



MEDUSA MINING LIMITED

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ASX ANNOUNCEMENT

7 September 2009

MEDUSA RECORDS STRONG 2009 FINANCIAL RESULTS

Medusa Mining Limited (“Medusa” or the “Company”), is pleased to present its full year financial results for the year ended 30 June 2009, highlighted by a record Net Profit After Tax (“NPAT”) of \$38.1 million.

HIGHLIGHTS OF THE FINANCIAL YEAR

FINANCIALS

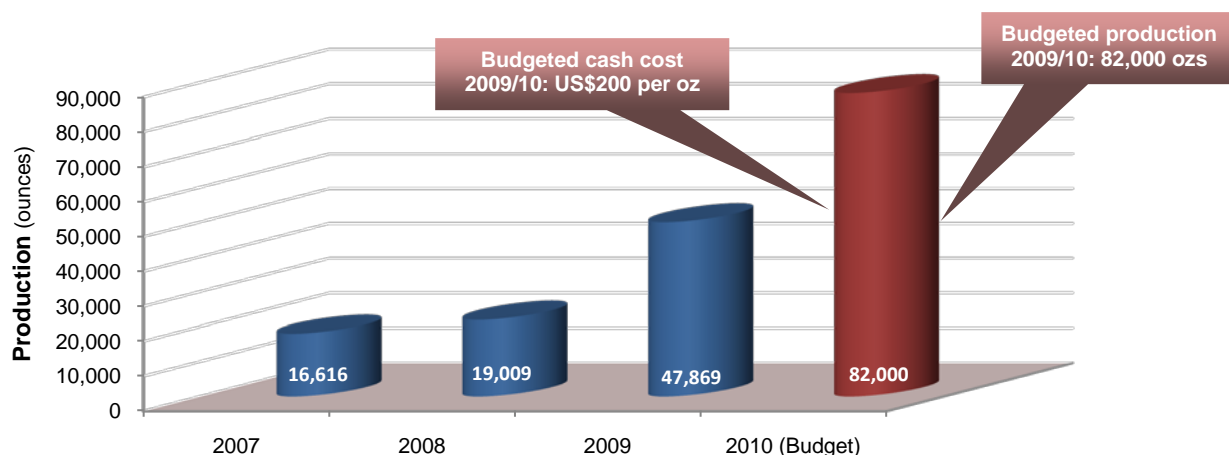
Key Results	30 June 2009	30 June 2008	Variance	(%)
Revenues	\$57,257,750	\$18,074,035	\$39,183,715	216%
EBITDA	\$40,608,840	\$4,655,085	\$35,953,755	-
EBIT	\$35,819,516	\$1,018,439	\$34,801,077	-
NPAT	\$38,110,876	(\$1,347,489)	\$39,458,365	-
EPS (basic)	\$0.250	(\$0.009)	\$0.259	-

- ❖ Record **Net Profit After Tax (“NPAT”) of \$38.1 million** (2008: (\$1.3 million)), representing basic earnings per share (“EPS”), of 25 cents on a weighted average basis;
- ❖ Revenues increased 216% to a record \$57.3 million, due to increased gold production and a higher price received on sale of gold. Medusa is an un-hedged gold producer and received an average gold price of US\$880 per ounce from the sale of 47,869 ounces of gold for the year (2008: 19,009 ounces at US\$849 per ounce);
- ❖ **Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of \$40.6 million** (2008: \$4.7 million) and **Earnings Before Interest and Tax (“EBIT”) of \$35.8 million** (2008: \$1.0 million);
- ❖ Mindanao Mineral Processing and Refining Corporation, Medusa’s wholly owned Philippines subsidiary was granted a four year tax concession, commencing July 2009;
- ❖ The Company is debt free and had a cash balance of \$32.9 million at year end.

