

Regulatory Story

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Company	Medusa Mining Limited
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MEDUSA MINING LIMITED
(AIM: MML)

QUARTERLY ACTIVITIES REPORT PERIOD ENDED 30 JUNE 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 30 June 2010.

Highlights for the June 2010 quarter:

- Co-O Mine Quarterly production of 25,012 ounces at an average grade of 13.65 g/t at cash cost of US\$182 per ounce and record annual production of 89,679 ounces
- Total cash and bullion at end of quarter of approximately US\$62.0 million (unaudited)
- Co-O Indicated Resources increased by 4% to 603,000 ounces and Inferred Resources increased by 36% to 898,000 ounces
- Appointment of Mr Peter R. Jones as Non-executive Chairman and Mr Peter Hepburn-Brown as Executive Director - Operations

Managing Director Geoff Davis commented:

"I am pleased with this quarter's production of 25,012 ounces and the record production for the year of 89,679 ounces. Surface stockpiles and broken ore underground augur well for achieving our production targets.

Following recent completion of the Co-O Mine two phase expansion program to the production level of 100,000 annualised ounces, we will focus on stabilising the operations for the next two quarters at production levels around 25,000 ounces per quarter for the first half and then assess the possibility of incremental production increases for the second half.

The Company is pleased with the new resource estimate at Co-O and intends to maintain the total resources estimate at current levels on an annual basis, but will actively continue drilling to seek extensional mineralisation

outside the current mine limits.

An exploration budget of US\$20 million for the forthcoming year will ensure a very active programme. Drilling has commenced on schedule at the extensive Bananghilig Deposit and is underway at Saugon, highlighting both the short and long term potential of the Company."

In line with the Company's size and future plans, the Board has been strengthened with the appointment of a new Chairman and the recent appointment of the Executive Director of Operations."

29 July 2010

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**QUARTERLY ACTIVITIES REPORT
PERIOD ENDED
30 JUNE 2010**

SNAPSHOT OF MEDUSA:

- Expanding gold producer operating solely in the Philippines
- Debt free and un-hedged
- Forecast production FY 2010/11 of 100,000 ozs.
- Long term cash costs at Co-O Mine circa US\$190 per oz
- Co-O Mine conceptual target size 3 to 7million ozs**
- Mineral Resources comprise
 - Co-O Mine: Indicated 603k ozs at 13.2 g/t gold; Inferred 898k ozs at 9.6 g/t gold
 - Bananghilig: Inferred 650k ozs at 1.3 g/t gold
- Probable Reserves : Co-O Mine 500k ozs @ 14.9 g/t gold
- Organic growth policy to potentially produce 300,000 to 400,000 ozs per year

OVERVIEW:

Co-O MINE PRODUCTION

- Quarterly production of 25,012 ounces at an average grade of 13.65 g/t at cash cost of US\$182 per ounce and record annual production of 89,679 ounces

Co-O RESOURCES & RESOURCE DRILLING

- Indicated Resources increased by 4% to 603,000 ounces and Inferred Resources increased by 36% to 898,000 ounces

- Drill gold results announced 30 June include 1.00 metre at 26.83 g/t, 2.00 metres at 23.35 g/t, 1.00 metre at 22.13 g/t, 1.20 metres at 28.74 g/t, 1.70 metres at 54.41 g/t, 1.95 metres at 36.39 g/t, 1.25 metres at 23.76 g/t and 4.00 metres at 64.54 g/t

- Reserve estimate scheduled for August 2010

BANANGHILIG DEPOSIT

- Granting of the Tambis MPSA covering the Bananghilig Deposit is well advanced

- Drilling has commenced with one rig, with four more rigs expected to follow by the end of September

LINGIG COPPER

- **Excellent exploration upside: high grade vein and disseminated bulk gold targets, plus seven porphyry copper targets**

- Mineralisation located in two settings, basalt-hosted and diorite-hosted
 - Recent results include 154.60 metres at 0.45% copper ending in mineralisation and 86.00 metres at 0.12% copper
 - Assessment of results will be undertaken before further drilling is carried out

Board of Directors

Peter R. Jones (Non-executive Chairman)

