

Regulatory Story

Go to market news section



Company	Medusa Mining Limited
TIDM	MML
Headline	Quarterly Report 30 June 2011
Released	07:41 28-Jul-2011
Number	2470L07

RNS Number : 2470L
Medusa Mining Limited
28 July 2011

QUARTERLY ACTIVITIES REPORT PERIOD ENDED 30 JUNE 2011

OVERVIEW:

Co-O MINE PRODUCTION & DEVELOPMENT

- Capex for new Co-O plant with capacity for 200,000 ounces per year (750,000 tonnes per year) reduced by approximately US\$10 million to US\$70 million. Permitting on schedule. The SAG mill is being ordered.
- Record annual production of 101,474 ounces at a recovered grade of 12.63 g/t gold and cash costs of US\$189 per ounce
- Quarterly production of 25,233 ounces at a recovered grade of 11.05 g/t at cash cost of US\$194 per ounce
- Saga Shaft: revised plan to Level 8 depth, on-going steel sets installation, shaft currently at 63 metres
- New Level 1 adit advanced to 235 metres

Co-O MINE RESOURCES & EXTENSIONAL DRILLING

- Global resource ounces **increased by 30% to 1.96 million ounces** after production for FY11
- Drilling is continuing with six surface and five underground rigs
- Results include 1.40 metres at 21.40 g/t gold, 4.85 metres at 12.35 g/t gold, 2.00 metres at 32.64 g/t gold, 8.65 metres at 41.43 g/t gold, 7.30 metres at 7.15g/t gold and 0.90 metres at 209.73 g/t gold

TAMBIS AREA - BANANGHILIG DEPOSIT

- Resource validation drilling and extensional drilling with six rigs continuing. Comprehensive update expected late in the September quarter

- IP and ground magnetic programme continuing

SAUGON PROJECT

- Drilling continued with three rigs which are to be relocated awaiting an IP survey results

CORPORATE & FINANCIALS (unaudited)

- Delisted from the Toronto Stock Exchange ("TSX") on 17 June 2011
- Board re-structure as result of TSX de-listing
- Total cash and cash equivalent in gold on metal account at end of quarter of approximately US\$100.7 million

PROJECT OVERVIEW

The locations of the Company's projects are shown on Figures 1 and 2.

(Please see link at the end of this announcement for Figures 1 and 2)

Co-O MINE

Gold Production

The production statistics for the June 2011 quarter with comparatives for the previous three quarters as well as the year-to-date production statistics are summarised in Table I below.

Table I. Gold production statistics

Period	Unit	Qtr	Qtr	Qtr	Qtr	YTD 30 Jun 11
		ended 30 Jun 11	ended 31 Mar 11	ended 31 Dec 10	ended 30 Sep 10	
Tonnes mined	WMT	69,562	71,060	61,621	60,367	262,610
Ore milled	DMT	76,365	71,747	66,038	52,463	266,613
Recovered grade	gpt	11.05	11.58	13.09	15.77	12.63
Recovery	%	93%	94%	94%	94%	94%
Gold produced	ozs	25,233	25,114	26,123	25,004	101,474
Cash costs (1)	US\$/oz	\$194	\$191	\$185	\$187	\$189
Gold sold	ozs	21,423	25,911	23,224	25,659	96,217
Average gold price received	US\$	\$1,518	\$1,401	\$1,384	\$1,208	\$1,371

Note:

(1) Net of development costs and includes royalties and local business taxes

Gold production for the quarter was marginally higher than budget at 25,233 ounces, at an average recovered grade of 11.05 g/t gold and cash costs of US\$194 per ounce, inclusive of royalties and local business taxes. The increasing amount of development ore treated has contributed to the slightly lower head grade during the quarter.

Medusa, an un-hedged gold producer, sold 21,423 ounces of gold at an average price of US\$1,518 per ounce during the quarter.

A graphic of actual production ounces and cost per ounce by quarters for the last

four quarters is highlighted in Graph 1.

(Please see link at the end of this announcement for Graph 1)

Preliminary Development Timetable

Graph 2 (please see link at the end of this announcement) has been extracted from the May 2011 Investor Presentation and shows the Preliminary Development Timetable for the new Co-O Mill followed by the Bananghillig Project.

New Co-O Plant

In November 2010, the Board 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.

