per ounce by quarters for the last six quarters and the remaining two quarters of this fiscal year is highlighted in Graph 1. (please see the link at the end of this announcement)

## Operations

### New Co-O Plant

The Board has approved the construction of a new plant with capacity to produce 200,000 ounces of gold per year based on processing up to 750,000 tonnes per year at the current reserve grade of the Co-O Mine.

The preliminary capital costs inclusive of mine development are estimated at US\$80 million which will be self funded.

The construction time for the new plant after the necessary regulatory approvals are granted is estimated at between 18 to 24 months, and the full benefits of the expansion are expected to be realised shortly thereafter.

The Company is currently in preliminary discussions with engineering groups about process engineering and plant design.

### Mine Development

The Saga Shaft collar emplacement was completed and shaft sinking is underway. Fabrication of the headframe has commenced. It is intended that this shaft will initially be sunk to Level 5 (200 metres below surface) and will result in improved transport of men and materials and ore haulage. Completion to Level 5 is estimated during the December 2011 quarter, subject to ground conditions.

The Sabor Shaft from Level 5 to Level 6 (250 metres below surface) was completed and development on Level 6 has commenced and is focused mainly to the east from the shaft. All the plat and pump chamber excavation on the Level 6 has been completed.

The Alimak rise to link Level 3 to the Tinago Shaft has broken through and is ventilating the west end of the mine. Several veins with ore grade were intersected during the rise excavation. The Tinago Shaft power line is completed and new exhaust fans are due on site at the end of February 2011.

The portal for a new Level 1 adit on the Royal Veins and North Tinago Veins has commenced with a planned length of 800 metres as shown on Figure 3 (please see the link at the end of this announcement). This will be used as a drilling platform as it progresses to delineate parallel veins which will then be developed as well. A crosscut to connect to the new Saga Shaft will be completed at the same time.

### Mine Production

Production has continued uninterrupted at the mine except for planned closure over the Christmas period for repairs and maintenance to the shafts, rail lines and surface facilities. Surface stockpiles are approximately 10,800 tonnes. Underground broken ore is approximately 55,000 tonnes.

### Mill Expansion

The new thickener has been commissioned and construction of a new water storage tank for mill water is complete.

Installation is underway of two new leach tanks to increase the leaching capacity to approximately 1,000 tonnes per day.

Expansion and upgrading of the gold room is expected to be completed at the end of March 2011.

### Power

Construction of the dedicated power line from the San Francisco sub-station to the mill was completed on schedule and energised in late November 2010. The power also feeds the minesite. The generators at the mine are now in standby mode.

**Mine Resource Drilling**

Surface drilling with two rigs has continued at the Co-O Mine mainly along the north side of the deposit on the Royal Vein set (Figure 3 (please see the link at the end of this announcement) and Table II). Underground drilling with four rigs (Figure 4 (please see the link at the end of this announcement) and Table III) is on-going for resource delineation and pre-development drilling. The announcement of 18 January 2011 contains additional detailed results for the MD series of holes and the underground drill holes with intersections down to 0.20 metres width.

The results support continuity of the Royal Veins along the north side of the current resource model.

**Table II.** Surface drill hole results >3 g/t gold and >0.5 metres downhole for new holes MD 261 to MD 279 and complete assays for a previously partly reported hole designated \*

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
MD273*	613328	913221	-85	180	109.65	0.60	3.86
					468.25	1.00	76.51
MD282*	614225	913119	-46	170	105.60	1.40	4.13 (*)
					365.70	1.00	19.47
					514.60	0.65	6.11
					612.50	1.60	3.88
MD283*	613381	913252	-66	180	302.65	1.00	9.27 (*)
MD286*	613381	913253	-87	180	150.80	0.60	3.88 (*)
MD287*	614225	913120	-56	168	608.85	2.20	4.02 (*)
MD288*	614448	912995	-50	217	478.90	1.20	5.29 (*)
					489.50	1.35	6.83 (*)
					493.10	1.00	69.90 (*)
MD291	614223	913120	-55	192	334.10	1.20	5.74 (*)
					378.40	0.55	15.93 (*)
					452.60	1.40	6.78 (*)
MD292	614448	912995	-61	217	278.10	1.25	5.40 (*)
					283.20	0.60	11.77 (*)
					450.55	0.85	16.70 (*)
					533.20	1.00	16.70 (*)
MD295	614223	913120	-65	193	398.10	0.70	3.01 (*)
					400.45	5.65	6.32 (*)

**Notes:**

- (i) Intersection widths are downhole drill widths not true widths;
- (ii) Assays denoted by (\*) are by Phisaga Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;
- (iii) Grid coordinates based on the Philippine Reference System 92.