Geoffrey Davis (CEO)

Peter Hepburn-Brown (Director Operations)

Roy Daniel (CFO)

Robert Weinberg (Non-executive Director)

Andrew Teo (Non-executive Director)

Capital Structure:

Ordinary shares: 187,584,911

Unlisted options: 1,240,000

Listings:

ASX and AIM (Code: MML), **TSX** (Code: MLL)

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SAUGON PROJECT

- Drilling currently underway with two rigs

FINANCIALS & CORPORATE

- Total cash and bullion at end of quarter of approximately US\$62.0 million (unaudited)

- Appointment of Mr Peter R. Jones as Non-executive Chairman and Mr Peter Hepburn-Brown as Executive Director Operations

*** 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.*

PROJECT OVERVIEW

The locations of the Company's projects are shown on Figures 1 (please see the link at the end of this announcement) and 2 (please see the link at the end of this announcement).

Co-O MINE

GOLD PRODUCTION

The production statistics for the June 2010 quarter with comparatives for the March 2010, December 2009 and September 2009 quarters and Year to Date are summarised in Table I.

Table I. Gold production statistics

Period	Unit	Qtr ended 30 Jun 10	Qtr ended 31 Mar 10	Qtr ended 31 Dec 09	Qtr ended 30 Sep 09	YTD 30 Jun 10
Tonnes mined	WMT	53,872	51,512	54,222	43,287	202,893
Ore milled	DMT	60,611	40,943	37,588	40,467	179,609
Head grade	gpt	13.65	20.61	18.68	14.78	16.52
Recovery	%	94%	94%	94%	94%	94%
Gold produced (1)	ozs	25,012	25,505	21,108	18,054	89,679
Cash costs (2)	US\$	\$182	\$180	\$184	\$193	\$184
Gold sold	ozs	24,858	-	21,108	18,054	64,020
Average gold price received	US\$	\$1,182	-	\$1,111	\$975	\$1,100

Note:

(1) Gold production, is actual gold poured during the period and does not reflect changes in the balance of gold in

circuit

(2) Cash costs refers to the cost of gold mined (net of development costs), produced but not necessarily sold and includes royalties and local taxes of US\$46 per ounce for the Jun 2010 qtr (Mar 10 qtr: US\$48 per oz, Dec 09 qtr: US\$48 per oz, Sep 2009 qtr: US\$34 per ounce, YTD: US\$46 per ounce)

Gold production for the quarter was 25,012 ounces at an average grade of 13.65 g/t gold and cash costs of US\$182 per ounce. Annual production for the year ended June 2010 was 89,679 ounces at an average grade of 16.52 g/t gold and cash costs of US\$184 per ounce, inclusive of taxes, royalties and production taxes of US\$46 per ounce.

Medusa an unhedged gold producer, sold 24,858 ounces of gold at an average price of US\$1,182 during the quarter.

The increased tonnage processed reflects increased throughput capacity of the mill. The reduction in grade compared to the previous quarter reflects less development in areas with black leader (which are being set up for longhole stoping) and the use of some of the stockpiled material. The grade is within the anticipated long term grade range of 12 to 15 g/t gold.

The forecast for the forthcoming fiscal year is production of 100,000 ounces at anticipated cash costs of US\$190 per ounce, as seen in Graph 1 (please see the link at the end of this announcement).

Co-O MINE

Mineral Resource Estimate

A new mineral resource estimate was completed by Cube Consulting Pty Ltd of Perth, Western Australia (see announcement of 22 July 2010) resulting in the Indicated Resources increasing by 4% and the Inferred Resources increasing by 36% as summarised in Table II.

Table II. Co-O Mine mineral resource estimate to 21 June 2010

Category	> 0 g/t gold		
	tonnes	g/t gold	ounces
Indicated	1,418,000	13.2	603,000
Inferred	2,905,000	9.6	898,000

Notes:

- A lower cut-off of 0 g/t gold has been applied
- Variable upper cuts up to 200 g/t gold has been applied to different veins
- Rounding to the nearest 1,000 may result in some slight discrepancies in totals.