On 22 June 2011, the Company announced that it has evaluated three sites, being two adjacent to the mine (11 kilometres from the current mill) and the third being the complete remodelling of the current mill site. The initial Capex was estimated at US\$80 million inclusive of mine development and Saga Shaft.

The recommendation from the Company's consulting engineers after taking into consideration our current operating environment and community relationships, and the availability of multiple sites for additional tailings dams at the current mill site, was to extensively remodel the current mill site which would maximise the use of the existing facilities. At this point, this will result in cost savings of around US\$10 million thus reducing the estimated Capex to US\$70 million inclusive of mine development and the Saga Shaft.

The application to upgrade the Environmental Clearance Certificate for the current Co-O Mill has been submitted to the Department of Environment and Natural Resources and is currently undergoing assessment.

Preliminary works commenced in July 2011 for the replacement and transferral of buildings and facilities around the current mill to make room for the expansion.

Quotations have been received for the main long lead time items for the new mill. The order for the SAG mill is currently being placed.

Operations

Mine Development

During the quarter some sinking delays were experienced due to sourcing sufficient and on-going quantities of the correct grade of steel for the steel sets for the Saga Shaft. This has been rectified and sets are now being manufactured on site and installed as required. Following installation of the upper sets, the sinking has reached 63 metres and the shaft plan has been finalised to provide ore haulage from Levels 6 (250 metres below surface) and 8 (350 metres below surface). Completion is estimated to Level 6 late in the December quarter and ore haulage from Level 6 anticipated to commence late in the first quarter of CY 2012. A new winder for the Saga Shaft has been ordered.

Acceleration of the lateral development is on-going to ensure the underground infrastructure and on-vein development will be in place as the Saga Shaft reaches Level 6, then Levels 7 and 8. This accelerated development, from approximately 500 metres per month to approximately 800 metres per month, is programmed to continue for approximately the next 18 months and is increasing the proportion of development ore supplied to the mill.

Development on Level 6 is continuing mainly to the east from the Sabor Shaft.

The new Level 1 adit (Fig. 3) has advanced 235 metres.

Mine Production

Production has continued uninterrupted at the mine. All surface stockpiles have been depleted and underground broken ore is approximately 54,000 tonnes.

Mill Expansion

Installation of the two new leach tanks and the expansion and upgrading of the gold room have been completed.

(Please see link at the end of this announcement for Graph 2)

Resource Estimate

A new resource estimate was undertaken by Cube Consulting Pty Ltd as contained in the announcement on 27 July 2011 which contains the plan view of the veins at Level 6 and the 3D resource model and additional details. The resources are estimated as follows:

Table II. Mineral resource estimate at 30 June 2011

Category	> 0 g/t gold		
	tonnes	g/t gold	ounces
Indicated resources	1,601,000	12.0	616,000
Inferred resources	4,747,000	8.8	1,344,000
TOTAL RESOURCES	6,348,000	9.6	1,960,000

Estimated by Cube Consulting Pty Ltd July 2011

Mine Resource Drilling

Detailed information is contained in the announcement dated 9 July 2011 which lists intersections down to 0.2 metres wide downhole.

The surface drilling was changed to focus to the east of the Oriental Fault in the vicinity of the Saga Shaft to facilitate mine planning close to this major new shaft. A number of new veins have been discovered in this area, and except for the Royal Veins which come almost to surface, the tops of the East Agsao set of veins where the economic grades generally start is between Level 4 and 5. Above these levels the veins are represented by argillised faults containing poorly formed vein material, breccias and silicification with grades generally <2 g/t gold. The East Agsao veins are open to the east where EXP085 intersected 25 potentially mineralised structures (assays awaited).

Some drilling also focussed on drilling at depth on the southern side of the mine to extend the Roysan Vein and associated veins to depth to around Levels 6 to 8 and to the east. At present, below Level 6, this drilling in combination with previous drilling has outlined 14 veins to the south of the Saga Shaft with indications of an additional three veins further to the south. The eastern-most hole EXP083 intersected five potentially mineralised structures (assays awaited) between 660 and 800 metres down hole.

Figure 3 (please see link at the end of this announcement) shows the Co-O Mine MD series of diamond drill holes from MD306 to MD308 totalling 1,928 metres completed in three holes, the EXP066 to EXP086 drill hole locations comprising 22 holes for a total of 13,302 metres up to completion of EXP086. Thirteen of the completed holes were over 800 metres deep with the deepest hole, EXP073 at 905 metres which recorded three high grade intersections between 800 and 900 metres down hole.