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**Table III. Underground drill hole results >3 g/t gold and >0.5 metres downhole and complete assays for a previously partly reported hole designated \***

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
<b>LEVEL 2</b>							
L2-034	613506	912892	3	309	52.15	1.00	10.97 (*)
L2-035	613399	912882	3	47	86.40	0.90	14.50 (*)
<b>LEVEL 5</b>							
L5-011*	613888	912793	-41	353	163.25	0.85	6.00 (*)
					182.35	1.65	5.67 (*)
L5-013*	613883	912791	3	315	73.60	0.50	22.10 (*)
L5-014	613883	912791	-25	314	100.90	0.65	13.33 (*)
L5-016	613882	912789	3	300	158.90	1.20	11.47 (*)
					166.50	1.05	10.33 (*)
					176.05	2.75	50.38 (*)
L5-018	613943	912887	-29	187	60.70	0.60	3.42 (*)
					98.80	0.70	3.85 (*)
					103.40	0.70	4.77 (*)
					134.70	0.65	44.67 (*)
L5-020	613945	912887	-29	199	64.40	1.15	4.40 (*)
					101.00	0.90	7.97 (*)
L5-022	613944	912888	-29	160	130.00	1.00	8.33 (*)
L5-023	614137	912904	0	337	79.20	0.60	17.27 (*)
L5-024	614140	912900	0	47	64.70	0.50	36.63 (*)
L5-025	613946	912888	-29	134	61.00	0.50	3.44 (*)
					71.25	1.65	3.42 (*)
					264.65	0.95	3.12 (*)
L5-026	614136	912893	-21	214	59.60	0.70	5.03 (*)
					83.20	1.20	4.18 (*)
					113.80	0.90	3.80 (*)
					156.45	1.35	4.18 (*)
					174.50	0.70	3.13 (*)

**Notes:**

- (i) Intersection widths are downhole drill widths not true widths;
- (ii) Assays denoted by (\*) are by Philsaga Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;
- (iii) Grid coordinates based on the Philippine Reference System 92.

## Regional Drilling

Mapping, trenching and surface drilling around the Co-O Mine with four rigs is continuing (Figure 5) (please see the link at the end of this announcement). The announcement of 18 January 2011 contains additional detailed results down to 0.2 metre widths which are summarised in Table IV.

Some holes have returned multiple intersections increasing the potential of the North Tinago vein set.

Table IV. Regional drill hole EXP 038-053 results >3g/t gold and >0.5 metres downhole.

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
EXP044	614006	913328	-50	160	147.90	0.60	4.60 (*)
					163.00	0.55	5.80 (*)
					198.10	1.00	3.48 (*)
EXP045	614272	913209	-50	167	126.80	0.90	9.33 (*)
					379.25	1.00	59.57 (*)
					424.65	0.95	7.77 (*)
					479.75	1.20	48.72 (*)
					555.50	1.15	5.03 (*)
EXP046	613857	913420	-50	180	204.65	0.95	3.03 (*)
EXP048	613846	913272	-50	160	261.90	0.70	21.82 (*)
EXP051	613833	913305	-50	158	422.40	1.80	3.03 (*)
					657.60	0.55	4.21 (*)
					701.40	0.85	5.67 (*)

**Notes:**

- (i) Intersection widths are downhole drill widths not true widths;
- (ii) Assays denoted by (\*) are by Philsaga Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;
- (iii) Grid coordinates based on the Philippine Reference System 92.

**Co-O Drill Hole Sampling and Assaying Procedures**

Samples were taken from mainly HQ sized (hole outside diameter 96 mm, hole inside diameter 63.5 mm) and some NQ sized (hole outside diameter 75.8 mm, hole inside diameter 47.6mm) drill core. The selected sample intervals were halved by diamond saw and half the core was bagged, numbered and sent to the Company laboratory. In a small number of cases to confirm the geological logging, the selected interval was re-split and ¼ core re-submitted for assay.

Initial sample preparation and assaying was undertaken at the Company's onsite laboratory. Samples were dried at 105°C for 6 to 8 hours, crushed to less than 1.25 cm by jaw crusher, re-crushed to less than 3 mm using a secondary crusher followed by ring grinding of 700 to 800 grams of sample to nominal particle size of less than 200 mesh. Barren rock wash is used between samples in the preparation equipment. The samples were assayed by fire assay with Atomic Absorption Spectrometer (AAS) finish on a 30 gram sample. All assays over 5 g/t gold were re-assayed using gravimetric fire assay techniques on a 30 gram sample.

