



MEDUSA

QUARTERLY ACTIVITIES REPORT

PERIOD ENDED

31 MARCH 2009

COMPANY PROFILE:

- Resources at Co-O Mine are 1,203,000 ounces @ 13.3 g/t gold in 2,820,000 tonnes;
- Reserves at Co-O Mine are 249,000 ounces @ 10.77 g/t gold in 712,000 tonnes;
- Forecast production FY 2008-09 of 38-45,000 ounces;
- Phase I expansion on schedule to increase production to 60,000 ozs annualised; Phase II developments commenced to raise production to 100,000 ozs annualised in Q1 2010;
- Anticipated long term cash costs of approximately US\$200 per ounce;
- Extensive exploration area of >820 km² along 70 km strike of the richly endowed East Mindanao Ridge;
- Regional tectonics study has enhanced the prospectivity for gold and porphyry copper-gold deposits.

Share capital as at 31 March 2009:

Shares: 166,607,548
Unlisted options 5,030,000

Listings:

Australian Securities Exchange (Home Exch)
Alternative Investment Market (London)
ASX & AIM code: MML

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KEY POINTS:

Co-O MINE EXPANSION

- **Phase I expansion** nearing completion to raise gold production to 60,000 ozs per year in Q3 2009. The 8E Shaft was completed to depth. The Agsao Shaft produced its first development ore.
- **Phase II expansion** to raise gold production from 60,000 ozs to 100,000 ozs per annum in early 2010 is progressing on schedule (this is **independent of Phase I expansion**);
- **The Phase II Baguio Shaft** is at a depth of 158 metres and on schedule.

Co-O MINE PRODUCTION

- Gold production of 12,716 ounces (compared to 12,158 ozs in the previous quarter) at an average grade of 13.05 g/t gold and average cash cost of US\$211 per ounce.

Co-O RESOURCES DRILLING

- Resource drilling is continuing at depth and along strike. Drilling is progressing to the east of the Agsao River and approximately 350 metres east of the Agsao Shaft.
- A drilling update will be provided during the next quarter.

LINGIG PORPHYRY COPPER DISCOVERY

- Drilling update included encouraging intersections of 125 metres at 0.26% copper, 267 metres at 0.62% copper and 224 meters at 0.77% copper. Drilling is continuing.

KAMARANGAN PORPHYRY PROSPECT

- First pass drilling has been completed. A summary report will be provided during the next quarter.

CORPORATE

- The Company on 6 March 2009, completed the placement of 20,300,000 shares at A\$1.21 per share to clients of Euroz Securities Limited, to raise gross proceeds of \$24,563,000.