Table III lists the surface diamond drilling results greater than 3 g/t gold over ≥ 0.5 metres from the Co-O Mine for new drill holes MD306 to MD308 as well as results not previously reported for MD302, MD304 and MD305.

Figure 4 (please see link at the end of this announcement) shows the recently completed underground drilling totalling 7,102 metres in 31 holes. Table IV lists underground drill hole results since 25 March 2011. Assays are awaited for holes L4-017, L4-021, L5-051 to L5-052, L5-054 to L5-056, as well as L6-001 and L6-002. Additional assays are reported for holes L3-018, L4-010 to L4-011 and L5-026 to L5-047.

Table V shows the results >3 g/t gold over ≥ 0.5 metres for holes EXP065 to EXP086. Additional assays are awaited for EXP075 and EXP079 and all the assays are awaited for EXP076, EXP078 and EXP080 to EXP086. Additional assays are reported for holes EXP053, EXP063 and EXP064.

Table III. Surface drill hole results >3 g/t gold and ≥ 0.5 metres downhole for new holes MD 306 to MD 308 and additional assays for previously partly reported holes designated **

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
MD304 **	614065	913089	-62	194	184.00	1.90	6.03 (*)
					293.10	1.00	4.04 (*)
					387.75	2.10	10.66 (*)
MD305 **	614561	913130	-55	186	153.40	0.80	3.70 (*)
					241.35	1.00	16.97 (*)
					454.70	0.60	6.23 (*)
					475.60	0.75	4.16 (*)
					621.95	0.65	6.43 (*)
					630.20	0.40	3.60 (*)
					635.00	1.40	21.40 (*)
MD306	614564	913127	-59	183	370.35	1.25	4.67 (*)
					433.75	5.15	4.69 (*)
					483.40	1.00	3.83 (*)
					505.60	1.75	4.25 (*)
					533.25	1.90	8.89 (*)
					687.90	1.00	8.50 (*)
MD308	614198	912986	-48	180	711.15	1.35	4.51 (*)
					267.00	1.00	25.81 (*)
					387.10	2.50	4.29 (*)
					391.70	2.30	3.40 (*)
					396.70	0.80	11.10 (*)

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.

Table IV. Underground drill hole results ≥ 3 g/t gold and ≥ 0.5 metres downhole and additional assays for previously partly reported holes designated **

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
LEVEL 4							
L4-010**	613563	912804	3	359	43.35	3.05	6.34
L4-011**	613561	912804	3	322	51.85	0.50	3.78 (*)
L4-013	613731	912737	3	230	13.30	0.65	10.87 (*)
L4-022	613976	912906	3	219	95.90	0.55	11.87 (8)
					29.80	0.65	44.90 (*)
L4-022	613976	912906	3	219	38.00	3.80	5.77 (*)
LEVEL 5							
L5-026**					143.25	0.75	24.71
L5-029**	613941	912888	-21	219	127.40	1.30	6.07 (*)
L5-030**	614137	912894	-19	174	136.15	1.15	3.15 (*)
L5-031**	613945	912887	0	140	161.10	2.25	6.07 (*)
					181.10	0.75	8.36
L5-031**	613945	912887	0	140	138.95	0.95	24.28
L5-036**	614140	912897	-21	146	56.65	1.00	20.00 (*)
L5-036**	614140	912897	-21	146	64.15	0.65	20.64
					193.20	0.65	5.48
L5-036**	614140	912897	-21	146	281.35	0.60	22.93
L5-037**	613941	912887	-21	229	40.70	0.70	26.18
L5-038**	614140	912897	-33	145	66.60	0.70	10.71
L5-038**	614140	912897	-33	145	79.80	0.70	5.88
					243.00	0.90	4.89
L5-039**	613943	912887	-53	187	177.20	0.70	6.07 (*)
LEVEL 5 (continued)							
L5-040**	614146	912930	-33	139	66.50	1.10	53.39 (*)
L5-040**	614146	912930	-33	139	147.35	0.65	5.13 (*)
					161.20	1.60	4.96 (*)
L5-041**	613943	912887	-53	183	60.80	0.55	5.63 (*)
					174.10	1.30	33.20 (*)
L5-043**	613943	912887	-33	183	62.05	0.55	14.39
L5-044**	614136	912893	-33	194	66.35	1.05	6.80 (*)
L5-044**	614136	912893	-33	194	137.15	4.85	12.36 (*)
					175.90	0.70	4.00 (*)
L5-044**	614136	912893	-33	194	203.50	0.55	37.33 (*)