Mine Development

The new 60 metre inclined shaft (6W) to the Level 6 has reached final depth and development on Level 6 will commence during the next quarter (Fig.4) (please see the link at the end of this announcement).

A vertical siter or shaft location drill hole to 500 metres depth has been completed to the north of the adit entrances (Fig. 4) (please see the link at the end of this announcement) in preparation for sinking a vertical ventilation shaft, the Mid Royal Shaft, initially to Level 2. This shaft will also allow rationalisation of services into the mine (power, water, compressed air). Preparations for shaft sinking is expected to commence during the next quarter.

The Level 3 drive from the Baguio Shaft to below the Tinago Shaft has been completed and preparations are under way to commence an Alimak rise to link Level 3 to the Tinago Shaft. This will then act as the main ventilation exhaust for the western end of the mine. It is intended that a power line will be installed to the Tinago Shaft.

Mine Production

Production has continued uninterrupted at the mine. Surface stockpiles are approximately 20,000 tonnes which were drawn down by around 7,000 tonnes.

The fitting of the skip and headframe to the vertical Ventilation Shaft near the Baguio Shaft to haul mineralised material from above Level 1 has been completed with haulage commenced.

Mill Expansion

The mill expansion comprised a new primary, secondary and tertiary crushing circuit with a washing and screening section. The fine ore is stored in two 800 tonne capacity fine ore bins.

Mill operation during the period was in line with management expectations. Increased efficiencies were achieved after smaller diameter grinding balls were loaded into the ball mill in line with the finer feed size now available. The milling averaged 666 tonnes per day compared to 454 tonnes per day in the previous quarter, an increase of 46%.

A thickener unit is nearing completion. Construction of a new water storage tank is expected to commence during the next quarter followed by two new leach tanks.

Tailings Dam

Construction of a new eight year life tailings dam has been completed.

Power

Construction has commenced on the dedicated power line from the San Francisco sub-station to the mill. It is anticipated that this will be completed in the December quarter 2010.

RESOURCE DRILLING

Discussion

Figure 4 (please see the link at the end of this announcement) shows all the new MD series diamond drill holes from MD 241 to MD 260 totalling 13,993 metres which have been completed around the Co-O Mine since 29 March 2010. Results are awaited for MDs 258 and 259. Figure 5 (please see the link at the end of this announcement) shows the underground drilling totalling 4,865 metres from all levels in the mine.

A possible new vein(s) discovery is indicated by intersections to the north of the Royal Vein which have been returned from MED 244 (0.40 metres at 17.20 g/t gold and 1.00 metre at 3.14 g/t gold), MED 252 (0.25 metres at 16.87 g/t gold and 0.20 metres at 16.11 g/t gold), and EXP 028 (0.35 metres at 10.59 g/t gold, 1.00 metre at 1.37 g/t gold and 0.20 metres at 2.39 g/t gold)) in conjunction with a deep intersection in MD 68 which intersected 3.10 metres at 15.37 g/t gold at approximately 500 metres below Level 1 (announced 4 June 2008).

An increasing amount of resource drilling will be undertaken from underground allowing some of the surface rigs to be re-allocated to the Bananghilig Project.

Drill results

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 from MD 241 to MD 260 as well as results not previously reported for one earlier hole as announced on 30 June 2010. Other reports containing intersections for holes numbered MD 217 to 240 were announced on 29 March 2010 and for holes below MD 217 were announced on 18 January 2010, 1 July 2009, 1 December 2008 and 12 August 2008. In 2007 the announcements are dated 9 July, 15 May and 28 February. The announcement of 30 June 2010 also contains information regarding drill hole surveying techniques and comments on vein interpretation, resource conversion methodologies and sampling and assaying procedures.

Table IV lists the underground drill holes from Levels 2, 3, 4 and 5.

The announcement of 30 June 2010 contains more detailed results for surface and underground drill holes 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 and some cross-faulting. Most drilling is sub-parallel to the fault directions and rarely intersects the faults, which are subsequently identified by underground on-vein development.