Check assaying of the majority of samples used in the resource estimate update and which contain more than 0.5 metres at more than 2 g/t gold have been undertaken by McPhar Geoservices Phils Inc ("McPhar"), a NATA and ISO 9001/2000 accredited laboratory in Manila. The pulps were airfreighted to McPhar who fire assayed 30 grams of sample using AAS finish and a selected number of samples were checked using gravimetric fire assay techniques. Duplicate samples and standards are included in each batch of check samples.

When reporting results, where available, the assays of McPhar as an independent laboratory have been given priority over the Company laboratory's results.

**TAMBIS-BAROBO REGION**

The Tambis project, currently comprising the Bananghilig Gold Deposit and the Kamarangan copper-molybdenum porphyry prospect (Figure 2) (please see the link at the end of this announcement), is operated under a Mining Agreement with Philex Gold Philippines Inc. over application APSA-000022-XIII which covers 6,262 hectares. Processing of the application is well advanced.

**Bananghilig Gold Project**

Extensional drilling is continuing with four surface rigs. The two man-portable rigs for validation drilling on some of the steeper slopes where the current resource is contained have arrived and an initial 42 drill sites have been planned with drilling commencing.

Detailed geological re-mapping of the diatreme breccia and surrounds and re-logging of old drill core have been completed.

The aim is to increase the resources to a level which could provide a 5 year minimum mining life at a production rate of approximately 200,000 ounces per year.

**Usa Porphyry Copper-Gold Prospect**

The Usa prospect located within Mineral Production Sharing Agreement application ("APSA") XIII-00077. The Company has a Memorandum of Agreement with Corplex Resources Inc ("Corplex").

A programme of soil sampling over the favourable geology has been temporarily postponed due to the re-prioritising of field work in other areas.

**ANOLING**

The Mines Operating Agreement with Alcorn Gold Resources Inc. covers MPSA application number 039-XIII situated approximately 8 kilometres north from the millsite as shown on Figure 2 (please see the link at the end of this announcement). Processing of the MPSA is progressing.

Mapping and sampling is continuing. Drilling will recommence when the MPSA is granted.

**SAUGON PROJECT**

**First Hit Vein**

**Background**

Figure 2 (please see the link at the end of this announcement) shows the Saugon Project located

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approximately 28 kilometres by road from the Co-O Mill, and Figure 6 (please see the link at the end of this announcement) shows the regional geology, the location of the First Hit Vein and the Paradise & Mabas Prospects.

Figure 7 (please see the link at the end of this announcement) shows gram per metre contours projected onto a vertical plane looking northwest.

Work in 2004 involved drilling at the First Hit Vein (holes SDDH1 to SDDH35) in conjunction with underground development via a 30 metre deep inclined winze down the vein-breccia to assist in understanding the mineralisation.

The 2004 drilling indicated a well developed central zone (First Hit Vein) with two possible splays partly developed as footwall and hanging wall zones. Further details are contained in the announcements dated 20 April 2010 and 1 December 2010.

### **Drilling**

Drilling of 34 new drill holes totalling 7,493 metres (SDDH36 to SDDH68 inclusive) has been completed at the First Hit Vein. Assay results for holes SDDH55, 57, 60, 62, 63, 65 and 68 are awaited.

The aim of the drilling was to repeat the 2004 un-surveyed holes in order to establish the geometry of the mineralised system and to gain a better understanding of the mineralisation. Drilling is continuing.

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The results in Table V broadly confirm the 2004 drill holes with some wider intersections with mid-range grades as well as narrow zones of high grades. The style of mineralisation appears to be quite variable, from some well formed veins to hydrothermal breccias to stockworks. Strong silver values and base metals, particularly lead and zinc appear to correlate reasonably consistently with the main vein.