					221.35	2.05	5.48 (*)
L5-045	613943	912887	-66	183	12.30	0.95	4.18
**					75.05	1.45	4.62
					170.30	0.70	8.46
L5-046	614136	912893	-48	194	117.15	1.45	11.39 (*)
**					207.80	1.25	15.90 (*)
L5-047	613944.	912887	-58	178	179.00	1.10	10.90 (*)
**					181.20	2.25	11.30 (*)
L5-048	614136	912894	-48	183	134.15	1.45	54.93 (*)
					159.80	1.50	16.13 (*)
					206.00	0.50	21.00 (*)
L5-049	613944	912887	-47	178	61.70	0.50	9.27 (*)
					115.50	1.40	4.04 (*)
					125.15	1.25	22.13 (*)
					153.20	2.00	32.64 (*)
L5-050	614140	912897	-48	174	74.65	1.05	9.701 (*)
					91.50	0.50	12.73 (*)
					128.25	8.65	41.43 (*)
					140.35	0.60	93.07 (*)
					148.10	1.50	3.77 (*)
					152.30	0.40	12.53 (*)
					161.20	1.00	14.96 (*)
L5-053	614141	912898	-48	180	77.55	1.00	4.35
					179.35	0.50	26.84

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 co-ordinates based on the Philippine Reference System 92.

Table V. Regional drill hole EXP 066 to 086 results >3g/t gold and ≥0.5 metres downhole and additional assays for previously partly reported holes designated *

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
EXP053	613433	913647	-50	180	561.85	0.85	18.30 (*)
**					652.70	1.25	11.38 (*)
					659.05	0.60	7.89 (*)
					661.15	1.35	4.13 (*)
					680.60	0.95	7.16 (*)
					712.65	1.05	3.86 (*)
					813.05	0.85	5.59 (*)
					816.60	0.25	7.83 (*)
EXP064	613972	913316	-50	160	348.50	1.00	3.42 (*)
**					599.40	1.00	5.20 (*)
EXP065	614173	913226	-50	160	551.00	0.60	8.73 (*)
					591.15	2.20	4.40 (*)
					770.45	1.65	9.42 (*)
EXP067	614484	913297	-50	160	296.35	1.00	5.32 (*)
					561.15	1.75	3.15 (*)
					564.50	8.30	3.87 (*)
					689.30	0.90	3.23 (*)

EXP068	614220	913248	-50	160	714.55	2.10	5.90 (*)
					403.60	0.80	3.33 (*)
					651.00	0.60	15.80 (*)
					655.70	0.75	5.67 (*)
					668.15	0.55	5.34 (*)
					707.35	0.60	3.33 (*)
					733.60	1.00	6.70 (*)
					735.50	1.50	7.95 (*)
EXP069	614333	913247	-50	160	787.80	0.85	6.23 (*)
					74.50	0.85	19.43
					386.60	0.50	12.40 (*)
					397.35	1.65	11.41 (*)
					411.25	0.75	5.77 (*)
					573.35	0.70	8.33 (*)
					597.30	1.70	11.34 (*)
					793.40	0.50	3.87 (*)
EXP070	614398	913159	-50	160	84.20	0.65	5.17 (*)
					375.35	2.15	13.14 (*)
					444.45	8.85	5.23 (*)
					472.75	11.75	5.99 (*)
					542.40	2.85	10.28 (*)
					591.35	0.50	4.33 (*)
					298.75	1.00	4.53 (*)
					572.05	3.90	7.76 (*)
EXP071	614505	913364	-50	160	750.70	1.00	3.26 (*)
					316.60	2.95	14.09 (*)
					371.80	0.70	24.87 (*)
					390.00	0.50	29.17 (*)
EXP072	614503	912978	-50	180	398.80	1.00	4.67 (*)
					485.20	0.70	16.80 (*)
					488.55	1.35	13.03 (*)
					544.20	1.00	6.67 (*)
Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
EXP073	614271	913339	-50	160	443.25	0.80	8.03
					635.10	2.65	6.56 (*)
					780.30	1.45	3.14 (*)
					790.90	0.75	56.64 (*)
					799.75	7.30	7.15 (*)
					899.80	0.60	20.46 (*)
EXP074	614212	913281	-50	160	164.00	0.65	3.86 (*)
					429.50	0.70	8.03 (*)
					457.40	0.80	8.70 (*)
					487.70	1.05	3.24 (*)
					571.20	1.60	13.16 (*)
					801.95	1.00	5.90 (*)
EXP075	614142	913293	-50	160	816.70	2.25	5.21 (*)
					448.05	0.75	4.09 (*)
EXP077	614408	912982	-50	180	462.20	1.75	3.90 (*)
					237.40	1.65	7.35 (*)
EXP079	614559	913379	-50	160	305.35	1.75	3.07 (*)
					338.90	1.75	4.48 (*)
					469.25	0.70	15.85 (*)
					263.30	0.90	208.73 (*)
					535.10	1.00	4.02 (*)
					768.15	0.50	3.78 (*)