PROJECT OVERVIEW

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

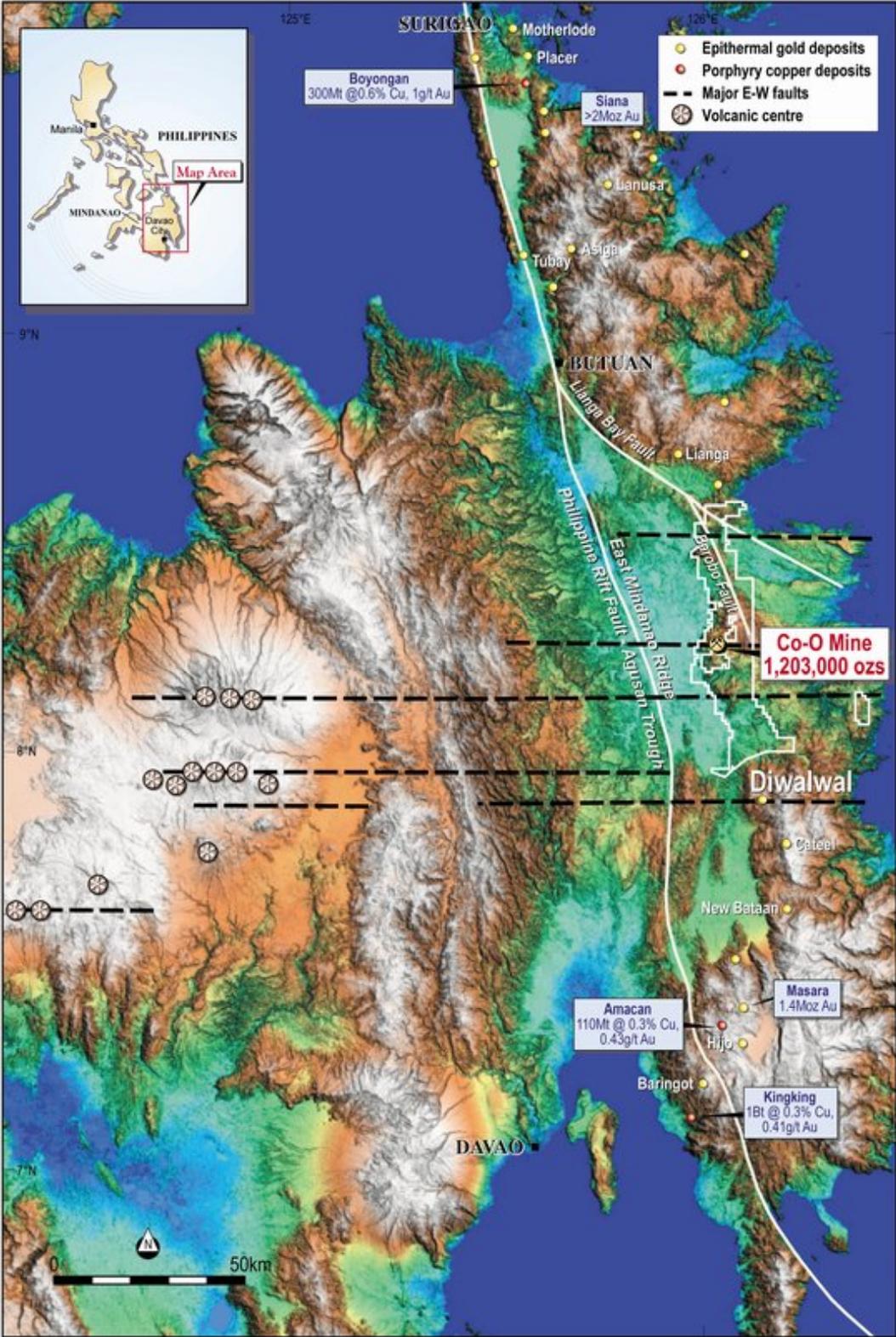


Figure 1. Location diagram showing the Company's tenement areas and prominent East-West structures.

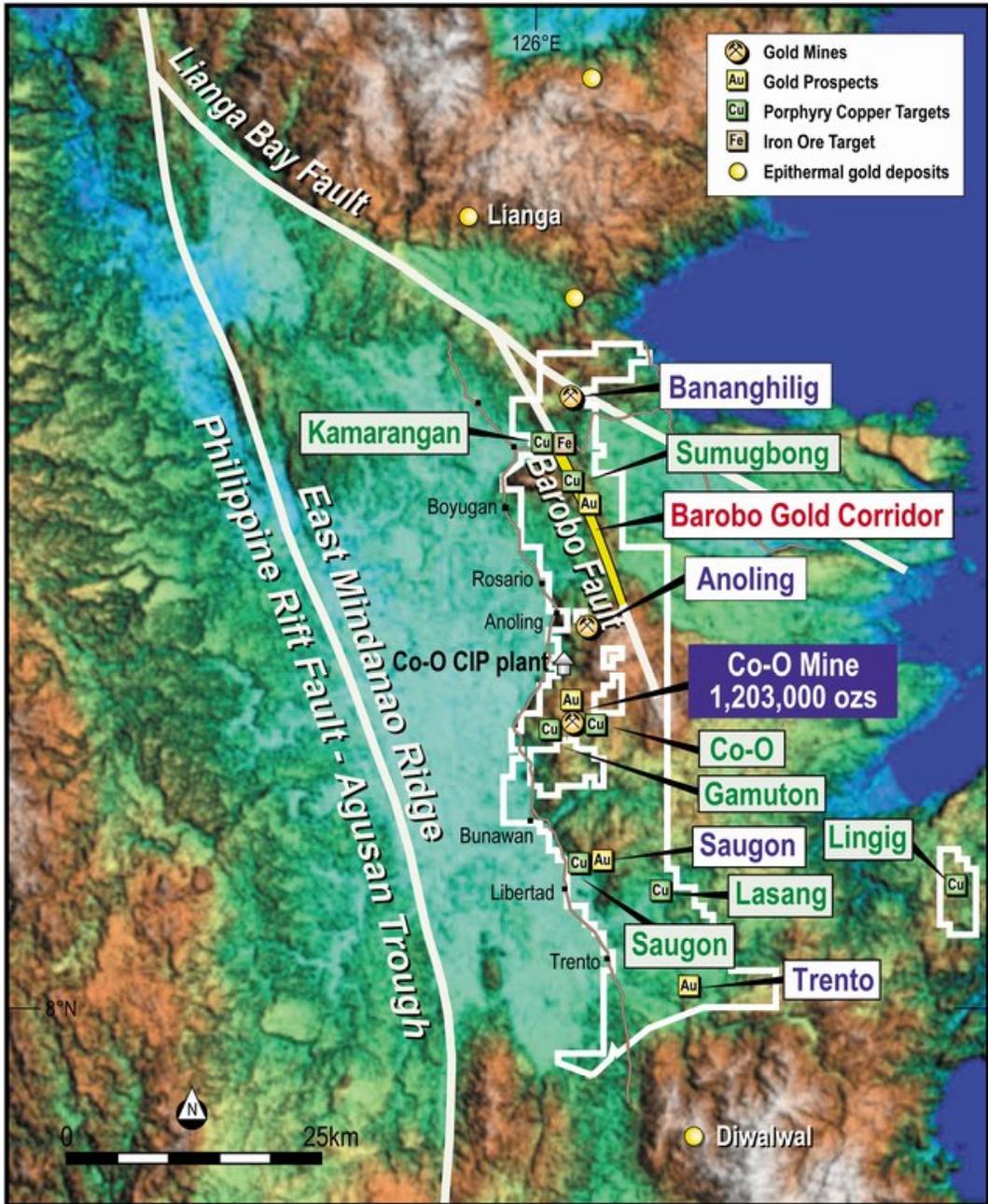


Figure 2. Regional tenement map showing mines and prospects.

Co-O MINE

GOLD PRODUCTION

The production statistics for the current financial year are summarised in Table I.