Table III. Co-O surface drill hole results >3 g/t gold and >0.5 metres downhole for new holes MD 241 to MD 260 and complete assays for previously partly reported hole designated *

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
MD 237*	613812	913203	-49	176	299.50	1.15	14.10 (*)
					331.20	1.00	26.83 (*)

MD 241	614136	912992	-45	193	278.10	2.00	23.35
					308.90	0.60	35.45
					404.80	0.65	7.16
MD 244	614130	913231	-60	180	77.75	1.00	3.14
					205.20	0.50	4.52
					256.40	0.75	17.95
					276.80	1.00	7.60
					356.50	0.80	15.52
					380.10	1.00	22.13
MD 245	613721	913204	-47	180	298.60	0.95	8.82 (*)
MD 247	613640	913131	-45	191	376.00	1.15	5.50 (*)
MD 252	614292	913157	-45	200	220.90	1.50	5.86 (*)
					441.70	0.60	4.23 (*)
					495.30	1.20	28.74 (*)
					531.30	1.40	4.54 (*)
MD 260	613450	913207	-67	148	413.50	1.00	6.57 (*)

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. Co-O underground drill hole results >3 g/t gold and >0.5 metres downhole

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
LEVEL 2							
L2-014	613350	912801	3	0	86.00	0.70	38.16 (*)
					152.05	0.65	18.33 (*)
L2-015	613368	912785	3	10	86.00	0.70	29.00 (*)
					89.65	0.30	13.10 (*)
					159.70	0.35	7.80 (*)
LEVEL 3							
L3-003	613258	912846	3	59	3.20	1.55	4.31 (*)
L3-004	613376	912985	3	327	21.20	0.90	3.09 (*)
L3-005	613477	912930	3	42	87.25	1.35	7.20 (*)
L3-008	613913	913028	3	23	103.10	4.20	4.98 (*)
LEVEL 4							
L4-002	613923	912905	3	157	56.25	0.75	5.03 (*)
L4-004	613923	912905	3	157	Wait		
L4-005	613758	912749	3	32	22.30	1.70	54.41 (*)
					27.70	0.90	10.07 (*)
L4-006	613760	912748	3	47	31.50	1.10	11.53 (*)
					137.20	1.20	5.41 (*)
L4-007	613757	912749	3	352	12.60	1.00	10.22 (*)
LEVEL 5							

L5-001	613880	912749	-60	346	29.95	1.95	35.39 (*)
					39.45	1.25	23.76 (*)
					44.80	4.00	64.53 (*)
					51.45	1.25	5.36 (*)
L5-003	613888	912794	3	0	57.40	2.30	12.40 (*)
					99.00	2.00	3.70 (*)
L5-004	613885	912794	3	342	90.50	3.10	14.61 (*)
L5-005	613883	912793	3	330	55.80	2.05	6.43 (*)
					58.50	0.60	14.37 (*)
					258.90	1.40	3.20 (*)
L5-006	613885	912789	-70	168	48.20	0.70	56.87 (*)
					50.45	2.80	18.11 (*)
L5-007	613885	912789	-56	168	37.75	6.50	12.24 (*)

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 CONCEPTUAL TARGET SIZE

As announced on 18 January 2010, a conceptual target size** for the Co-O Mine was estimated at between 3 million and 7 million ounces. Further details are provided in the above announcements.

Figure 6 (please see the link at the end of this announcement) was included in the announcement of 22 July 2010 and shows a composite longitudinal projection of all the drill hole intersection grades below Level 6 (250 metres below Level 1). These intersections strongly support the concept that mineralisation extends to a depth of 500 metres below Level 1, and also show that the mineralisation occurs below the 500 metre level.

It should be noted that the conceptual target size** includes the current resource estimate. The mine has produced approximately 290,000 ounces to 30 June 2010.

** 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.

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 start to increase significantly approximately 80 metres below surface.

Figure 7 (please see the link at the end of this announcement) shows the positions of the 28 holes completed to date. Results for EXP 001 to 012 were announced on 10 December 2009 and an update to EXP 022 was provided on 29 March 2010. A total of 5,189.6 metres have been completed in the seven holes EXP 022 to 028.

Table V shows the results >1g/t gold for holes EXP 022 to 028.

