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Go to market news section



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**MEDUSA MINING LIMITED
 (AIM: MML)**

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

Medusa Mining Limited ("Medusa" or the "Company"), through its Philippines operating company Philsaga Mining Corporation ("Philsaga"), announces its Quarterly Activities Report for the period ending 31 December 2009.

Highlights:

Co-O MINE PRODUCTION

- **Record gold production of 25,505 ozs** (compared to 21,108 ozs in the previous quarter) at an average grade of 20.61 g/t gold and average **cash cost of US\$180 per oz**

Co-O PHASE II EXPANSION

- Phase II expansion completed on time with the annualised production of 100,000 ounces recorded for the quarter
- Mill commissioning completed

Co-O RESOURCE DRILLING

- Drilling continuing. New gold results include **1.70 metres @ 99.63 g/t, 6.40 metres @ 23.36 g/t** and **4.90 metres @ 20.27 g/t**
- Resource/reserve estimates scheduled for July-August 2010

BANANGHILIG DEPOSIT

- Planning is underway to commence pre-feasibility studies for drilling campaign in July 2010

LINGIG COPPER

- Drilling paused to allow assessment of results to date to be undertaken; drill rigs re-allocated

SAUGON PROJECT

- Preparations are underway to drill at the Saugon Project, last drilled in 2004
- A summary of previous results will be provided shortly

FINANCIALS

- Cash and cash equivalent of US\$48.1 million
- Bonus issue of 1 new ordinary share for every 10 ordinary shares announced and completed during the quarter

Managing Director Geoff Davis commented:

"We are pleased with the scheduled completion of our expansion programme to enable the production of 100,000 annualised ounces. In addition, underground development at the Co-O Mine is also well advanced with approximately 60,000 tonnes of broken ore underground and 20,000 tonnes in surface stockpiles which augers well for meeting our production targets.

On-going drilling at Co-O, preparations for drilling at Bananghilig and commencing of drilling at Saugon highlight both the short term and long term potential of the Company."

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

GOLD PRODUCTION

The production statistics for the March 2010 quarter and year to date (nine months to 31 March 2010) with comparatives for the December 2009 and September 2009 quarters are summarised in Table I.

Table I. Gold production statistics

Period	Unit	Quarter ended 31 Mar 2010	Quarter ended 31 Dec 2009	Quarter ended 30 Sep 2009	Current YTD 31 Mar 2010
Tonnes mined	tonnes	45,359	53,064	40,434	138,857
Ore milled	tonnes	40,943	37,588	40,467	118,998
Head grade	gpt	20.61	18.68	14.78	18.07
Recovery	%	94%	94%	94%	94%
Gold produced	ozs	25,505	21,108	18,054	64,667
Cash costs (1)	US\$	\$180	\$184	\$193	\$185
Gold sold (2)	ozs	0	21,108	18,054	39,162
Average gold price received	US\$	\$0	\$1,111	\$975	\$1,047

Note:

(1) Cash costs refers to the cost of gold mined (net of development costs), produced and sold and includes taxes, royalties and local production taxes of US\$48 per ounce for the Mar 2010 qtr (Dec 09 qtr: US\$48 per oz, Sep 2009 qtr: US\$34 per ounce; Current YTD: US\$46 per ounce)

(2) The Company did not sell any gold during the Mar 2010 qtr and retained its entire gold production for the qtr as bullion or on metal account.

Gold production for the quarter increased to 25,505 ounces (a 20% increase from the previous quarter's production) at an average grade of 20.61 g/t gold and cash costs of US\$180 per ounce.

Medusa an unhedged gold producer, did not sell any gold during the quarter and retained its entire gold production for the quarter as bullion or on metal account.

Phase II of the Company's expansion programme was completed on schedule and the forecast gold production for the fiscal year to 30 June 2010 is anticipated to be around 90,000 ounces at an anticipated cash cost of US\$190 per ounce.

As reported in the previous quarter, the presence of unusual amounts of black leader material in current mine development concentrated along the Great Hamish, Central, Jeremy and Roysan veins has resulted in the current high grades being processed. It should be noted that the occurrence of black leader material rarely shows up in drilling and its occurrence is highly unpredictable.

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

Co-O MINE

Mine Development

The mine development has proceeded extremely well with 5 levels at 50 metres apart operating and a 6th expected to be opened around mid-year. There is currently approximately 60,000 tonnes of broken ore in stopes underground, 21 headings and approximately 36 stopes on the breaking cycle. In addition there is around 20,000 tonnes of ore stockpile.

This situation augurs well for meeting our production targets going forward.

Mine Production

Production has continued uninterrupted at the mine.

The fitting of the skip and headframe to the vertical Ventilation Shaft near the Baguio Shaft to haul mineralised material from above Level 2 should be completed in the next quarter.

