



MEDUSA MINING LIMITED

ABN: 60 099 377 849

Suite 10, 100 Mill Point Road
South Perth WA 6151

PO Box 122
South Perth WA 6951

Telephone: 618-9474 1330
Facsimile: 618-9474 1342

Email: admin@medusamining.com.au
Internet: www.medusamining.com.au

ANNOUNCEMENT

05 May 2017

Revised Production Guidance for FY16-17

(ASX: MML)

Medusa Mining Limited ("Medusa" or the "Company"), through its Philippines affiliates; Philsaga Mining Corporation and Mindanao Mineral Processing & Refining Corporation, is advising of a production guidance revision in relation to the Co-O Mine, based on updated information which Medusa has become aware of after the release of the March 2017 Quarterly Activities Report.

Medusa's latest previous guidance for full year production for the 2017 financial year ("FY17"), as announced in January 2017, was between 85,000 to 95,000 ounces of gold and the Company is still aiming to reach the lower end of that guidance.

However, to err on the side of caution, in light of recent developments at the Co-O Mine described below, the production guidance for FY17 has been revised to between 77,000 to 80,000 ounces of gold.

As of the March 2017 quarter, gold production for the first three quarters of FY17 was 56,897 ounces. Estimated April results have returned a higher grade than the March quarterly grade, but short of what was expected. Latest projections for the June 2017 Quarter, based on estimated April results, indicate that whilst the grade is improving, it may not be sufficient to meet the production guidance announced in January 2017.

Medusa has decided to reduce the production guidance for FY17, primarily as a result of an unexpected reduced rate of mining of the very high grade ("VHG") gold stopes on levels 8 and 9 of the Co-O Mine. During the remainder of FY17, a lower rate of VHG mining is now anticipated. Comparatively lower grade stope blocks in the upper levels are now anticipated to be mined for the remainder of this financial year than was expected at the time when the March 2017 Quarterly Activities Report was released.

The factors that have influenced this include:

- The recent unseasonably high rainfall at the Co-O Mine through late March and April caused a number of flooding events in levels 5 and 8 of the mine and reduced skipping capacity on level 8. This caused some of the development on levels 8 and 9 to be moved to the upper levels, in order to maintain the overall development strategy. This upper level development was on material that returned grades below expectations.
- Concurrently, the L8 Shaft restrictions delayed the completion of the level 8 Pumping Station (waste rock removal), which otherwise could have mitigated the flooding issues.
- In addition, there has been a higher than expected level of worker absenteeism at the Co-O mine during late April and early May 2017.

The above-mentioned points all reduce the rate of development and extraction that is achievable on the VHG blocks on levels 8 & 9. The availability of the VHG ore directly impacts the mine's short-term production results.

As the VHG mineralisation carries a significantly higher grade of gold than the material in the upper level stopes, even the short time frame since the release of the March 2017 Quarterly Activities Report has revealed sufficient information about the delay in anticipated VHG mining (along with the combined effect of the various other issues listed above) to indicate that a revision to the production guidance is a prudent step. The revised FY17 production guidance remains an estimate only and may not reflect the actual gold production at the Co-O Mine for FY17. The actual production will be heavily influenced by, without limitation, the impact of the issues above, particularly by any further fluctuations in the actual rate of VHG production achieved during the remainder of FY17.

The June 2017 quarter production guidance is now between 20,000 to 23,000 ounces of gold. For the avoidance of doubt, this quarterly production guidance figure forms part of the revised FY17 production guidance described above.

For further information please contact:

Boyd Timler, Managing Director

+61 8 9474 1330

CAUTIONARY STATEMENTS AND RISK FACTORS

Other than as described in this announcement, all material assumptions and technical parameters underpinning the information in the Company's Quarterly Activities Report for the March 2017 quarter released on 28 April 2017 continue to apply and have not materially changed.

The contents of this announcement reflect various technical and economic conditions at the time of writing. Given the nature of the resources industry, these conditions can change significantly over relatively short periods of time. Consequently, actual results may vary from those contained in this announcement.

Some statements in this announcement regarding production guidance estimates or future events are forward-looking statements. Forward-looking statements, opinions and estimates included in this announcement are based on assumptions and contingencies which are subject to change without notice.

Forward-looking statements are provided as a general guide only and should not be relied on as a guarantee of future performance. Forward-looking statements may be affected by a range of variables that could cause actual results to differ from estimated results, and may cause the Company's actual performance and financial results in future periods to materially differ from any projections of future performance or results expressed or implied by such forward-looking statements. So there can be no assurance that actual outcomes will not materially differ from these forward-looking statements.

These statements are subject to significant risks and uncertainties that include but are not limited to those inherent in mine development and production, geological, mining, metallurgical and processing technical problems, the inability to obtain and maintain mine licenses, permits and other regulatory approvals required in connection with mining and processing operations, competition for among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel, incorrect assessments of mineralisation and of the value of projects and acquisitions, changes in commodity prices and exchange rate, currency and interest rate fluctuations and other adverse economic conditions, sovereign risks such as those associated with operating in the Philippines, the potential inability to market and sell products, various events which could disrupt operations and/or the transportation of mineral products, including labour stoppages and severe weather conditions, the demand for and availability of transportation services, environmental, title, heritage, taxation and other legal problems, the potential inability to secure adequate financing and management's potential inability to anticipate and manage the foregoing factors and risks. There can be no assurance that forward-looking statements will prove to be correct.

Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and on a reasonable basis. No representation or warranty, express or implied, is made by the Company that the matters stated in this announcement will in fact be achieved or prove to be correct.

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Except as required by applicable law, the Company does not undertake any obligation to release publicly any revisions to any forward-looking statement to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.