Table I. Gold Production

Period	Gold produced (ozs)	Grade (g/t gold)	Cash costs (US\$ per oz)	Comments
Jul to Sep 2008	6,986	10.42	243	On-vein development and stoping
Oct to Dec 2008	12,158	15.84	215	On-vein development and stoping
Jan to Mar 2009	12,716	13.05	211	On-vein development and stoping
TOTAL	31,860	12.83	220	

Gold production increased by 4.6% during the quarter to 12,716 ounces at an average grade of 13.05 g/t gold and average cash cost of US\$211 per ounce. The reduction in grade compared to the previous quarter is primarily due to the contribution of development ore from the Agsao Shaft.

The Company expects a further incremental increase in gold production in the forthcoming quarter with the full benefits of the Phase I expansion to 60,000 ounces annualised production on track to flow through in the third quarter of 2009.

PHASE I EXPANSION

Expansion works continued on schedule during the quarter with a total of approximately 1,665 metres of development completed (previous quarter 1,256 metres). The connection of the 8E (Beta) and Agsao Shafts is the last stage of the Phase I expansion. This development work is underway from the Agsao Shaft and will shortly be underway from the 8E Shaft.

(a) Agsao Shaft

Development along two veins on Level 5 westwards towards the 8E Shaft is underway.

(b) 8E (Beta) Shaft

The 8E Shaft was completed to an inclined depth of 120 metres (100 metres vertical). The sump and plat are completed with the construction of a water dam and installation of pumping systems and other services in progress. Driving towards the Agsao Shaft will commence shortly.

PHASE II EXPANSION

Work on the Phase II expansion is well advanced and on schedule.

(a) Baguio Shaft

The Baguio Shaft to approximately 204 metres inclined depth is currently at 158 metres and on schedule.

(b) Hillview Shaft

A decision on the position of this high capacity three compartment shaft is expected when sufficient deep drilling is completed.

(c) Mill Expansion

The construction of two new leach tanks at the mill was completed in February.

Site works have commenced for the installation of an expanded crushing circuit to reduce the feed size to the ball mill and hence increase ball mill throughput to approximately 1,000 tonnes per day depending on rock characteristics.

(d) Tailings Dam

The raising of the wall of the current tailings dam has commenced and design work, geotechnical drilling and permitting of a new tailings dam are in progress.

ELECTRIC COMPRESSORS

Two electric compressors for the eastern end of the mine arrived in late March and are currently being installed.

The power line has been extended to the Baguio Shaft at the western end of the mine. Two electric compressors are expected to arrive during the next quarter for installation at the western end.

RESOURCE and RESERVE DRILLING

Drilling in and around the Co-O Mine (Figs 3 and 4) testing the vein system at depth and along strike is continuing with six surface drill rigs.

Deep drilling of the Great Hamish Vein and other veins within the mine area continues to show vein continuity at depth.

Drilling east of the Agsao River (Fig. 4) has intersected extensions of the main vein system approximately 350 metres east of the Agsao Shaft.

A drilling update should be available in June 2009.

A resource estimation update should be available during July 2009.

A reserve estimation update should be available during August 2009.

