

## Regulatory Story

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**Company** [Medusa Mining Limited](#)  
**TIDM** MML  
**Headline** Quarterly Activities Report  
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Medusa Mining Limited  
31 July 2012

**Medusa Mining Limited**  
**("Medusa" or the "Company")**

**QUARTERLY ACTIVITIES REPORT**

**PERIOD ENDED 30 JUNE 2012**

**31 July 2012**

**Snapshot of Medusa:**

- Un-hedged, low cost, dividend paying gold producer focused on organic growth in the Philippines
- Growth path to annualised production of 400,000 ozs per year by end 2015
- Growth underpinned by strong cashflow from Co-O Mine (narrow vein underground)
  - FY 2012/13: production guidance of 100-120,000 ozs at cash costs circa US\$210/oz
- Current Mineral Resources comprise
  - Co-O Mine: Indicated 616k ozs at 12.0 g/t gold; Inferred 1,344k ozs at 8.8 g/t gold
  - Bananghilig: Inferred 650k ozs at 1.3 g/t gold
- Current Probable Reserves : Co-O Mine 502k ozs @ 10.1 g/t gold
- Co-O Mine Resources and Reserves to be maintained at current levels
- Conceptual exploration target size \*\* of Co-O Mine of 3 to 7 million ozs
- Excellent exploration upside: high grade vein and disseminated bulk gold targets, plus eight copper targets
- 820 km2 of tenements and exploration revised budget for FY 2013/14 of US\$30M

\*\* 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 24 August 2011.

**Board of Directors:**

**Geoffrey Davis** (Non-executive Chairman)  
**Peter Hepburn-Brown** (Managing Director)

**Ciceron Angeles** (Non-executive Director)  
**Robert Weinberg** (Non-executive Director)  
**Andrew Teo** (Non-executive Director)

**Capital Structure:**

Ordinary shares:	188,903,911
Unlisted options:	1,715,000
Performance rights:	250,000

**Listings:**

**ASX and LSE** (Code: MML)

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**OVERVIEW:**

**EXECUTIVE ORDER ON MINING IN THE PHILIPPINES**

- Positive Executive Order No.79 on mining in the Philippines was released on 9 July 2012.

**Co-O MINE PRODUCTION & DEVELOPMENT**

- **New Mill:** Construction on schedule. Tilted tanks back in operation. New leach tank will be completed by mid-August. Foundations for detoxification unit completed and for crusher and SAG mill advancing. SAG mill 50% delivered. ECC approval is progressing.
- **Production:** 15,557 ounces at a recovered grade of 8.1 g/t gold and cash costs of US\$283 per ounce. Production for the FY to 30 June 2012 totalled 60,595 ounces at a recovered grade of 8.1 g/t gold and cash costs of US\$261 per ounce. Mill availability was influenced by on-going leach tank repairs.
- **Saga Shaft:** currently at 306 metres. Completion of sink to Level 8 (350 metres) by end of August. Winder in transit to site. Skips and loading pockets manufactured. Completion estimated Q4 in CY12.

**Co-O MINE RESOURCES & EXPLORATION**

- The resource for Co-O is currently being compiled.
- Drilling is continuing with six surface and five underground rigs.
- Results include: 2.15 metres at 52.06 g/t gold, 1.20 metres at 21.40 g/t gold, 1.35 metres at 185.21 g/t gold, 2.90 metres at 78.94 g/t gold, 1.55 metres at 31.33 g/t gold, 1.20 metres at 45.03 g/t gold.

**TAMBIS AREA - BANANGHILIG DEPOSIT**

- Infill resource drilling in progress with seven rigs with the aim of upgrading majority of resources to Indicated category. Infill drilling should be completed about the end of August 2012
- An updated Inferred resource is planned during the September quarter followed by an Indicated resource and reserve when the infill drilling and assaying is completed.

**LINGIG PROJECT**

- Lingig Induced Polarisation and Resistivity survey in progress.

## **ANOLING**

- Drilling with four rigs is continuing.

## **CORPORATE & FINANCIALS** (unaudited)

- Total cash, cash equivalent in gold on metal account and bullion at site at end of quarter of approximately US\$53.5 million.