Driving from Level 3 northwards from the Baguio Shaft area to link up with the 3 compartment Tinago Shaft is progressing well. A rise from Level 3 to Level 2 will complete this work and open the Tinago Shaft for ventilation initially. If sufficient mineralised material can be located in this area, then it could be converted to a haulage shaft.

Mill Expansion

Commissioning of the expanded milling capacity has now been completed.

Tailings Dam

Construction of a new eight year life tailings dam is progressing and is due for completion late in the 2nd quarter of 2010 subject to favourable weather conditions.

Power

The Company is finalising arrangements with the local power provider for a dedicated line from San Francisco to the mill. Surveying of the route has already commenced with the current projection for completion in the 3rd quarter of the year. All costs over the estimated budget will be advanced initially by the Company and these will be recovered through tariff reductions.

Plate 1 (please see the link at the end of this announcement)

RESOURCE DRILLING

Discussion

Figure 3 (please see the link at the end of this announcement) shows all the new MD series diamond drill holes from MD 217 to MD 240 totalling 11,262 metres which have been completed around the Co-O Mine since 9 December 2009. Results are awaited for MDs 236 and 240.

The on-going drilling programme has concentrated on infill and extensional (up and down dip, and lateral) drilling

in and around the Co-O Mine.

Drill results

Table II lists the surface diamond drilling results greater than 3 g/t gold from the Co-O Mine for new drill holes from MD 217 to MD 240 as well as results not previously reported for some earlier holes. These drill hole results will be incorporated into a new resource estimate which is expected to be completed in July-August 2010. Other reports containing intersections for holes numbered below MD 217 were announced on 18 January 2010, 1 July 2009, 1 December 2008 and 11 August 2008. In 2007 the announcements are dated 9 July, 15 May and 28 February. The 2007 announcements also contain information regarding drilling and surveying techniques, comments on vein interpretation and methodologies and assaying protocols.

The announcement of 29 March 2010 contained more detailed results down to 0.2 metres wide as underground development shows that in many cases as the veins approach cross-cutting faults, they narrow down on both sides of the fault over 5 to 10 metres before widening out, and hence the narrower intersections are important in defining vein continuity. There is also some pinching and swelling of veins along strike. Most drilling is sub-parallel to the fault direction and rarely intersects the faults, which are subsequently identified by underground on-vein development.

Table II. Drill hole results >3 g/t gold and ≥ 0.5 metres downhole for new holes MD 217 to MD 240 and complete assays for some previously partly reported holes designated *

Hole	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
MD 212*	614329	913256	-53	180	301.80	0.70	3.09
					387.15	0.95	9.67
					468.10	0.50	10.23
					486.30	1.30	3.46
					494.20	3.90	3.75
MD 213*	613320	912924	-80	180	58.80	2.25	3.06
					66.15	4.25	6.02
					72.55	1.15	3.53
MD 214*	614532	913022	-60	160	427.65	0.65	23.50
					479.80	1.70	99.63
					590.10	6.40	23.36
MD 215*	614498	913211	-65	165	612.50	1.00	4.85
MD 216*	613551	912780	-45	220	126.80	0.45	15.07
MD 217	613284	912951	-74	121	96.60	2.55	5.14
					141.10	3.00	3.59
MD 218	614331	913241	-45	177	377.10	0.50	13.83
					558.95	0.65	58.66
					626.70	1.70	4.42
MD 220	613286	912950	-77	162	87.40	3.80	8.34
MD 221	613366	913038	-45	202	151.45	2.45	6.33
MD 222	613437	913229	-45	340	605.80	0.70	3.60
MD 226	614331	913243	-47	160	436.50	1.05	3.05
					523.05	0.55	10.50
MD 227	614137	912987	-45	180	241.10	3.10	3.61
					322.25	0.50	25.63
					332.85	1.40	20.63

MD 228	613388	913227	-45	150	73.95	1.35	3.65
					108.20	1.00	3.83
					118.10	4.75	3.03
					147.45	0.85	30.33
					189.10	2.50	3.44
					198.80	1.60	22.48
					408.20	0.60	3.07
					411.70	1.85	3.97
MD 230	613836	913239	-46	170	232.00	1.30	3.67
					266.60	1.95	3.34
					372.30	3.80	6.36
					380.10	1.85	7.38
					445.90	1.00	5.67
					468.45	1.55	3.43
					533.60	3.00	10.00
MD 231	613969	913099	-46	189	85.25	0.75	24.93
					158.90	1.70	4.38
					169.10	2.00	16.49
					235.60	1.65	6.25
					240.40	1.50	3.82
MD 232	614353	913191	-56	154	350.20	1.30	17.59
					590.65	1.15	35.18
					704.80	1.00	6.27
MD 233	614137	912993	-60	175	306.50	2.05	5.98
					423.80	0.50	10.20
MD 235	614020	913156	-57	200	142.20	3.30	3.69
MD 237	613812	913203	-49	176	299.40	1.20	13.16
					331.20	1.00	26.83
MD 239	613369	913037	-45	168	110.90	4.90	20.27
					125.10	0.50	8.76
					156.80	1.30	4.84
					195.75	1.45	8.91
					233.00	1.00	10.70
					244.80	2.30	9.53