Table V. Co-O regional drill hole results >1g/t gold and >0.2 metres downhole for holes EXP 022-028

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
EXP 024	613551	914075	-47	270	547.40	1.00	2.48 (*)

EXP 027	613941	913554	-55	155	683.00	0.25	2.12 (*)
EXP 028	614180	913559	-56	157	704.70	0.35	10.59 (*)
					707.80	1.00	1.37 (*)
					724.90	0.20	2.39 (*)

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.

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 has intersected copper mineralisation in two settings and results to date are shown on Figure 8 (please see the link at the end of this announcement). Additional information is contained in the announcement dated 7 May 2010.

Basalt-hosted mineralisation (now called the **Basalt Prospect**) is hosted within the basaltic and doleritic rocks around the 1974 discovery area. This mineralisation appears to form a large north plunging body presumed to be still open to the north down-plunge. The most recent and most northerly drill hole returned 154.60 metres at 0.45% copper but was abandoned in strong mineralisation. It is interpreted that the bottom of this mineralisation may be faulted-off by the underlying thrust fault and the rest of the mineralised zone is yet to be located. Further drilling is required.

Breccia-hosted mineralisation (now called the **Breccia Prospect**) has continued to be located associated with intense biotitic alteration in dioritic, polyolithic hydrothermal breccias.

The breccia body is tabular and open to the south with copper mineralisation in intensely altered hydrothermal breccias with the most recent intersections of 154.7 metres at 0.19% copper in hole LIN 37 and 86.0 metres of 0.12% copper in hole LIN 40. Further drilling is required.

TAMBIS-BAROBO REGION

The Tambis project, currently comprising the Banaghilig 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 (includes the Banaghilig Gold Project and the Kamarangan copper-molybdenum prospect). Processing of the application is well advanced.

Banaghilig Gold Project

Figure 2 (please see the link at the end of this announcement) shows the location of the Banaghilig Deposit. Drilling has commenced at site and by the end of September it is intended that there will be five rigs operating with the aim 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.

Usa Porphyry Copper-Gold Prospect**Background**

The Usa prospect located within Mineral Production Sharing Agreement application ("APSA") XIII-00077. The Company has a Memorandum of Agreement with Corplex Resources Inc ("Corplex") whereby:

- Corplex will receive a 4% gross royalty on all production, or
- in the event of a major discovery and completion of a Scoping Study which demonstrates at least a five year mine life, Corplex can elect to,

- a) buy back a 30% interest by re-imbursing to the Company a sum equal to four times the expenditure on the tenement; and
- b) contribute to 30% of all on-going expenditure from the point of buy-back forwards.
- c) should Corplex elect not to contribute to all on-going expenditure, then Corplex can elect once only to dilute to a 15% non-contributing free carried interest to commencement of production, at which point the Company shall provide a loan to Corplex to fund its 15% interest; or
- d) in the event that Corplex does not exercise the buy-back, then Corplex will maintain its 4% gross royalty on production.

There are indications that the prospect extends eastwards into APSA XIII-00098 which is owned by Mindanao Philcord Mining Corporation which will receive a 1% Net Profits Interest from any production.

Regional Setting

Detailed information on the Usa prospect is contained in the announcement dated 5 May 2010 and Figure 2 (please see the link at the end of this announcement) shows the Usa prospect location. Figure 9 (please see the link at the end of this announcement) shows the detailed geology and geochemistry contours of rock chip samples.

The Usa prospect is located adjacent to the west side of the Barobo Fault corridor. This fault is parallel to the Philippine Rift Fault located approximately 30 kilometres to the west of the Usa prospect. The Barobo Fault corridor has numerous gold prospects already located along or adjacent to it, including Guinhalinan, Umbon, Matanog and Alikway.

Local Geology and Mineralisation

The geology consists of a mineralised and altered diorite complex which is intruding andesitic volcanics, older limestone and calcareous sediments. The setting and style of mineralisation are very similar to that at the Kamarangan copper-molybdenum porphyry prospect to the north where chalcopyrite and magnetite bearing diorite was intersected over several hundred metres in two holes during a scout diamond drilling completed in late 2008 to early 2009 (see announcement dated 29 May 2009).