## **PROJECT OVERVIEW**

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

## **EXECUTIVE ORDER ON MINING IN THE PHILIPPINES**

The President of the Philippines on 9 July 2012 released Executive Order No.79 ("EO") designed to improve the alignment of the Philippines' national and regional interests with those of the mining industry through the updating of key policies, including but not limited to:

- Improving transparency of the mining industry;
- Improving the fiscal return to the government from all future projects, primarily through increased royalty payments. The fiscal settings of current operations will be honoured.
- Improving the return and timing of financial benefits to local governments;
- Tightening controls on illegal mining such as banning the use of mercury and restricting legitimate small scale mining activities to gold, silver and chromite;
- Ensuring that mining is not allowed on designated key tourist areas and prime agriculture lands; and
- Enforcement of strict environmental controls.

The EO requires the issuing of new implementing rules and regulations within 60 days of the EO publication after which the granting of exploration tenements will re-commence. The granting of construction permits for new projects will commence only after the new fiscal regime has been legislated. The fiscal settings of all existing contracts will be honoured.

### **Implications of the EO**

#### **Co-O**

The EO will have no effect on the Co-O operations and the status quo will be maintained for this existing operation as it is linked to an existing mining agreement.

There will be no change in the existing tax structure until such time as Congress amends and approves new mining taxes and royalties within the existing Mining Act.

#### **Bananghilig**

The EO will have no immediate impact on the project as the Company can continue to explore, conduct feasibility studies and planning.

However, should the feasibility study be positive and the Company commits to constructing the project, timely issuance of the relevant permits to commence construction will be subject to legislation of the new law on mining taxes and royalties being passed by Congress. Updates will be provided as information becomes available.

#### **Anoling**

The EO will not have any immediate effect on the Anoling project which requires the granting of

its MPSA followed by completion of a feasibility study before an application can be submitted for construction permits.

The timing of the granting of the MPSA is still unclear and updates will be provided as information becomes available following the issue of new implementing rules within 60 days of the EO with respect to granting of new tenements.

In the meantime, drilling can continue to advance the project, however the Company is considering its drilling priorities.

## Co-O MINE

### Gold Production

The production statistics for the March 2012 quarter with comparatives for the previous three quarters as well as the year-to-date production statistics are summarised in Table I below.

**Table I.** Gold production statistics

	Unit	Qtr ended	Qtr ended	Qtr ended	Qtr ended	YTD
		30 Jun 12	31 Mar 12	31 Dec 11	30 Sep 11	30 Jun 12
Tonnes mined	WMT	74,969	85,748	71,872	41,596	274,185
Ore milled	DMT	66,976	76,002	68,008	42,152	253,138
Recovered grade	gpt	8.10	8.10	8.00	8.33	8.10
Recovery	%	92%	92%	93%	93%	92%
Gold produced	ozs	15,557	18,258	16,270	10,510	60,595
Cash costs (1)	US\$/oz	\$283	\$239	\$242	\$291	\$261
Gold sold	ozs	20,000	10,000	10,000	15,446	55,446
Average gold price received	US\$	\$1,624	\$1,738	\$1,761	\$1,587	\$1,658

#### Note:

(1) Net of development costs and includes royalties and local business taxes

Gold production for the quarter was 15,557 ounces, at an average recovered grade of 8.10 g/t gold and cash costs of US\$283 per ounce, inclusive of royalties and local business taxes.

As previously advised to the market, the mine continues to operate pre-dominantly in development mode to prepare for the future production increase and as a direct consequence of limited shaft haulage capacity, all development ore mined to date has been treated through the mill. The increased amount of development ore treated is the primary reason for the lower production levels for the year, compared to quarters from the previous years. The completion of the Saga Shaft (in the December 2012 quarter) with haulage capacity of 1,500 tpd is expected to solve the current shaft haulage issues.

Production for the June quarter was also disrupted due to reduced availability of the milling circuit, as repairs were carried out on four tilting leach tanks as reported on 20 March 2012.

Cash costs per ounce for the quarter increased to US\$283 per ounce (YTD: US\$261 per ounce). Medusa, an un-hedged gold producer, sold 20,000 ounces of gold at an average price of US\$1,624 per ounce during the quarter (YTD: 55,446 ounces at average price of US\$1,658 per ounce).

## **Preliminary Development Timetable**

Graph 1 is the Preliminary Development Timetable and Production Guidance for the new Co-O Phase 3 Mill Expansion and Bananghilig Project.

The total estimated Capex (inclusive of mine development and shaft sinking) for the Phase 3 expansion of Co-O is US\$70 million which will be funded entirely from the Company's cash flow.