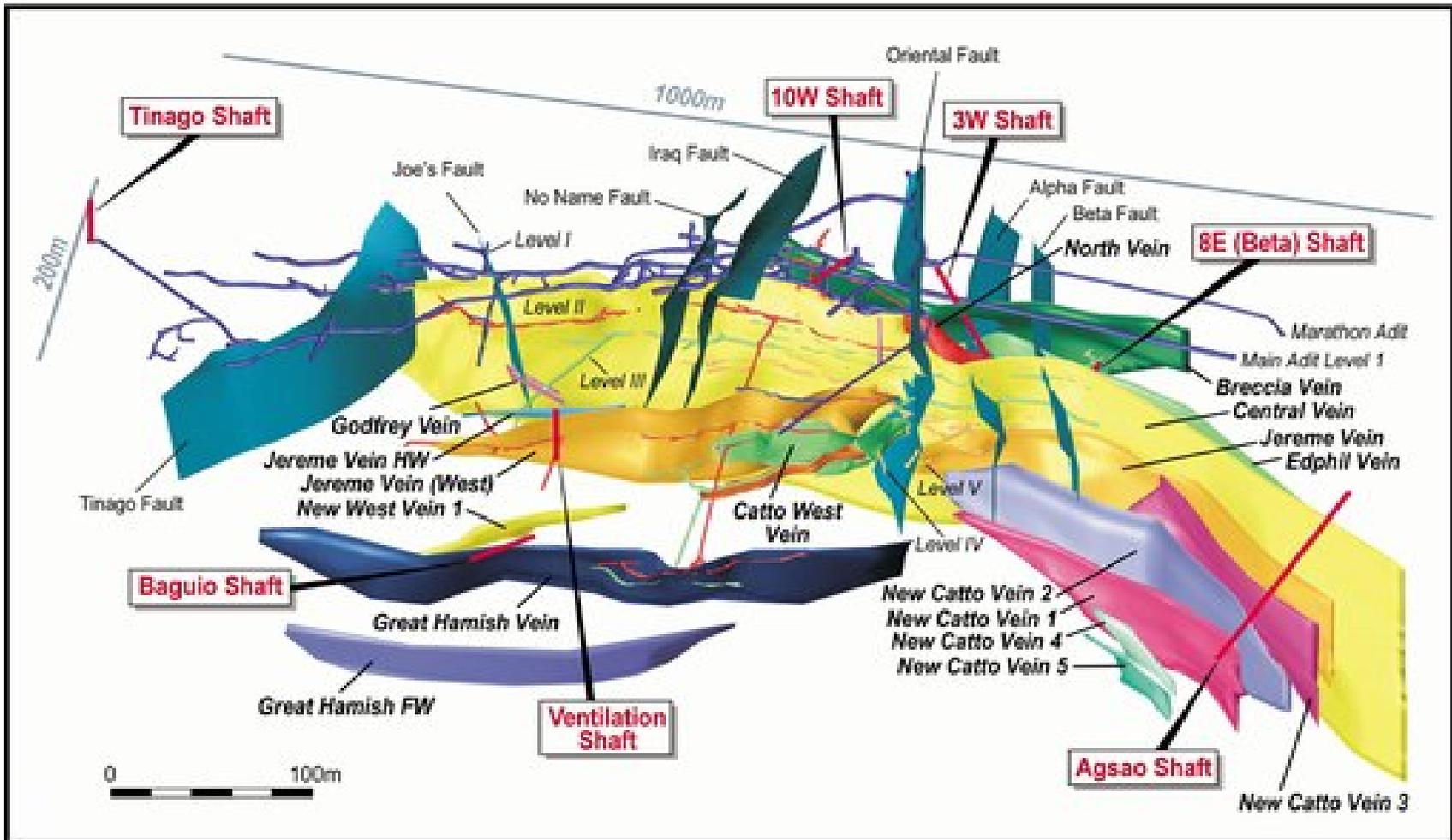


Figure 3. Co-O Mine 3D model looking north.

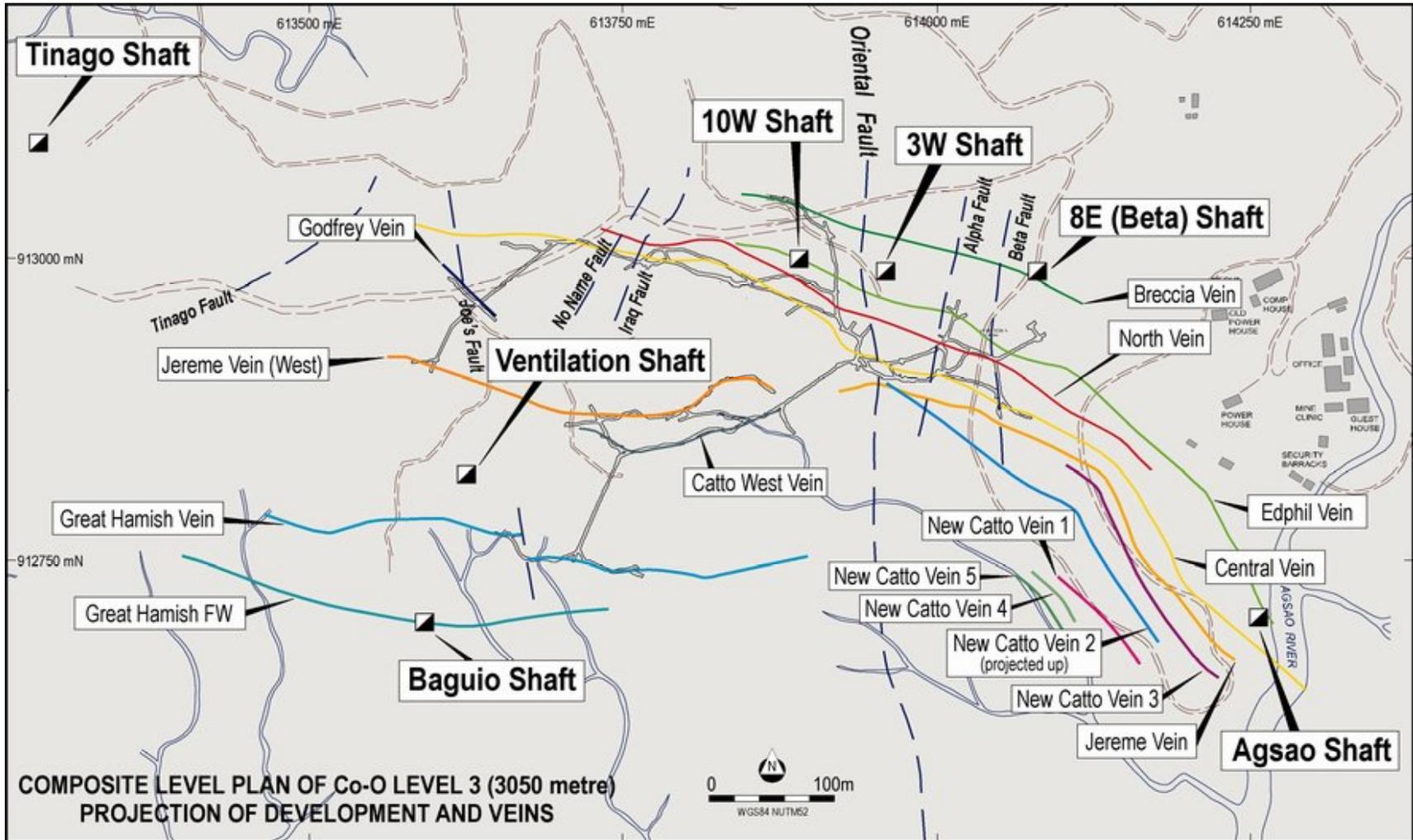


Figure 4. Composite level plan of the Co-O Mine vein system.