Table V. First Hit Vein drill hole results >1 g/t gold and >0.2 metres downhole

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Assays				
							Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
SDDH 36	616916	899325	-75	310	70.60	12.15	2.40	33.40	0.08	0.14	0.30
					78.90	1.00	9.47	119.00	0.27	0.37	1.12
					81.95	0.80	3.22	43.00	0.17	0.28	0.40
SDDH 37	616939	899314	-75	310	101.75	2.15	13.30	179.85	0.19	0.81	1.00
SDDH 38	616916	899325	-55	310	52.65	1.15	2.13	45.80	0.12	0.28	0.53
					76.95	0.55	4.48	7.90	0.06	0.17	0.23
SDDH 39	616908	899307	-55	310	62.05	6.50	3.73	63.62	0.12	0.21	0.70
					83.30	0.80	8.76	111.21	0.32	0.23	0.70
SDDH 40	616934	899279	-55	310	98.15	3.90	9.63	125.13	0.13	0.55	0.53
SDDH 41	616998	899256	-66	310	156.50	0.60	1.51	19.90	0.02	0.06	0.19
					179.30	1.00	1.44	24.50	0.13	0.44	0.82
					182.20	3.35	11.71	154.23	0.35	1.19	1.80
SDDH 42	616934	899338	-50	310	52.30	1.00	1.35	22.20	0.33	0.12	0.21
					54.10	1.10	1.46	23.30	0.05	0.05	0.07
					56.15	1.20	7.14	95.50	0.12	0.52	0.51
					70.65	0.75	28.07	413.60	0.42	1.91	3.62
SDDH 43	616971	899248	-55	310	141.00	1.50	15.81	232.50	0.39	1.25	1.37
SDDH 44	616977	899302	-75	310	131.25	1.40	27.65	398.00	1.42	4.65	3.72
SDDH 46	616874	899268	-50	310	75.05	1.00	5.24	100.10	0.36	1.65	0.23
SDDH 47	616977	899303	-50	310	108.20	0.85	2.46	NA	NA	NA	NA
SDDH 48	617006	899330	-59	310	104.20	5.55	2.51	40.24	0.05	0.18	0.29
SDDH 49	616927	899241	-50	310	129.25	0.75	1.24	18.20	0.17	0.12	0.33
SDDH 50	617007	899375	-50	310	109.60	1.60	1.45	25.80	0.08	0.41	0.27
SDDH 51	617006	899330	-72	310	121.90	1.55	1.19	15.20	0.06	0.07	0.15
SDDH 52	616927	899240	-71	310	148.00	0.25	2.58	29.30	<0.01	0.28	0.40
SDDH 53	617007	899375	-87	310	86.40	5.60	5.06	61.72	0.04	0.15	0.15
SDDH 59	616908	899202	-45	310	158.75	0.40	2.55	NA	NA	NA	NA
					247.45	0.25	2.96	NA	NA	NA	NA
SDDH 64A	617047	899398	-87	310	88.10	1.10	3.75	NA	NA	NA	NA
					94.00	4.55	9.75	NA	NA	NA	NA
					100.25	2.15	5.02	NA	NA	NA	NA
					106.95	3.40	2.82	NA	NA	NA	NA

**Notes:**

- (i) Intersection widths are downhole drill widths not true widths;
- (ii) All assays are by McPher Geoservices Inc laboratory in Manila except for SDDH 47, 50-53, 59 and 64A which are by the Philsaga laboratory;
- (iii) Grid coordinates based on the Philippine Reference System 92; and
- (iv) NA means assays not yet available.

**Discussion**

The drilling completed to date indicates that the mineralisation intersected in the exploration winze in 2004 and the unsurveyed 2004 drilling may be the "neck" of a hydrothermal system where it vented towards surface above more substantial zones of mineralisation at depth and along strike. Whilst the distribution of the gold-silver mineralisation is not yet fully understood, it is now apparent that the controlling structure has potential to host zones of high-grade gold-silver mineralisation with some areas of significant copper-lead-zinc mineralisation.

Drilling will continue with the purpose of exploring the structure along strike and at depth.

**Saugon Drill Hole Sampling and Assaying Procedures**

Samples were taken from mainly HQ sized (hole outside diameter 96 mm, hole inside diameter 63.5 mm) and NQ sized (hole outside diameter 75.8 mm, hold inside diameter 47.6 mm) drill core. The

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selected sample intervals were halved by diamond saw and half the core was bagged, numbered, and sent to Philsaga Mining Company (PSMC) Laboratory. The laboratory prepared each drill core sample into 4 pulp (200 gram, -200 mesh) splits. One pulp split was utilized for gold assaying by fire assay on a 30 gram sample with an Atomic Absorption Spectrometry ("AAS") finish while copper, lead, zinc, and silver assaying were conducted by AAS in the latter stages following a concentrated acid leach on a 1 gram sample. The second pulp splits of all those samples were repacked and retagged and sent to McPhar Geoservices Inc. ("McPhar"), a NATA and ISO 9001/2000 accredited laboratory in Manila, for arsenic assaying by ICP assay method.