## **New Co-O Mill**

In November 2010, the Board approved the construction of a new mill with capacity to produce 200,000 ounces of gold per year based on processing up to 750,000 tonnes per year at the current reserve grade of the Co-O Mine.

The approval of the application to upgrade the Environmental Clearance Certificate for the current Co-O Mill to 2,500 tonnes per day is progressing.

## **Operations**

### **Mine Development**

Major renovations are continuing at the Co-O Mine to modernise the mine for its expanded production.

Acceleration of the lateral development is on-going to ensure the underground infrastructure and on-vein development will be in place for the Saga Shaft. This accelerated development was maintained at similar levels to the previous quarter and consequently maintained the high proportion of development ore supplied to the mill.

Sinking of the Saga Shaft progressed smoothly, and is currently at 306 metres depth and is expected at Level 8 (350 metres) by end of August. The winder is in transit to site, and the skips and loading pockets have been manufactured. Manufacture of the permanent headframe is commencing.

It is anticipated that the Saga Shaft with a haulage capacity of 1,500 tonnes per day will be completed during the December quarter 2012 and hauling from Level 8 will begin once on-vein development and rises on-vein are commenced from Level 8 through to Level 6.

Whilst the milling requirements have been reduced due to the tilting leach tank repairs, the opportunity has been used to upgrade the Baguio Shaft by doubling the skip size and improving the winder capability.

The average development metres has increased by 10% and at the end of June 2012 there were 57 development headings of which 50 headings were following veins. Haulage through the current shafts increased by 10% during the quarter.

### **Mine Production**

Ore trucked to the mill during the quarter was primarily development ore and some stope ore.

### **Mill Expansion**

The current status of activities is:

- Priority was given to the returning the tilting leach tanks back into service which has been achieved;
- Construction of the new large leach tank should be completed by mid-August;
- Foundations for the new crushing and grinding sections are advancing on schedule;
- The de-toxification unit foundations are completed and form work is on schedule;
- Approximately 50% of the SAG mill components have been delivered;

- The electrical supply systems to the mine and mill are advanced and the last stage will be completed when the mine is re-wired through the Saga Shaft.

## Exploration

Drilling with six surface rigs and five underground drilling rigs is continuing.

Preparations are underway for an extensive regional Induced Polarisation/Resistivity ("IP/Res") and ground magnetics programme around the Co-O Mine.

## Drilling results

Detailed information is contained in the announcement dated 9 July 2012 which lists intersections down to 0.2 metres downhole width since 16 April 2012.

Figure 3 shows the locations of the recently completed or in progress surface drill holes EXP146 to EXP175. Completed holes (excluding EXP169, 170, and 172-175) comprise 25 holes for a total of approximately 16,316 metres. Table II lists the EXP surface diamond drill hole results  $\geq 3$  g/t gold over  $\geq 0.5$  metres downhole. Assay results are awaited for holes EXP154, EXP161, EXP163 and EXP165 to EXP175.

Figure 4 (attached) shows the locations of the recently completed underground drill holes totalling 7,932 metres in 46 holes. Table III lists underground drill hole results  $\geq 3$  g/t gold over  $\geq 0.2$  metres received since 31 March 2012 as well as some previously completed holes whose locations were shown on Figure 2 in the announcement dated 16 April 2012. Assays are awaited for holes L2-2E-001, L5-35W-109, L5-43E-012, L5-20W-008 and L6-23E-034.

**Table II.** Surface drill hole results  $\geq 3$  g/t gold and  $\geq 0.5$  metres downhole for previously completed holes EXP138 to EXP145 and new holes EXP146 to EXP164.

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
<b>EXP 140</b>	614659	913216	-54	180	309.20	1.00	3.07*
					484.35	1.20	15.73*
					488.05	1.00	6.08*
					499.90	1.45	6.91*
					604.60	0.50	27.93*
					609.45	1.45	7.76*
					640.15	1.35	5.94*
<b>EXP 141</b>	614550	912992	-69	180	344.20	1.00	4.30*
					568.85	0.55	4.77*
					746.00	1.00	3.75*
<b>EXP 142</b>	614604	913032	-55	180	593.75	1.00	4.22*
					637.65	3.00	3.79*
<b>EXP 144</b>	614519	913082	-51	180	219.00	1.00	3.87*
					459.00	1.00	8.93*
					496.85	1.00	21.70*
					532.70	0.90	7.19*
					634.45	1.00	8.47*
<b>EXP 145</b>	614442	912987	-69	180	397.30	2.15	52.06*
					620.00	2.25	3.25*
<b>EXP 146</b>	614550	913122	-66	180	370.80	1.60	3.27*
					432.90	1.20	21.40*
					527.50	0.75	60.46*
					620.50	1.00	3.53*
					735.05	1.35	16.66*
<b>EXP 147</b>	614394	913026	-67	180	520.60	1.00	9.70*
<b>EXP 149</b>	61439	913101	-64	180	141.20	1.40	3.41*
					362.55	1.45	6.12*
					528.25	0.50	8.43*
					682.05	2.00	3.15*