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 are taken from mainly HQ sized (hole outside diameter 96 mm, hole inside diameter 63.5mm) and some NQ sized (hole outside diameter 75.8 mm, hole inside diameter 47.6 mm) drill core. The selected sample intervals are 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 is undertaken at the Company's on-site laboratory. Samples are 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 are assayed by fire assay with Atomic Absorption Spectrometer (AAS) finish on a 30 gram sample. All assays over 5 g/t gold are re-assayed using gravimetric fire assay techniques on a 30 gram sample.

Check assaying of approximately 50% of samples used in the yearly resource estimates is undertaken by McPhar Geoservices Phils Inc ("McPhar"), a NATA and ISO 9001/2000 accredited laboratory in Manila. The pulps are airfreighted to McPhar who fire assay 30 grams of samples using AAS finish and a selected number of samples are 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.

(Please see link at the end of this announcement for Figures 3 and 4)

TENEMENTS

Subsequent to the March 2011 quarterly report, the Company has been advised of a clerical error regarding the newly granted Exploration Permits ("EPs") as previously reported. The corrected numbers for these tenements are EPs 031-XIII and 032-XIII (previously reported as EPs 030-XIII and 031-XIII respectively).

TAMBIS REGION

The Tambis project, currently comprising the Bananghilig Gold Deposit and the Kamarangan copper-molybdenum porphyry prospect (Fig. 5), is operated under a Mining Agreement with Philex Gold Philippines Inc. over Mineral Production Sharing Agreement ("MPSA") 344-2010-XIII which covers 6,262 hectares.

BANANGHILIG GOLD DEPOSIT

Validation drilling of the resource and extensional and scout drilling is continuing with six rigs. It is planned to commence drilling at the Canugas gold target (Figs 5 and 6) during July with a seventh rig.

An extensive Induced Polarisation ("IP") and ground magnetics programme is underway.

A comprehensive update on the Bananghilig drilling is planned for late in the

September 2011 quarter.

TAMBIS REGIONAL GEOLOGICAL SETTING

A comprehensive regional mapping and sampling programme commenced in late CY 2010. The following sections are extracted from the announcement dated 10 May 2011 which contains additional detailed information.

The Tambis regional geology typifies a structurally complex intermediate-sulphidation, epithermal gold, breccia-type system, including disseminated gold overprinting the host Tertiary-age igneous package which had been emplaced into an andesitic volcanic basement. The fertile igneous suite comprises a multi-phase calc-alkaline, high level, sub-volcanic intrusive package cut by extensive bodies of phreatomagmatic diatremes and hydrothermal breccias.

LOCAL GEOLOGICAL SETTING

Figure 5 (please see link at the end of this announcement) shows the geological setting which is characterised by a shallowly eroded extensive volcanic and sub-volcanic intrusive, multi-phase diatreme complex which is similar to the well known Philippine gold districts of Surigao in northern Mindanao, and Baguio and Mankayan in northern Luzon. The Baguio District is recorded as producing 28 million ounces of gold and is far from mined out.