The third pulp splits of samples with above 1.00 g/t Au from PSMC Laboratory were sent to McPhar Laboratory for re-assaying of gold, silver, copper, lead, and zinc by assaying methods mentioned above.

### FINANCIALS (unaudited)

As at 31 December 2010, the Company which is debt free, had total cash and cash equivalent in gold on metal account of approximately US\$87.2 million (30 Sep 2010: US\$69.4 million).

During the quarter,

- the Company sold 23,224 ounces of gold at an average price of US\$1,384 per ounce (Sep 2010 qtr: sold 25,659 ounces of gold at an average price of US\$1,208 per ounce);
- incurred exploration expenditure of US\$7.1 million (Sep 2010 qtr: US\$4.9 million);
- expended US\$2.2 million on capital works associated with the dedicated power line/sub-station and sustaining capital (Sep 2010 qtr: US\$1.8 million); and
- spent US\$2.1 million in capitalised mine development, inclusive of shaft sinking costs (Sep 2010 qtr: US\$3.1 million).

### CORPORATE

#### Maiden Dividend

A maiden unfranked dividend of A\$0.05 per share was paid to shareholders on 8 November 2010.

#### Admission to Official List of the London Stock Exchange

Medusa was admitted to the standard listing segment of the Official List of the UK Listing Authority and to London Stock Exchange plc's main market for listed securities ("Admission") on 28 October 2010. Cancellation of Medusa's shares on AIM took place simultaneously with admission to the main market.

#### Managing Director, Geoff Davis commented:

*"It is pleasing to see the Company continuing to meet its forecasts and timeframes in terms of gold production and completion of expansion works to enhance the operation. The Board's decision to approve the construction of a new self-funded mill to increase production capacity at Co-O to 200,000 ounces per year is a major step forward in the Company's five year growth path.*

*At the Co-O Mine, the Saga Shaft will significantly enhance the mine operations. The commencement of a Level 1 adit on the Royal Veins is an important step in opening-up the Royal and North Tinago veins for production in the future, and will provide additional development ore in the process.*

*The encouraging drill results from the First Hit Vein at the Saugon Project add the potential for the development of an additional ore source.*

*At the Bananghilig Project six rigs are now operational with two rigs commencing validation drilling of the current resource and four rigs undertaking extensional drilling.*

*The Company is confident it can deliver on its production forecast for FY 2011."*

#### For further information please contact:

##### Australia

Medusa Mining Limited +61 8 9367 0601

Geoffrey Davis, Managing Director

Roy Daniel, Finance Director

##### United Kingdom

Fairfax I.S. PLC +44 (0)20 7598 5368

Financial Adviser and Broker

Ewan Leggat/Laura Littley

Lothbury Financial Services Limited +44 (0)20 7868 2010

Michael Padley/Libby Moss

##### Canada

Nicholas Sayce, Investor Relations +1 416 822 4404

Information in this report relating to Exploration Results has been reviewed and is based on information compiled by Mr Geoff Davis, who is a member of The Australian Institute of Geoscientists. Mr Davis is the Managing Director of Medusa Mining Limited and has sufficient experience which is relevant to the style of mineralisation and 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" and is a "Qualified Person" as defined in "National Instrument 43-101" of the Canadian Securities Administrators. Mr Davis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Information in this report relating to Mineral Resources has been estimated and compiled by Mark Zammit of Cube Consulting Pty Ltd of Perth, Western Australia. Mr Zammit is a member of The Australasian Institute of Mining & Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit 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" and is a "Qualified Person" as defined in "National Instrument 43-101" of the Canadian Securities Administrators. Mr Zammit consents to the inclusion in the report of the matters based on his information in the

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form and context in which it appears.

Information in this report relating to **Ore Reserves** is based on information compiled by Declan Franzmann, B Eng (Mining), MAusIMM. Mr Franzmann is a full-time employee of Crosscut Consulting. Mr Franzman has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and is a "Qualified Person" as defined in "National Instrument 43-101" of the Canadian Securities Administrators. Mr Franzmann consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Refer to the revised Technical Report which was filed on Sedar in August 2010 for further discussion of the Co-O Deposit's geology, structural controls, drilling, sampling and assaying information, and any known material environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issue.

### **DISCLAIMER**

This announcement may contain certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Medusa, and its officers, employees, agents and associates, that may cause actual results to differ materially from those expressed or implied in such statements.

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