					742.25	2.10	3.32*
<b>EXP 150</b>	614129	913260	-51	180	154.45	0.55	3.28*
					517.10*	1.00	4.73*
<b>EXP 151</b>	614442	912987	-57	180	349.60	2.70	5.67*
					384.40	1.20	3.82*
					535.30	1.85	5.20*
					602.90	2.75	6.60*
					644.15	0.90	52.33*
<b>EXP 156</b>	614199	913138	-55	180	187.05	0.75	15.33*
					193.10	0.55	7.07*
					303.00	1.00	3.86*
					377.60	1.45	3.33*
					423.85	1.00	3.32*
					483.45	0.90	31.84*
					536.05	1.35	185.21*
<b>EXP 157</b>	614510	913158	-49	180	310.30	1.00	4.19*
					441.45	2.90	78.94*
					543.90	3.00	10.20*
<b>EXP 160</b>	614354	912823	-52	180	226.60	1.50	8.17*

**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 Intertek McPhar Mineral Services Inc. in Manila;  
(iii) Intersection widths are downhole drill widths not true widths;  
(iv) Grid coordinates based on the Philippine Reference System 92.

**Table III.** Underground drill hole results  $\geq 3$  g/t gold and  $\geq 0.5$  metres downhole for new holes and previously completed holes designated †.

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
<b>LEVEL 2</b> <b>L2-057†</b>	613275	912928	0	61	20.90	1.00	4.41*
<b>LEVEL 3</b> <b>L3-028†</b>	613733	912898	3	143	83.45	0.55	3.13*
<b>LEVEL 5</b> <b>L5-087†</b>					25.50	0.70	4.80*
					82.75	0.90	16.50*
					85.80	0.50	17.41*
					127.55	0.70	3.32*
<b>L5-091†</b>	613615	912851	0	63	47.95	1.05	17.57*
					288.80	0.90	3.47*
<b>L5-092†</b>	613951	912921	-60	226	14.20	2.05	18.76*
					97.65	1.05	3.42*
					102.90	1.00	8.73*
					121.30	1.35	4.34*
					240.45	1.70	4.50*
					243.60	0.70	3.59*
<b>L5-096†</b>	613613	912853	0	27	0.00	0.80	3.84*
					67.15	0.95	9.37*
<b>L5-105†</b>	614196	912960	0	202	2.15	0.65	15.17*
					67.15	0.95	9.37*
<b>L5-20W-003</b>	613760	912853	0	177	5.30	0.55	26.40*
<b>L5-20W-</b>	613759	912853	0	204	6.45	1.15	24.75*

<b>004</b>							
<b>L5-20W-007</b>	613764	912855	-18	133	5.00	2.30	10.01*
<b>L5-35W-108</b>	613606	912814	0	171	1.10	0.90	5.34*
<b>L5-35W-109</b>	613605	912814	0	189	6.50	0.50	3.62*
<b>L5-35W-110</b>	613604	912814	0	215	61.00	0.60	29.33*
<b>L5-35W-111</b>	613602	912814	0	230	34.50	0.80	10.18*
					60.80	0.60	8.50*
<b>L5-42E-013</b>	614377	912690	-22	305	27.35	0.95	45.18*
					70.05	0.75	13.25*
					74.00	2.10	12.59*
					246.80	1.60	26.85*
					397.20	2.00	6.02*
<b>L5-42E-014</b>	614378	912690	-22	314	137.60	1.60	10.92*
					159.50	2.30	17.44*
					184.70	1.00	4.61*
<b>L5-42E-015</b>	614379	912691	0	321	22.50	0.50	7.50*
					130.85	0.75	3.57*
					156.30	1.60	10.71*