OPERATIONS

Co-O MINE

- The Company produced a record 47,869 ounces of gold for the year, an increase of 28,860 ounces or 152 % from the previous year's production of 19,009 ounces, at an average grade of 13.30 g/t gold (2008: 10.40 g/t gold) and cash costs of US\$213 per ounce (2008: US\$248 per ounce)

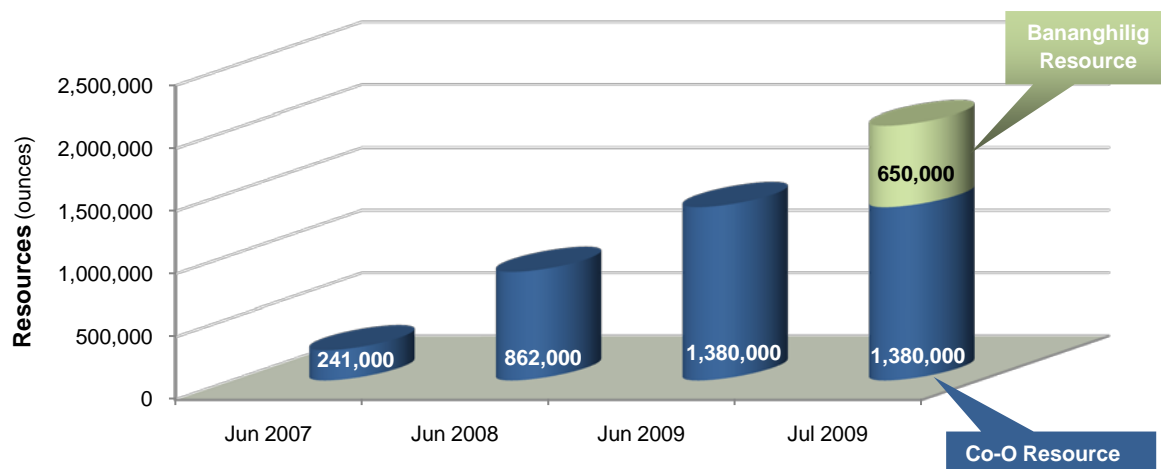


- With Phase 1 of its expansion programme completed ahead of schedule in the June 2009 quarter and the Phase II expansion programme on schedule, the Company expects to deliver approximately 82,000 ounces in the forthcoming fiscal year at an estimated cash cost of US\$200 per ounce

RESERVES AND RESOURCES

Type	June 2009	June 2008	Variance
<u>Co-O Reserves</u>			
Probable reserves	500,000	249,000	101%
Total Co-O Reserves	500,000	249,000	101%
<u>Co-O Resources</u>			
Indicated resources	603,000	392,000	54%
Inferred resources	777,000	470,000	65%
Total Co-O Resources	1,380,000	862,000	60%

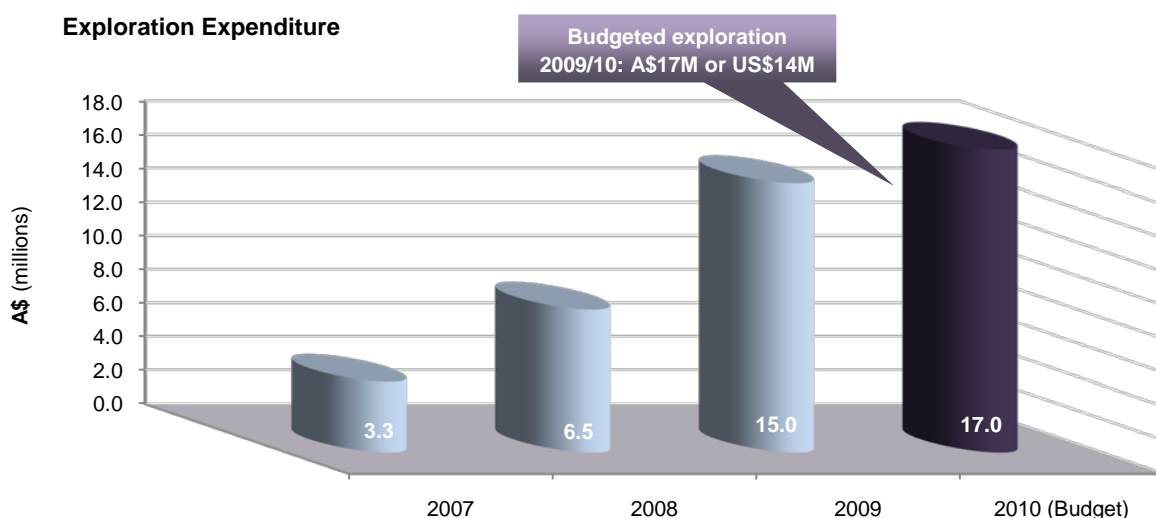
- Gold reserves at Co-O increased by 251,000 ounces or 101 % to 500,000 ounces excluding mine depletion for the year of 47,869 ounces;
- Co-O's gold resource inventory at year end of 1,380,000 contained ounces** represents an increase of 518,000 ounces or 60% and excludes any mine depletion for the year.