LINGIG PORPHYRY COPPER DISCOVERY

The Lingig prospect is covered by a Mines Operating Agreement (MOA) over 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.

GEOLOGICAL SETTING

Figure 5 shows the current interpretation of the regional geology and Table II contains drill hole results to date. Figure 6 shows a longitudinal projection of the drilling completed to date and the relevant historical drill holes.

Comparison with the Atlas Mine on Cebu Island shows there may be some similarities with the structural setting and styles of mineralisation. At Atlas, mineralisation is hosted predominantly in intrusive porphyry rocks at the Biga Barot and Carmen deposits, and predominantly in volcanic rocks (and associated with some intrusive and mineralised porphyry sills or dykes) at the Lutopan deposit where mineralisation is 120 metres thick and 900 metres long. The Biga and Carmen deposits are located between two steeply dipping regional scale faults (Bureau of Mines and Geosciences, 1986).

The Atlas deposits, including mined material, have total resources of 1.53 billion tonnes at 0.41% copper and 0.24 g/t gold (www.atlasphilippines.com).

MINERALISED THRUST ZONE

Since commencing drilling in June 2008, the Company has completed approximately 4,000 metres in 8 holes (angle and vertical) utilising one drilling rig. Drilling difficulties were experienced in several holes which led to the premature abandoning of LIN 1 and 4 drillholes. LIN 4, which was twinned by LIN 5, has not as yet been assayed. LIN 8 has just been completed and assays are awaited.

The mineralisation discovered by a 1974 aid programme in drill hole DDH 1 (the five DDH aid programme holes are now relabelled as JDH 1 to JDH 5, see the announcement dated 13 November 2007 and the December 2007 quarterly report for detailed descriptions) has now been shown to be contained within an extensive east dipping 200 to 300 metre thick thrust zone. The thrust footwall is an unmineralised quartz diorite which intruded the basaltic sequence (numerous basalt xenoliths are present near the diorite contact). The intrusive contact appears to have subsequently become the footwall of the regional thrust zone.

The mineralised porphyry intersected in the bottom of the discovery hole JDH 1 (and subsequently in several new holes) appears to be a north-plunging or dipping partly mineralised porphyry sill up to approximately 100 metres thick within the thrust zone. Some chilling has been noted in places on its contacts. This porphyry sill has also been found as a west-trending 60 metre long copper mineralised outcrop approximately 200 metres southeast of holes LIN 2 and 3. Its full extent, role in mineralisation and degree of mineralisation are not yet understood.

Within the thrust zone, and to a lesser extent above the thrust, there is widespread epidote alteration as epidote veins, epidote quartz-sulphide veins and disseminated epidote clots and disseminated grains. To date the epidote alteration has been ubiquitous in the area drilled. Magnetite as disseminations and veins is generally closely associated with the copper mineralisation.

Sulphide mineralisation within the copper mineralised zone comprises fairly ubiquitous pyrite up to 10% and lesser copper sulphides predominantly as chalcopyrite with some chalcocite and minor bornite, particularly in holes LIN 2 and 3.

Assaying of selected samples from hole LIN 6 indicates that the mineralising system is clean and does not contain arsenic, mercury or antimony above detection limits.

Roadways approximately 200 to 300 metres south of LIN 2 and 3 have exposed intensely sulphide (now limonite) veined and stockworked, argillically weathered basalt indicating that the mineralisation is likely to extend beyond these outcrops to the south.

The footwall of the thrust fault is interpreted to extend southwards at least as far as the quartz dacite intrusive complex. Mineralisation, possibly within or related to the thrust, located approximately 1,500 metres south of the current drilling was intersected by previous drill holes

JDH 3 and 5 (Table II). Mineralisation controls and trends within the thrust will become clearer as drilling progresses over the coming months.

QUARTZ DACITE PORPHYRY INTRUSIVE COMPLEX

The extensive quartz dacite intrusive complex to the south of the current drilling covers an area of approximately 2km by 1.5km. In 1996-97 Barrick Gold (Phils) Inc. undertook extensive sampling of outcropping altered material targeting bulk gold mineralisation. An old report indicates that 16 outcrop samples returned gold values in the range from 0.2 to 1.5 g/t gold, however detailed sample location maps are not available.

Large areas of the complex are brecciated and commonly silicified and quartz vein stockworked. Many of the silicified rocks are cut by late fine quartz veining. Sulphides (now limonite) generally comprise 1 to 5% of the silicified rock. Argillic alteration is also present in some areas.

Other areas of sulphidic milled breccias with approximately 30 to 50% milled fragments in a 50 to 70% limonite matrix have been observed.

Some deeper creek exposures show common chalcopyrite and lesser covellite.

A comprehensive programme of mapping, outcrop sampling, and in some areas, soil sampling, is continuing.

WORK PROGRAMME

One drilling rig will continue working along the thrust zone and has commenced LIN 9 to the south of LIN 2 and 3, and will then work its way southwards.

Additional rigs will be added when they become available.