<b>Hole number</b>	<b>East</b>	<b>North</b>	<b>Dip</b> (°)	<b>Azimuth</b> (°)	<b>From</b> (metres)	<b>Width</b> (metres)	<b>Grade</b> (uncut) (g/t gold)
<b>LEVEL 6</b>							
<b>L6-027</b>	614213	912727	3	71	77.80	0.50	13.40*
<b>L6-028</b>	614213	912727	3	68	79.40	1.10	25.60*
<b>L6-029</b>	614213	912726	3	139	29.90	1.35	3.81*
<b>L6-23E-030</b>	614212	912724	0	167	5.30	1.20	23.37*
<b>L6-23E-031</b>	614208	912725	0	206	5.65	1.55	31.33*
<b>L6-23E-033</b>	614207	614207	0	225	8.40	1.20	45.03*
					10.70	2.50	23.47*

**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 Intertek McPhar Mineral Services Inc. in Manila;
- (iii) Intersection widths are downhole drill widths not true widths;
- (iv) Grid co-ordinates based on the Philippine Reference System 92.

Figure3 (please see link at the end of this announcement) shows a map of the Co-O Mine Level 6 plan showing the locations of new drill holes EXP146 to EXP175.

Figure 4 (please see link at the end of this announcement) shows a map of the Co-O Mine Level 6 plan showing the locations of the new underground drill holes.

**Co-O Drill Hole Sampling and Assaying Procedures**

Samples are taken from mainly HQ sized (hole outside diameter 96 mm, hole inside diameter 63.5mm) and some NQ sized (hole outside diameter 75.8 mm, hole inside diameter 47.6 mm) drill



core. The selected sample intervals are halved by diamond saw and half the core is bagged, numbered and sent to the Company laboratory. In a small number of cases to confirm the geological logging, the selected interval was re-split and ¼ core re-submitted for assay.

Initial sample preparation and assaying is undertaken at the Company's on-site laboratory. Samples are dried at 105°C for 6 to 16 hours, crushed to less than 1.25 cm by jaw crusher, re-crushed to less than 50 mm using a secondary crusher followed by ring grinding of 1kilogram of sample to nominal particle size of less than 200 mesh. Barren rock wash is used after every five samples in the preparation equipment. The samples are assayed by fire assay with Atomic Absorption Spectrometer (AAS) finish on a 30 gram sample. All assays over 5 g/t gold are re-assayed using gravimetric fire assay techniques on a 30 gram sample. Duplicate samples are inserted every 10 samples and standard samples are included in every sample batch.

Check assaying of samples used in the yearly resource estimates is undertaken by Intertek McPhar Mineral Services ("Intertek"), a NATA and ISO 9001/2000 accredited laboratory in Manila. The pulps are airfreighted to Intertek who fire assay 30 grams of samples using AAS finish and a selected number of samples are checked using gravimetric fire assay techniques. Duplicate samples and standards are included in each batch of check samples. When reporting results, where available, the assays of Intertek as an independent laboratory have been given priority over the Company laboratory's results.

### **Health and Safety**

Lost time accident frequency rate (LTAFR) for the year is 1.04 including exploration. By comparison, the latest West Australian gold mining industry figure available to 30 September 2011 was 3.10, excluding exploration statistics of 6.70.

There were no breaches of any of the project's operating regulations during the quarter.

### **TAMBIS REGION**

The Tambis project comprising the Bananghilig Gold Deposit (Fig. 2) is operated under a Mining Agreement with Philex Gold Philippines Inc. over Mineral Production Sharing Agreement ("MPSA") 344-2010-XIII which covers 6,262 hectares.

The Executive Order on Mining dated 6 July 2012, issued by the President of Philippines will have no immediate impact on the Bananghilig Project as the Company can continue to explore, conduct feasibility studies and planning.

However, should the feasibility study be positive and the Company commits to constructing the project, timely issuance of the relevant permits to commence construction will be subject to legislation of the new law on mining taxes and royalties being passed by Congress.

Updates will be provided as information becomes available.

### **BANANGHILIG PROJECT**

In July 2010, new regional and detailed mapping and drilling programmes were commenced with the aim of validating the current resource of 650,000 ounces of gold and extending it to provide a reserve of approximately 1,000,000 ounces. This reserve would form the basis for a feasibility study which would target production of 200,000 ounces of gold per year from a new milling facility.

The announcement of 12 September 2011 summarises the Tambis regional geological setting, local geological setting, deposit description and mineralisation, shows a typical cross-section through the deposit and the drill hole intersections obtained for the period 24 July 2010 to 31 August 2011. Additional information is contained in the September 2011 quarterly report dated 24 October 2011 and in a drilling update on 17 January 2012.

