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Exploration Review

Quarterly

October 2006

Commodity price volatility rising but fundamentals remain sound

Contents

This is an extract from the October 2006 Quarterly Exploration Review

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Medusa Mining Limited
ASX Code: MML



Core Commodity	Gold
Price (as at 25-Sep-06)	\$0.72
Market Cap	\$37.0M
Cash (as at 30-Jun-06)	\$3.5M
Cash / Share	\$0.06
Shares Traded (pa)	\$14.2M

Status:

Summary activity for the current quarter		Quantity	Budget
Soil/Rock Chipping			
RAB			
RC/Diamond	Diamond	4000m	\$0.6M
Assays	included in above		
Geophysics			
Other	Wages, reconnaissance etc		\$0.1M
Total Expenditure			\$0.7M

Top Shareholders

Forty Traders	9.5%
G & S Davis	5.5%

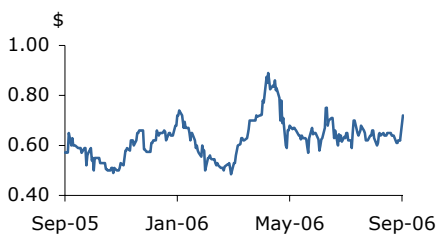
Co-O Gold Project

Location	Philippines	Production from multiple underground mines undergoing development is aiming to produce at an annualised rate of 100koz by 4Q07 or 1Q08. Milling capacity of comminution circuit up to 1000tpd with additional tankage. Operation fully self-contained utilising local expertise and well integrated into the local community.
Commodity	Gold	
Qtr Production	Production Ramping Up	Gold production totaled 2,503oz during the June quarter, generating US\$1.62M in revenue. Cash costs were US\$334/oz, but costs will fall as production increases. The resource currently stands at 240koz with an estimation update in progress. The resource is of a very high grade, averaging 29.6g/t. An extensive exploration program is underway.
Cash Costs	Initially US\$266/oz-US\$400/oz, reducing as production increases	
FY Forecast	40,000oz	
Reserves/Resources	Resources: 240koz at 29.7g/t Au	

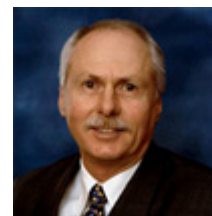
Aegis Equities Comments

- **Projects:** In August, MML announced that it would complete the Philsaga Transaction upon listing on the UK AIM bourse before year-end. The end result is MML will own Philsaga, thus consolidating the assets of both parties, notably the ground surrounding the Co-O Au mine and plant. Other Au projects include Tambis Banaghilig, Sinug-ang, Saugon, Das-Agan and Abacus, within which are numerous prospects and, in addition to high-grade gold veins, there is potential for porphyry Cu-Au mineralisation.
- **Potential:** MML has implemented a sound strategy that involves delivering ore from many high-grade Au veins to a central plant for treatment. The current JV controls 700sqkm over 70km of strike length of highly prospective ground. The plan is to operate at an annual rate of 40koz in the third quarter and build to 100koz by the end of 2007. The geological potential is supportive of the strategy and, with high grades and rising gold production, the average cash cost should fall below US\$200/oz.
- **Overall:** Senior management has had 25 years' experience working in the Philippines. MML has leveraged off this experience to merge with local miners, leading to control of a large segment of the East Mindanao ridge. This is recognised as one of the most highly prospective regions in the world for Au exploration. Acquisition of Philsaga and good relationships with local communities and businesses, plus a strategy to increase gold production and exciting exploration potential, should bode well for the future.

Share price performance



Source: IRESS



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