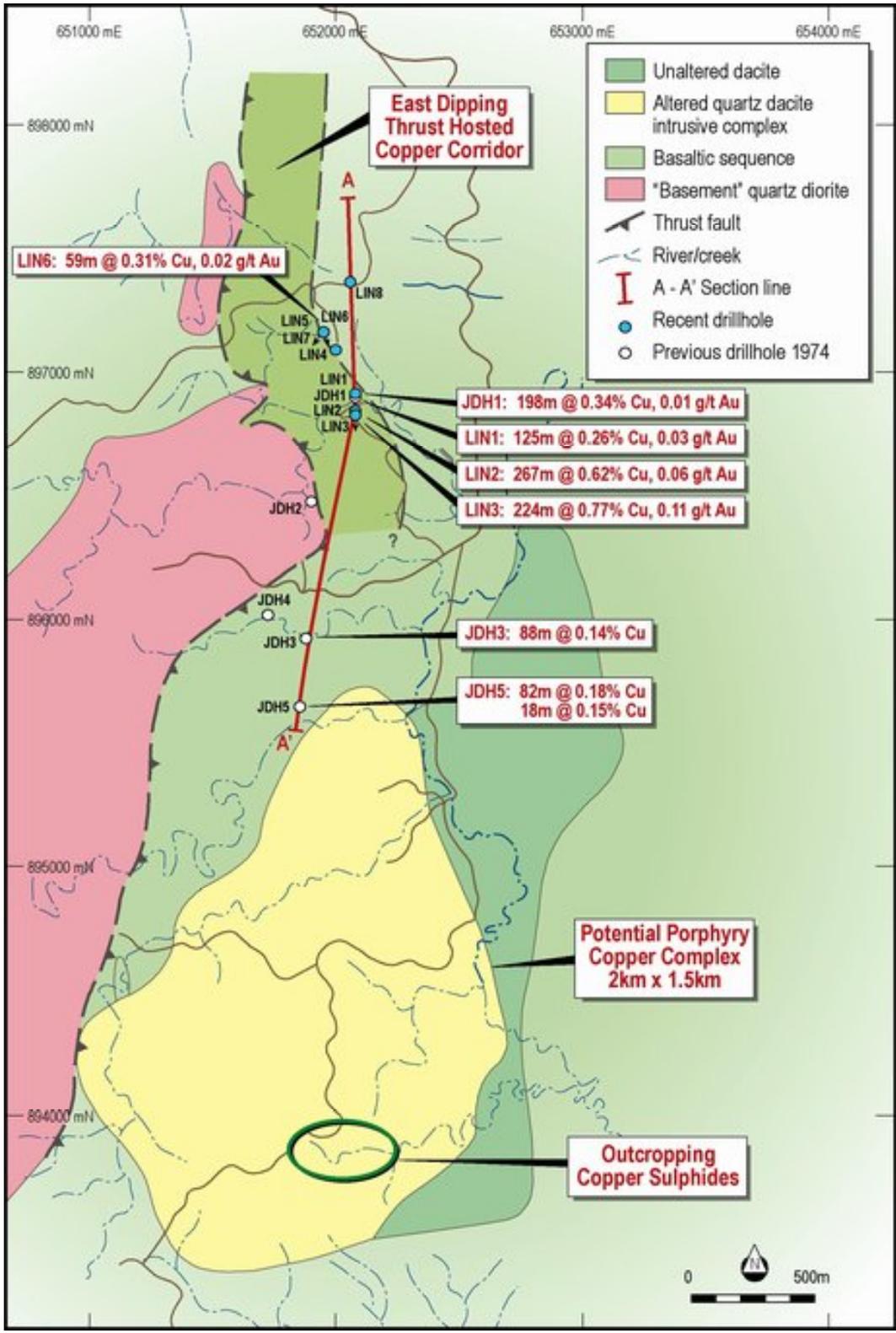


Figure 5. Lingig re-interpreted geology map showing drillhole locations and the thrust-hosted copper corridor.