Current drilling is focused on infill to upgrade the resources to the Indicated category. The infill programme totals approximately 18,200 metres and is on track to be completed around the end of

August 2012.

A further update of drilling results and a new Inferred resource estimate are planned for the September quarter 2012.

### **USA PORPHYRY COPPER-GOLD PROSPECT**

A Memorandum of Agreement with Corplex Resources Inc. covers the Usa prospect which is located within MPSA application XIII-00077. Processing of the tenement application is progressing.

### **LINGIG**

The Lingig prospect is located in Mineral Production Sharing Agreement 343-2010-XIII with an area of 3,824 hectares over which the Company has an operating agreement.

The IP/Res and ground magnetics survey is underway.

### **ANOLING**

The Mines Operating Agreement with Alcorn Gold Resources Inc. covers MPSA application 039-XIII situated approximately 8 kilometres by road to the north of the millsite as shown on Figure 2.

The Executive Order on Mining dated 6 July 2012, issued by the President of Philippines will not have any immediate effect on the Anoling Project which requires the granting of its MPSA followed by completion of a feasibility study before an application can be submitted for construction permits.

The timing of the granting of the MPSA is still unclear and updates will be provided as information becomes available following the issue of new implementing rules within 60 days of the EO with respect to granting of new tenements.

Four drill rigs are currently operating with on-going mapping, trenching and sampling, however the Company is assessing its drilling priorities.

### **SAUGON PROJECT**

#### **First Hit Vein**

#### **Background**

Figure 2 shows the Saugon Project located approximately 28 kilometres by road from the Co-O Mill. Work in 2004 involved drilling at the First Hit Vein (holes SDDH-001 to SDDH-035) in conjunction with underground development via a 30 metre deep inclined winze down the vein-breccia to assist in understanding the mineralisation.

Further details are contained in the announcements dated 20 April 2010 which summarised the historical results and 1 December 2010 which contained drilling results for holes SDDH-36 to SDDH-64A and the March 2012 quarterly report contained results for holes SDDH 65-104.

#### **Exploration**

Regional mapping, trenching and sampling are continuing.

### **FINANCIALS (unaudited)**

As at 30 June 2012, the Company which is debt free, had total cash, cash equivalent in gold on metal account and bullion at site of approximately US\$53.5 million (31 Mar 2012: US\$71.3 million).

During the June 2012 quarter,

- the Company sold 20,000 ounces of gold at an average price of US\$1,624 per ounce (Mar 2012 qtr: sold 10,000 ounces at an average price of US\$1,738 per ounce). Year to date gold sales totalled US\$91.98 million from the sale of 55,446 ounces at an average price of US\$1,659 per ounce;
- incurred exploration expenditure of US\$11.6 million (Mar 2012 qtr: US\$8.2 million, YTD: US\$35.1 million);
- spent US\$10.4 million on capital works, associated sustaining capital at the mine and mill and also costs for the new mill construction and infrastructure (Mar 2012 qtr: US\$7.6 million, YTD: US\$27.0 million); and
- spent US\$7.4 million on general and accelerated mine development, inclusive of shaft sinking costs (Mar 2012 qtr: US\$9.0, YTD: US\$31.0 million).

**Peter Hepburn-Brown, Managing Director of Medusa, commented:**

*"We have made pleasing progress with the mill construction during the quarter particularly with returning the tilting leach tanks back into service, approaching completion for the new leach tank, and establishing the foundation work for the crusher, SAG mill and detoxification unit. It is also comforting that the SAG mill components have started to arrive at site on schedule.*

*At the mine, the pace of ancillary activities is picking up in preparation for the Saga Shaft reaching target depth at the end of August. This includes the imminent arrival of the winder, completed manufacturing of the new skips and loading pockets, commencement of manufacturing of the permanent headframe, and finishing the installation of the surface electricals to accommodate the new winder and then complete the re-wiring of the Co-O Mine. The commencement of haulage from the Saga Shaft in the December quarter will mark a major achievement in the Co-O expansion programme. This means that this FY's production guidance of 100-120,000 ounces will be weighted into the second half of the year."*

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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 Chairman 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 Dr Spero

Carras of Carras Mining Pty Ltd. Dr Carras is a Fellow of the Australasian Institute of Mining & Metallurgy and has 30 years of experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as 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. Dr Carras consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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To view Figures and Preliminary Development Timetable, please click on or paste the following link in your browser:

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