- Subsequent to year end, Medusa announced a **maiden resource of 650,000 ounces** at its **Banaghilig Deposit** (15 million tonnes at 1.3 g/t gold);
- Together with Co-O's resource of 1.38 million, **the Company's total resource inventory now stands at 2.03 million.**

EXPLORATION

- Contiguous tenement package maintained at >800km²;
- Budgeted exploration for 2009/10 of \$17.0 million (2008 actual: \$15 million);
- Exploration highlights at **Co-O** include:
 - Discovery of new high grade veins, such as the Great Hamish Vein;
 - Extension along strike to approximately 1,400 metres;
 - Extension across strike to approximately 500 metres; and
 - Demonstrating that mineralisation extends to over 400 metres below the mine's adit entrance.



- At the **Bananghilig** disseminated gold deposit, a very large mineralised system has now been estimated in preparation for planning additional work;
- At the **Lingig** copper prospect, drilling is on-going to define an economic sized resource following initial good results;
- Scout drilling at the **Kamarangan** copper prospect returned encouraging results requiring follow-up drilling.

Managing Director, Geoff Davis commented:

“The year has been one of tremendous advance with gold production from the Co-O Mine now annualised at June 30 at over 60,000 ounces per annum, following production of 47,869 ounces at a cash cost of US\$213 per ounce for the year, making Medusa one of the lowest cost gold producers on the ASX and AIM markets. Work is progressing on schedule to attain 100,000 ounces of annualised production in early 2010.

Capital works are continuing and are expected to be completed by the end of the year, enabling the Company to concentrate on production of gold. The main outstanding item is the completion of the mill crushing circuit expansion to treat up to approximately 1,000 tonnes of ore per day.

Exploration expenditure has increased during the year with the addition of more surface rigs, now totalling 12. As over 1,100,000 ounces of gold have been added to the Company's resource inventory since last year's annual report, this amount of effort has produced great results, and further increases are anticipated.

The recent announcement of a maiden resource at Bananghilig of 650,000 ounces of gold now sets the scene for propelling the Company to upper mid-tier status by potentially developing a second mine with a potential total production profile of 300,000 to 400,000 ounces of gold per year.

The Bananghilig Deposit further strengthens the Company's belief in the enormous prospectivity of its substantial tenement package.

Financially the Company is in a sound position with just under \$33 million in the bank and this year's EBITDA of A\$40.6 million sets the scene of what we believe will be strong future earnings growth.”

For further information please contact:

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ABOUT MEDUSA MINING LIMITED

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

With total current resources of over 2,000,000 ounces of gold, Medusa aims to become a 300,000 to 400,000 ounce per year, low cost gold producer. The Company is currently expanding its high grade Co-O Mine operations (1,380,000 ounces at 10.8 g/t gold) to increase its production capacity to 100,000 ounces per year, 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\$200 per ounce.

A pipe-line of deposits is now being established with the Bananghilig Deposit (650,000 ounces at 1.3 g/t gold) which is expected to expand, potentially in conjunction with new nearby discoveries.

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

JORC COMPLIANCE – CONSENT OF COMPETENT PERSONS

Cube Consulting Pty Ltd

Information in this report relating to **Mineral Resources** has been estimated and compiled by Mark Zammit of Cube Consulting Pty Ltd. 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". 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.

Cube Consulting is an independent Perth based resource industry consulting firm specialising in geological modelling, resource estimation and information technology.

Crosscut Consulting

Information in this report that relates 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 Franzmann 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.

DISCLAIMER

This announcement contains 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.