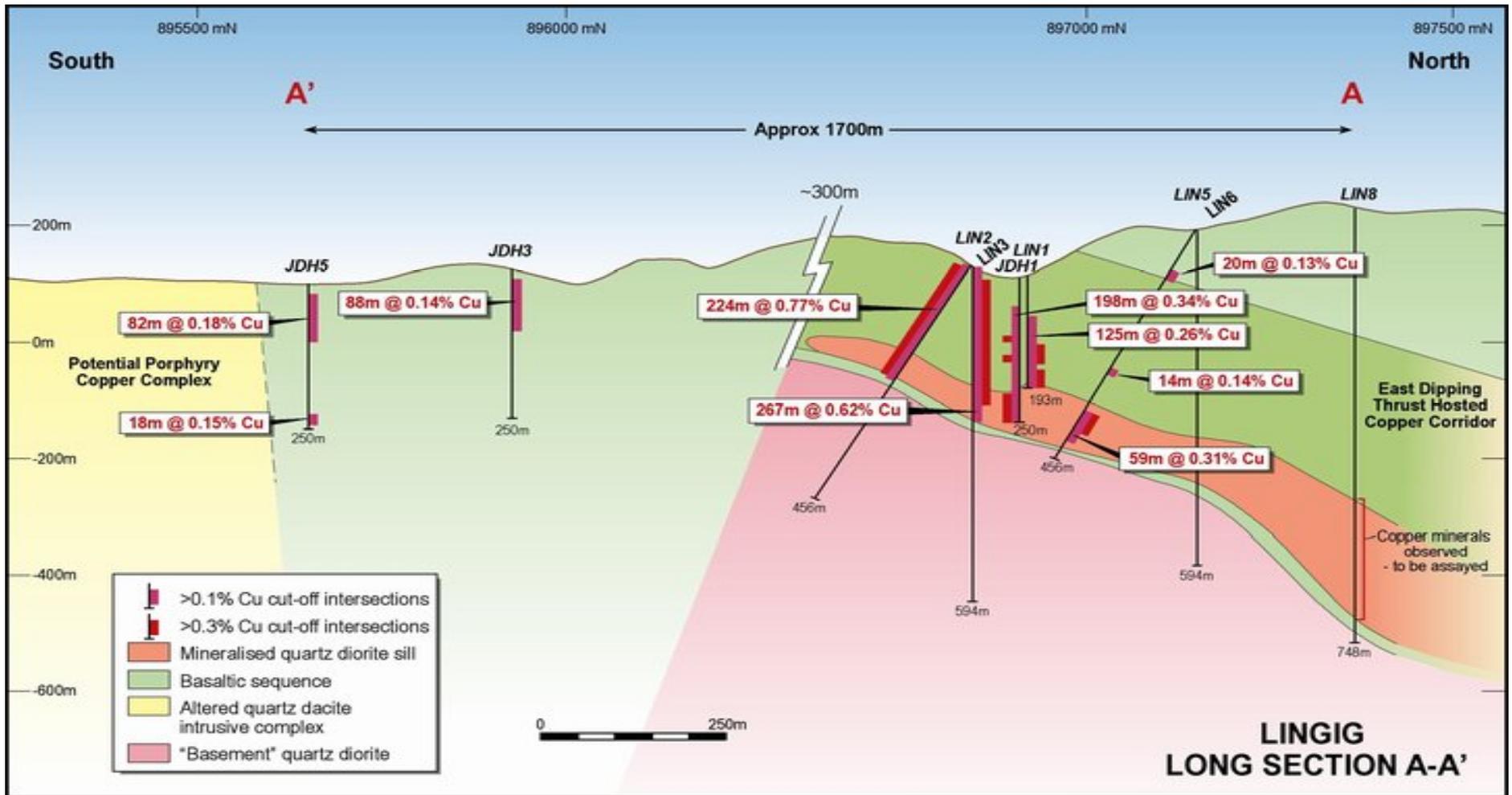


Figure 6. Longitudinal projection showing drill holes and copper values using a 0.1% copper cut-off.

Table II. Summary of new Lingig drilling results and relevant 1974 drilling results for intersections >10 metres wide
(including sub-cut. off grade material up to 10 metres wide).

Hole	East	North	Azimuth	Dip	Cut-off 0.1% copper					Cut-off 0.3% copper				
					From (metres)	To (metres)	Width (metres)	Grade (% Cu)	Gold (g/t)	From (metres)	To (metres)	Width (metres)	Grade (% Cu)	Gold (g/t)
LIN 1	652072	896918	0	-90	71.00	196.10	125.10	0.26	0.03	118.50	153.50	35.00	0.32	0.02
										161.50	196.10	34.60	0.35	0.04
LIN 2	652075	896844	0	-90	2.00	269.30	267.30	0.62	0.06	26.00	240.65	214.65	0.72	0.07
										Including				
										132.00	142.65	10.00	1.00	0.27
										172.00	240.65	68.65	1.03	0.08
LIN 3	652075	896844	180	-60	0.00	224.00	224.00	0.77	0.11	10.00	222.00	212.00	0.80	0.07
										Including				
										68.00	146.00	78.00	1.16	0.21
										180.00	190.00	10.00	1.02	0.06
										206.00	218.00	12.00	0.98	0.20
LIN 6	651994	897150	166	-62	94.10	114.10	20.00	0.13	0.01	364.20	400.20	36.00	0.37	0.03
					280.40	294.40	14.00	0.14	0.01					
					362.20	421.60	59.40	0.31	0.02					
JDH 1	652073	896908	0	-90	52.00	250.00	198.00	0.34	0.01	100.00	112.00	12.00	0.43	0.00
										134.00	146.00	12.00	0.40	0.00
										200.00	250.00	50.00	0.67	0.04
JDH 3	651865	895926	0	-90	12.00	100.00	88.00	0.14	0.00					
JDH 5	651828	895648	0	-90	18.00	100.00	82.00	0.18	0.00					
					224.00	242.00	18.00	0.15	0.00					

Notes: (i) Holes LIN 1 and 4 were terminated prematurely due to bad ground conditions. No assays are currently available for LIN 4 which was subsequently twinned by LIN 5.
(ii) Assays are awaited for LIN 8.

TAMBIS–BAROBO AREA

The Tambis project, currently comprising the Bananghilig and Kamarangan prospects, is operated under a Mining Agreement with Philex Gold Philippines Inc. over Mineral Production Sharing Agreement (MPSA) application APSA-000022-XIII which covers 6,262 hectares.

BANANGHILIG

Interpretation work of the diatreme breccia hosted mineralisation is continuing.

KAMARANGAN PORPHYRY TARGET

A first pass drilling programme of ten holes has been completed. A drilling update should be available during the next quarter.