The intrusive complex comprises predominantly andesite porphyry, feldspar porphyry, porphyritic andesite with smaller stock-like bodies of dioritic and dacitic composition. Figure 5 (please see link at the end of this announcement) also radiometric anomalies and aeromagnetic features, the copper prospects and generalised gold prospects and vein systems.

Figure 6 (please see link at the end of this announcement) shows the zones and names of the main mineralised quartz veins and stockwork areas which appear to be controlled by structural corridors which are orthogonal to the northwest-trending Barobo and Lianga Faults which in turn are sub-parallel to the Philippine Rift Fault direction. The main designated mineralised areas within the northeast corridor are Supon - Bananghilig, Malinao, Tagabaca, Canugas and Lansang which are discussed below except Malinao which will be discussed in the update on drilling in the September quarter.

PROSPECTS

Copper Prospects

Lower Bananghilig River copper prospect

Outcropping copper-rich quartz stockwork veining in propylitically altered volcanics have been located over an area of approximately 50 metres by 30 metres. Chip samples have returned up to 0.16% copper and 0.35 g/t gold. Work is continuing to locate any additional stockworks which may be indicative of nearby or underlying porphyry style mineralisation.

Sawahon copper prospect

Outcrops of strong magnetite-clay-pyrite altered microdiorite with chalcopyrite-bearing sheeted veinlets with chip assays up to 0.27% copper and 0.16 g/t gold were located in Sawahon Creek. Reconnaissance samples of altered diorite along creeks returned up to 0.44% copper plus 0.10 g/t gold. This zone is located near the intersection of the Auron and Melendres Veins with the northnorthwest-trending Canugas Landsat Lineament and the copper-bearing veinlets are oriented parallel

to the Canugas Landsat Lineament. The extent of the outcropping mineralisation is still being delineated.

Copper-rich quartz vein stockworks in variably silicified and argillically altered volcanics adjacent to the western side of the Sawahaon diorite have also been recently located and sampled.

A programme of ridge and spur sampling is planned for the Sawahon and nearby mineralised Canugas milled breccia pipe (described below).

Supon prospect

The Supon prospect area consists of the fertile Supon Diorite which contains disseminated chalcopyrite, an argillised quartz dacite porphyry, and some adjacent outcrops of oxidised copper-bearing silicate-sulphide skarns.

Gold Veins and Stockworks

Figure 6 (please see link at the end of this announcement) shows the four main areas of quartz veins and stockworks described below which comprise a regional scale northeast-trending structural corridor of anastomosing vein systems and pervasive argillic alteration.

Gold mineralisation is present in all areas as quartz veins, vein breccias, stockworks and silicified structures. These styles are typical for an intermediate sulphidation, epithermal gold breccia-type system.

Tagabaca area

There are currently two zones with potential quartz stockwork bulk mineable mineralisation. Both are open to the northeast towards Canugas.

Zone 1: This zone occupies an intensely altered area of approximately 500 metres by 350 metres with three identified sub-parallel vein zones (Polonio 2, Auron, and Melendres). Strongly developed quartz-sulphide stockworks over a width of 35 metres were recently mapped near the Melendres Vein. Peak gold assays from reconnaissance sampling include 69.61, 6.90, 4.67 and 4.35 g/t gold.

Zone 2: This zone sits along the northeast trending Polonio 1 Vein and the Canugas interpreted aeromagnetic feature. Assays from reconnaissance sampling, include 85.79, 6.49, 5.60 and 4.39 g/t gold.

Canugas area

The Canugas area abuts the Tagabaca prospect areas where the four Tagabaca veins, Polonio 1, Polonio 2, Auron and Melendres Veins, continue through the Canugas area. Two zones have been identified so far

Zone 3: This zone comprises two areas:

i. The intersection of the Polonio 2 and Vargas Veins with the interpreted northeast-trending Canugas aeromagnetic structure and the north-northwest trending Canugas Landsat Lineament where quartz stockworks have been located along road cuttings but have not yet been sampled. Previous reconnaissance assays returned up to 3.23 g/t gold.

ii. The Canugas milled breccia trends north-northwest and is located approximately 300 metres north of the known Sawahon porphyry copper outcrops. It was

explored and partially mined for high grade (up to 1,000 g/t gold) mineralisation by underground development pre-WWII and again in the 1950s through tunnelling and drilling. The area exhibits widespread strong argillic and chloritic alteration. The Canugas breccia pipe is at least 80 metres long by up to 17 metres wide and is composed of fragments of sub-rounded to rounded hornblende andesite and some diorite fragments which are all strongly silicified and with pervasive disseminated pyrite. Some fragments also contain minor disseminated sphalerite and galena. Other adjacent smaller pipes have also been located as well as numerous narrow pebble dykes cross-cutting the volcanic rocks. Rock chip assays are still pending.