Notes:

- (i) Intersection widths are downhole drill widths not true widths;
- (ii) All assays are by Philsaga Mining Corporation's laboratory;
- (iii) Grid coordinates based on the Philippine Reference System 92;

Co-O REGIONAL DRILLING

Using the Co-O Mine as a model, drill testing commenced in the September quarter of 2009 on veins in the

vicinity of the Co-O Mine.

The Co-O vein system outcrops at surface on the western side of the Oriental Fault, where it was first discovered. The veins at surface rarely exceed 0.5 metres width and generally assay around 1 to 5 g/t gold (with possibly some supergene enrichment). Gold values started to increase significantly approximately 80 metres below surface.

To date 22 drill holes (EXP 1 to 22) as shown on Figure 3 (please see the link at the end of this announcement) have been completed. Results for EXP 1 to 12 were announced on 17 December 2010. Subsequent drill holes have not achieved any significant results above 1 g/t gold to date. Hole EXP 17 was re-drilled as EXP 18, and drill hole EXP 19 was re-drilled as EXP 21.

LINGIG COPPER PROJECT

The Lingig prospect is covered by a Mines Operating Agreement ("MOA") over Mineral Production Sharing Agreement ("MPSA") application number APSA 024-XIII comprising two parcels situated to the north and to the east (the Lingig porphyry copper prospect) of the Co-O Mine and millsite as shown on Figure 2 (please see the link at the end of this announcement).

Drilling was completed during the quarter while results to date are assessed and the rigs can be re-allocated to other projects. An update of recent drilling will be provided when all results are available.

TAMBIS-BAROBO REGION

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

Figure 2 (please see the link at the end of this announcement) shows the location of the Bananghilig Deposit. Preparations are advancing for a major drilling campaign commencing around July 2010 as the basis for pre-feasibility studies. The aim of the work will be 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.

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. Processing of the MPSA is progressing.

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

OTHER PROJECTS

- **Sur-sur Project.**

The Company is advancing the tenement applications.

- **Saugon Project**

Construction of field camps and access are in progress for the commencement of drilling shortly. A summary of results from the Company's drilling in 2004 will be provided in the near future.

FINANCIALS

As at 31 March 2010, the Company which is debt free, had a cash and cash equivalent balance of US\$48.1 million (Dec 2009: US\$35.5 million);

During the quarter,

- The Company did not sell any gold and retained its entire gold produced for the quarter as bullion or on metal account (Dec 2009 qtr: Gold proceeds totalling US\$23.4 million from the sale of 21,108 ozs of gold at an average price of US\$1,111 per oz);
- Incurred exploration expenditure of US\$4.3 million (Dec 2009 qtr: US\$5.8 million);

- Spent US\$1.8 million on capital works associated with the mine/mill expansion and sustaining capital(Dec 2009 qtr US\$1.7 million); and
- Expensed US\$1.8 million in mine development costs (Dec 2009 qtr: US\$1.8 million).

CORPORATE

A one for ten bonus issue of shares to all shareholders of the Company was announced on 8 March 2010 and finalised during the quarter.

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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 "Australian 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 "Australian 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 form and context in which it appears.

Information in this report that 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 www.sedar.com in March 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.

ABOUT MEDUSA MINING LIMITED

Medusa Mining Limited ("Medusa" or the "Company") a public company listed on the ASX, AIM and the TSX, is an Australian based gold producer, focussed solely on the Philippines.

With current mineral resources comprising Indicated 580,000 ounces of gold and Inferred 1,310,000 ounces of gold, Medusa's corporate strategy is to become a mid-tier, 300,000 to 400,000 ounce per year, low-cost gold producer.

The Company is currently expanding its high grade Co-O Mine operations (Indicated Resources 580,000 ounces of gold inclusive of a Probable Reserve of 500,000 ounces of gold, and Inferred Resources 660,000 ounces of gold) to increase its forecast production to 100,000 ounces per year in 2010, and is conducting near mine exploration to assess the possibilities of further expansion to 200,000 ounces per year. Current cash costs at the Co-O Mine are approximately US\$190 per ounce.

A pipe-line of deposits is now being established with the Bananghilig Deposit (Inferred Resource of 650,000 ounces of gold) recently added and which is expected to expand, potentially in conjunction with nearby discoveries.

Further potential upside exists in the discovery of substantial copper deposits within the tenement holding of more than 800 km².

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.

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[Quarterly Report March 2010 Accompanying Images](#)

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