The fine- to medium-grained diorite is variably but strongly phyllic altered (white clay, sericite and pyrite) with variably dispersed hairline veinlets of fine-grained magnetite. Mineralisation is predominantly pyrite occurring as fracture filling grains disseminated grains and vein infill. The pyrite is accompanied with bornite, and with occasional chalcopyrite. Malachite stained limestone and calcareous sediments with sphalerite, pyrite and bornite veins, and weakly mineralised pyrite and chalcopyrite magnetite have been noted in drainage float samples to the north of the diorite.

Contouring of the rock chip copper results (>700 ppm Cu) and gold results (>0.1 g/t Au) are shown on Figure 9 (please see the link at the end of this announcement) which are in close spatial proximity. The relationship of the diorite body to the surrounding rocks suggests that it has been recently uncovered and is not deeply eroded.

Artisanal mining activity with small but consistent recoveries is common in the drainages overlying and downstream of the mineralised altered diorite. Less active artisanal mining activity is noted to the north where chlorite and clay altered, sulphide veined andesitic units occur.

A large grid based soil sampling program designed to delineate the extent of the gold and copper mineralisation should be completed during the September quarter.

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 (please see the link at the end of this announcement). Processing of the MPSA is progressing.

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

SAUGON PROJECT

Drilling commenced at Saugon during the quarter with two drilling rigs. A detailed summary of previous exploration conducted in 2004 was published on 20 April 2010.

FIRST HIT VEIN

Discussion

Figure 10 (please see the link at the end of this announcement) shows the regional geology, location of the First Hit Vein, and the Paradise and Mabas Prospects.

Work in 2004 involved drilling of the First Hit Vein in conjunction with underground development via a 30 metre deep 60° inclined winze down the vein-breccia to assist in understanding the mineralisation. By chance, the winze was sunk at a contact between well banded and high grade vein on the north wall and polyolithic hydrothermal quartz breccias on the south wall containing fragments of various different vein and silica types, and with lower grade gold values.

The 2004 drilling indicated three zones of mineralisation as being partly developed footwall and hanging wall zones and a well developed central zone (First Hit Vein) which has the highest grades and a more prominent silver-polymetallic association.

Regional Setting

Subsequent to the drilling in 2004, an aeromagnetic survey was completed which showed the First Hit Vein set are on the northern edge of a large, northeast-trending demagnetised zone over 2,000 metres wide and approximately 8,000 metres long, part of which is shown on Figure 10. A number of features within this zone were interpreted to be suggestive of intrusive bodies, possibly porphyry copper-related. Field work has established that outcropping areas of the northern side of this zone show intense clay-pyrite alteration, which is presumed to extend across the bulk of the zone under cover to the south.

Sections of the demagnetised zone are covered by younger sediments, some grits and shales at the base and capped by white, semi-massive to massive limestone. This appears to be a remnant of the same younger sequence that occurs elsewhere to the north in the Company's tenements.

Drilling

Drilling has re-commenced at the First Hit Vein with two rigs, and will test additional targets that have been outlined by recent field work. As the 2004 drill holes were not down hole surveyed in the early drilling, some holes will be repeated to establish the geometry of the mineralised system before step-out drilling is undertaken. Two rigs will be involved in the programme which will be results-driven over the next 4 to 6 months.

Table I. First Hit Vein drill hole results >3 g/t gold and >0.2 metres downhole

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold, g/t Ag, % Cu, %Pb, %Zn)
SDDH 2B	616944	899267	-55	316	108.50	1.00	35.75 , 544, 0.38, 1.88, 1.62
SDDH 4	616912	899318	-59	290	89.50	0.20	9.76 , 142, 0.30, 1.18, 0.40
SDDH 5	616964	899344	-54	345	71.80	0.95	3.26 , 32, 0.20, 0.20, 0.61
SDDH 9	616979	899250	-67	319	176.20	0.20	4.97 , 78, 0.74, 1.51, 1.54
SDDH 27	616921	899334	-73	300	60.80	1.00	16.30 , 244, 1.32, 2.65, 4.97
					71.05	5.95	9.63 , not assayed
SDDH 28	616922	899307	-70	300	89.95	2.05	20.54 , not assayed
SDDH 29	616961	899315	-72	300	112.25	0.90	15.32 , not assayed
SDDH 31	616922	899254	-75	315	174.25	0.75	3.94 , not assayed
SDDH 34	617033	899279	-65	310	173.80	0.40	6.87 , not assayed
SDDH 35	617000	899305	-65	310	128.20	0.85	5.05 , not assayed