ANOLING

The Mines Operating Agreement (MOA) with Alcorn Gold Resources Inc. covers Mining Production Sharing Agreement (MPSA) application number 039-XIII situated approximately 8 kilometres north from the millsite as shown on Figure 2. Processing of the Anoling MPSA is progressing.

Diamond drilling has been temporarily suspended as the rig is currently undertaking geotechnical drilling on the new tailings dam site.

OTHER PROJECTS

➤ Abacus Project

The MOA with Abacus Consolidated Resources and Holdings Inc. covers Exploration Permit (EP) application number 000028-XIII situated to the north of the Co-O Mine and millsite.

Following compilation and review of regional sampling and mapping, due to the lack of encouraging results and prospectivity and as only 45% of the tenement is available for exploration due to a watershed reservation and oil palm plantations, the Company has commenced proceedings to return this tenement to Abacus.

➤ Saugon Project

The Saugon regional ridge and spur soil sampling programme is under revision.

➤ Bunawan Joint Venture (Medusa earning 70%)

The Company, through its Philippines operating company, Philsaga Mining Corporation (Philsaga), signed a joint venture agreement (JVA) with Bunawan Mining Corporation (Bunawan) on 23 August 2007, the Philippine operating company of ASX listed Sierra Mining Limited (Sierra), whereby Philsaga will earn a 70% joint venture interest in Exploration Permit application (EPA) 000037-XIII and Mineral Production Sharing Agreement application (MPSA) 000003-XIII (together the Bunawan JV).

The Company through Philsaga Mining Corporation is continuing to fulfil its obligations under the JVA.

CORPORATE

On 6 March 2009 the Company raised gross proceeds of \$24,563,000 via the issue of 20,300,000 shares at A\$1.21 each to clients of Euroz Securities Limited.

Yours faithfully



Geoff Davis
Managing Director

JORC COMPLIANCE - CONSENT OF COMPETENT PERSONS

Medusa Mining Limited

Information in this report relating to **Exploration results**, 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 mineralization 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+. 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.

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.

Golder Associates Pty Ltd

The information in this report that relates to **Ore Reserves** is based on information compiled by Peter Onley MBA, MSc, BSc (Hons), FAusIMM, CP. Mr Onley is a full-time employee of Golder Associates Pty Ltd.

Mr Onley 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 Onley consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Golder Associates is a global consulting group employing more than 5500 staff offering services in earth engineering and environmental sciences.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

MEDUSA MINING LIMITED

ACN or ARBN

099 377 849

Quarter ended (% current quarter+)

31 March 2009

Consolidated statement of cash flows

	Current quarter \$A000	Year to date (6 months) \$A000
CASH FLOWS RELATING TO OPERATING ACTIVITIES		
1.1 Receipts from product sales and related debtors	12,344	32,834
1.2 Payments for (a) exploration and evaluation	(3,149)	(8,678)
(b) operation	(2,968)	(7,713)
(c) administration	(867)	(2,443)
1.3 Interest and other items of a similar nature received	28	51
1.4 Other	-	-
Net operating cash flows	5,387	14,052
CASH FLOWS RELATING TO INVESTING ACTIVITIES		
1.5 Payments for (a) prospects	-	-
(b) equity investment	-	-
(c) fixed assets	(2,591)	(4,921)
(d) development	(4,147)	(11,475)
1.6 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) fixed assets	-	-
1.7 Loans to other entities	-	-
1.8 Other (provide details if material)	-	-
Net investing cash flows	(6,738)	(16,396)
1.9 Total operating and investing cash flows (carried forward)	(1,350)	(2,344)
CASH FLOWS RELATING TO FINANCING ACTIVITIES		
1.10 Proceeds from issues of shares, options, etc.	24,563	25,643
1.11 Proceeds from borrowings	-	-
1.12 Repayment of borrowings	-	-
1.13 Other (issue expenses)	(1,300)	(1,300)
Net financing cash flows	23,263	24,343
Net increase (decrease) in cash held (carried forward)	21,913	21,999

Appendix 5B
Mining exploration entity quarterly report

	Net increase (decrease) in cash held (brought forward)	21,913	21,999
1.14	Cash at beginning of quarter/year to date	5,737	4,834
1.15	Exchange rate adjustments to item 1.14	(69)	748
1.16	Cash at end of quarter	27,581	27,581

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.17	Aggregate amount of payments to the parties included in item 1.2	380
1.18	Aggregate amount of loans to the parties included in item 1.7	-
1.19	Explanation necessary for an understanding of the transactions	
	Salaries and consulting fees paid to Directors of the Company	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

	\$A000
4.1 Exploration and evaluation	3,000
4.2 Development	4,000
Total	7,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A000	Previous quarter \$A000
5.1 Cash on hand and at bank	9,932	3,782
5.2 Deposits at call	17,649	1,955
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.16)	27,581	5,737

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note 2)	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements acquired or increased	-	-	-	-

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amt paid up per security (see note 3)
7.1 *Preference securities <i>(description)</i>				
7.2 Changes during quarter				
(a) Increases through issues	20,300,000	20,300,000	\$1.21	\$1.21
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	166,607,548	166,607,548		
7.4 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	5,030,000	-	<i>Exercise price</i> (see note 6)	<i>Expiry date</i> (see note 6)
7.8 Issued during quarter	1,000,000	-		
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	(7,000,000)	-		
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