Zone 4: Sawahon Copper Area. This zone is located near the intersection of the Auron and Melendres Veins with the north-northwest-trending Canugas Landsat Lineament and is described in more detail in the Copper Prospect section above.

Lansang area

The Lansang area currently consists of two zones and is located adjacent to and along strike from the Canugas prospect.

Zone 5: This is the main Lansang Vein zone which was the site of extensive local mining in the 1990s. The main area of workings is centred on north trending Lansang 1 and Lansang 2 Vein zones which measure approximately 900 metres along strike and 150 metres wide. The quartz-sulphide veins are narrow at 0.10 to 0.50 metres wide (up to 23.49 g/t gold) but have extensive wide stockwork zones in both walls.

Zone 6: This comprises the north-northeast-trending Emben Vein zone. Preliminary examination of this zone shows it contains extensive fault gouge with chalcopyrite and minor sphalerite and galena, and patchy silicification and brecciation. Reconnaissance samples returned assays of 9.02, 8.0, 7.93 and 5.30 g/t gold. Further work is required.

Supon-Bananghilig area

Numerous veins and vein zones have been located within the Bananghilig area as depicted on Figure 6 (please see link at the end of this announcement). As a generalisation, work to date has shown that veins and/or structures that truncate the more ductile and permeable diatreme breccias zones tend to lose their vein style and form corridors of more disseminated styles of mineralisation associated with hydrothermal breccias and varying degrees of silicification.

The Supon prospect area contains the Jimmy Vein (and other un-named veins) which comprises epithermal vein and hydrothermal breccias across a total width of approximately 20 metres of variably silicified and argillised intrusives with pyrite and minor chalcopyrite indicating the structural zones seen at Bananghilig continue further to the southwest, a total distance from the eastern end of the Bananghilig Deposit to Jimmy Vein of approximately 1,000 metres. Other recently discovered old workings to the southwest of Bananghilig also indicate possible extensions to the southwest of the Ludetta Vein, and the Jacinto and Tinago Veins and their splits which extend southwest under younger limestone cover. New veins have also been recently uncovered during construction of drill roads.

(Please see link at the end of this announcement for Figure 5)

USA PORPHYRY COPPER-GOLD PROSPECT

The Usa prospect is located within MPSA application XIII-00077 and the Company has a Memorandum of Agreement with Corplex Resources Inc.

An IP and ground magnetic programme is planned.

(Please see link at the end of this announcement for Figure 6)

LINGIG

The Lingig prospect is located in Mineral Production Sharing Agreement 343-2010-XIII with an area of 3,824 hectares over which the Company has an operating agreement.

An IP and ground magnetics programme is planned for later in the year.

ANOLING

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

Processing of the MPSA is awaited.

Mapping and sampling is continuing. It is anticipated that drilling may re-commence during the next quarter.

SAUGON PROJECT

First Hit Vein

Background

Figure 2 (please see link at the end of this announcement) shows the Saugon Project located approximately 28 kilometres by road from the Co-O Mill. 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.

Further details are contained in the announcements dated 20 April 2010 and 1 December 2010.

Drilling

Drilling has continued with three drill rigs however these rigs will be re-allocated to other projects. Regional mapping and prospect trenching are also in progress and IP programme is being planned to cover the main de-magnetised zone.

FINANCIALS (unaudited)

As at 30 June 2011, the Company which is debt free, had total cash and cash equivalent in gold on metal account of approximately US\$100.7 million (31 Mar 2011: US\$92.4 million).