Notes:

- (i) Intersection widths are downhole drill widths not true widths;
- (ii) All assays are by McPhar Geoservices Inc laboratory in Manila;
- (iii) Grid coordinates based on the Philippine Reference System 92;
- (iv) The drill holes have not been downhole surveyed.

OTHER PROSPECTS

Paradise Prospect

Holes SDDH 19 and 22 were drilled at the Paradise Prospect which consists of an outcropping silica-barite cap

with anomalous gold values. Drilling encountered a 1.60 metre wide barite vein containing 0.89 g/t gold. Extensive clay-pyrite alteration of volcanics was uncovered in road cuttings to the south and northeast of the silica outcrops.

Mabas Prospect

Holes SDDH 15,16,18, 20, 21, 23 and 24 were drilled at the Mabas Prospect where there were some existing workings. The best drill-hole intersection below the workings was 1 metre at 5.64 g/t gold in SDDH 24. The workings were re-opened and developed. The mineralisation consisted of generally black chalcedonic silica with some lead-zinc mineralisation and gold values in the 6 to 8 g/t range. The silica appeared to be confined to a lens or boudin within the Mabas Shear zone.

Mabas South Prospect

The Mabas South Prospect has been discovered by recent field work, and whilst a narrow vein at <0.5 metres wide, has consistently returned gold values around 10 g/t gold in most samples. This vein will be drilled to test for grade and thickness at depth.

FINANCIALS (unaudited)

As at 30 June 2010, the Company which is debt free, had total cash and bullion of approximately US\$62.0 million (unaudited) (31 Mar 2010: US\$48.1 million).

During the quarter:

- the Company sold 24,858 ounces of gold at an average price of US\$1,182 (No gold was sold during the Mar 2010 qtr). Year to date gold proceeds totalled US\$70.4 million from the sale of 64,020 ounces of gold at an average price of US\$1,100 per ounce);
- incurred exploration expenditure of US\$5.4 million (Mar 2010 qtr: US\$4.3 million; YTD:US\$18.9 million);
- spent US\$1.8 million on capital works associated with the mine/mill expansion and sustaining capital (Mar 2010 qtr: US\$1.8 million); YTD US\$7.7 million); and
- incurred US\$2.0 million in capitalised mine development (inclusive of shaft sinking) costs (Mar 2010 qtr: US\$1.8 million; YTD: US\$7.9 million).

CORPORATE

Mr Peter R. Jones was appointed Non-executive Chairman of the Company on 8 July 2010 and Mr Peter Hepburn-Brown was appointed as Executive Director - Operations on 27 July 2010.

Managing Director, Geoff Davis commented:

"I am pleased with this quarter's production of 25,012 ounces and the record production for the year of 89,679 ounces. Surface stockpiles and broken ore underground augur well for achieving our production targets.

Following recent completion of the Co-O Mine two phase expansion program to the production level of 100,000 annualised ounces, we will focus on stabilising the operations for the next two quarters at production levels around 25,000 ounces per quarter for the first half and then assess the possibility of incremental production increases for the second half.

The Company is pleased with the new resource estimate at Co-O and intends to maintain the annual total resources estimate at current levels, but will actively continue drilling to seek extensional mineralisation outside the current mine limits.

An exploration budget of US\$20 million for the forthcoming year will ensure a very active programme. Drilling has commenced on schedule at the extensive Bananghilig Deposit and is underway at Saugon, highlighting both the short and long term potential of the Company."

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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 "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 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" 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 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.

HUG#1434623

[Quarterly Report 30 June 2010 Accompanying Images](#)

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