During the June 2011 quarter,

- the Company sold 21,423 ounces of gold at an average price of US\$1,518 per ounce (Mar 2011 qtr: sold 25,911 ounces of gold at an average price of US\$1,401 per ounce). Year to date gold sales totalled US\$131.96 million from the sale of 96,217 ounces of gold at an average price of US\$1,371 per ounce;
- incurred exploration expenditure of US\$7.5 million (Mar 2011 qtr: US\$7.1 million, YTD: US\$26.7 million);

- spent US\$3.0million on capital works associated sustaining capital at the mine and mill and also costs for the new mill construction and infrastructure (Mar 2011 qtr: US\$2.4 million, YTD: US\$9.4 million); and
- spent US\$4.5 million on general and accelerated mine development, inclusive of shaft sinking costs (Mar 2011 qtr: US\$4.6 million, YTD: US\$14.3 million).

CORPORATE

Dividend

An interim unfranked dividend of A\$0.05 per share was paid to shareholders on 23 March 2011.

Board re-structure

Following the Board's decision to delist from the Toronto Stock Exchange ("TSX") and to oversee the next phase of the Company's growth and development, the Board effected the following changes to the composition and structure of the Board on 9 June 2011.

- Mr Peter Jones stood down as Chairman and retired as Non-executive Director,
- Mr Geoff Davis stood down as Managing Director but re-appointed as Non-executive Chairman to replace Mr Jones,
- Mr Peter Hepburn-Brown was appointed Managing Director to replace Mr Davis,
- Mr Roy Daniel retired as Finance Director but continues in his current role of Chief Financial Officer.

Mr Ciceron Angeles was appointed Non-executive Director of the Company on 28 June 2011.

TSX de-listing

The Company was officially delisted from the TSX on 17 June 2011.

Managing Director, Peter Hepburn-Brown commented:

"I am pleased to report that the Company's annual production of 101,474 ounces for this financial year is a new record. The forecast production of 100,000 to 110,000 ounces for the forthcoming financial year will allow the Company to balance production with increasing development rates. During July 2011 we commenced changes to the majority of our existing haulage shafts to facilitate the increasing rate of development and set the mine up for longer term benefits. It is also pleasing to report an estimated US\$10 million reduction in Capex for our proposed new Co-O Mill. We are in the final stages of preparing for the extensive remodelling and expansion of our current millsite and expect to commence re-location and construction of facilities during the September quarter".

For further information please contact:

Australia

Medusa Mining Limited

+61 8 9367 0601

Geoffrey Davis, Chairman

Peter Hepburn-Brown, Managing Director

United Kingdom

Fairfax I.S. PLC
Financial Adviser and Broker
Ewan Leggat/Laura Littley

+44 (0)20 7598 5368

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 Chairman 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". 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". Mr Zammit 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 **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". 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.

Snapshot of Medusa:

- Un-hedged, low cost, dividend paying gold producer focused on organic growth in the Philippines
- Growth path to production of 400,000 ozs per year by end of 2015
- Growth underpinned by strong cashflow from Co-O Mine (narrow vein underground)
- FY 2011/12: target 100,000 to 110,000 ozs at cash costs circa US\$200/oz
- Current Mineral Resources comprise
- Co-O Mine: Indicated 616k ozs at 12.0 g/t gold; Inferred 1344k ozs at 8.8 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 km² of tenements and exploration budget for FY 2011/12 of US\$27M

** 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.

Board of Directors:

Geoffrey Davis ((Non-executive Chairman)

Peter Hepburn-Brown (Managing Director)

Cicero Angeles (Non-executive Director)

Robert Weinberg (Non-executive Director)

Andrew Teo (Non-executive Director)

Capital Structure:

Ordinary shares: 188,233,911

Unlisted options: 1,325,000

Listings:

ASX and LSE(Code: MML)

Address and Contact Details:

PO Box 860

Canning Bridge WA 6153

Telephone: +618 9367 0601

Facsimile: +618 9367 0602

Email: admin@medusamining.com.au

Website: www.medusamining.com.au

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.

Actual results, performance or outcomes may differ materially from any projections and forward-looking statements and the assumptions on which those assumptions are based.

You should not place undue reliance on forward-looking statements and neither Medusa nor any of its directors, employees, servants or agents assume any obligation to update such information.

Click on, or paste the following link into your web browser, to view the associated

PDF document.

http://www.rns-pdf.londonstockexchange.com/rns/2470L_-2011-7-28.pdf

This information is provided by RNS
The company news service from the London Stock Exchange

END

MSCGLGDRBXDBGBI

[CLOSE](#)

London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. Terms and conditions, including restrictions on use and distribution apply.

©2009 London Stock Exchange plc. All rights reserved

Regulatory