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ANNOUNCEMENT

28 February 2017

INTERIM FINANCIAL RESULTS

(ASX: MML)

Medusa Mining Limited ("Medusa" or the "Company"), presents its interim financial results for the six months to 31 December 2016, with a Statutory Tax Loss of US$40.8 million (and includes asset impairment losses of US$55.0 million).

Financials

- Revenues of US$50.1 million, a decrease of 28% from US$69.7 million in the previous corresponding period ("pcp"). This drop is attributable to a significant decrease in gold production, marginally offset by a higher average price received on sale of gold.

  Medusa is an un-hedged gold producer and received an average gold price of US$1,271 per ounce from the sale of 39,061 ounces of gold for the half-year to December 2016 (pcp: 62,011 ounces at US$1,109 per ounce).
- Earnings before interest, tax, depreciation and amortisation ("EBITDA") of (US$32.7 million), and includes asset impairment losses totalling US$55.0 million**,** down 181% from US$40.4 million in the pcp.
- NPAT of (US$40.8 million), down 230% on pcp from US$31.4 million
- Basic earnings per share ("EPS") down 230% to (US$0.196) (pcp: US$0.151).
- The Company had total cash and cash equivalent in gold on metal account and bullion on hand of US$12.9 million at 31 December 2016 (pcp: US$16.0 million).

Description	Unit	Dec 2016	Dec 2015	Variance	(%)
Revenues	US$	$50.1M	$69.7M	($19.6M)	(28%)
EBITDA (*)	US$	($32.7M)	$40.4M	($73.1M)	(181%)
NPAT (*)	US$	($40.8M)	$31.4M	($72.2M)	(230%)
EPS (basic)	US$	($0.196)	$0.151	($0.347)	(230%)
(*) includes asset impairment losses totaling US$55.0 million.					

- Depreciation of fixed assets and amortisation of capitalised mine development and mine exploration was US$6.1 million (pcp: US$9.0 million).
- US$8.2 million was expended on capital works (inclusive of new Service Shaft) and associated capital at mine and mill for the period (pcp: US$9.5 million).
- Exploration expenditure, including underground diamond drilling was US$4.9 million (pcp: US$4.7 million).
- Capitalised mine development costs totalled US$13.6 million (pcp: US$14.2 million).
- Corporate overheads of US$3.7 million (pcp: US$3.1 million).

Operations

Description	Unit	Dec 2016	Dec 2015	Variance	(%)
Ore mined	WMT	284,134	325,769	(41,635)	(13%)
Ore milled	DMT	253,102	295,586	(42,484)	(14%)
Head grade	g/t	5.02	6.80	(1.78)	(26%)
Recovery	%	94.3%	94.0%	0.3%	-
Gold produced	ounces	38,507	61,169	(22,662)	(37%)
Gold sold	ounces	39,061	62,011	(22,950)	(37%)
Cash costs	US$/oz	$607	$436	$171	39%
All-In-Sustaining-Costs	US$/oz	$1,408	$951	$457	48%
Avg gold price received	US$/oz	$1,271	$1,109	$162	15%

- The Company produced 38,507 ounces of gold for the half-year, compared to 61,169 ounces from the previous corresponding period, at an average recovered grade of 5.02 g/t gold (pcp: 6.80 g/t gold).
- The average cash costs of US$607 per ounce, inclusive of royalties and local business taxes was higher than the previous period's average cash costs of US$436 per ounce.
- All in Sustaining Costs ("AISC") for the half year was US$1,408 compared to the previous period's AISC of US$951 per ounce of gold.

Production Guidance

The Company's production guidance for FY2016-17, initially set at between 105,000 to 115,000 ounces of gold at All-In-Sustaining-Costs ("AISC") of between US$1,000 to US$1,100 per ounce has now been revised to between 85,000 to 95,000 ounces of gold at AISC of between US$1,250 to US$1,350 per ounce.

The Co-O mine delivered 21,157 ounces of gold at AISC of US$1,334 per ounce for the September 2016 quarter, with the December 2016 quarterly gold production at 17,350 ounces and AISC's of US$1,498 per ounce of gold. The original guidance profile for FY16-17 was presented as being back-end loaded, but with the poor results for the December 2016 quarter, the production plan for the second half of the year does not have the flexibility to recover lost production and match the original guidance.

The poor production for the December 2016 quarter and revised mid-year production guidance can be attributed to the following factors:

The reduced grade for the quarter relates to the increased amount of development ore in the mill feed blend. The overall mine production output has been below plan. The tonnage shortfall relates to much higher L8 mine-shaft maintenance requirements, thus impacting the hoisting availability for the quarter. This relates to the wear rate of the L8 Shaft guides.

For safety reasons the mine will continue with an accelerated L8 Shaft guide replacement strategy through the March 2017 quarter, resulting in overall lower shaft availability. The mine site has arranged through a third-party service provider to conduct a full assessment of the L8 Shaft in late January 2017.

The L8 shaft availability has an overall impact on the mines performance including; manpower movements, materials movements and rock hoisting capabilities. The higher planned production rates for the March quarter will be pushed out by a few months, thus requiring the revised guidance.

Dividends

No dividends were declared nor paid during the half year to 31 December 2016.

Corporate

Subsequent to period end, Mr Boyd Timler, then Chief Executive Officer ("CEO") of the Company jined the Board on 9 January 2017 and was appointed Managing Director.

DISCLAIMER

This report contains certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Medusa, and its officers, employees, agents and associates, that may cause actual results to differ materially from those expressed or implied in such statements.

Actual results, performance or outcomes may differ materially from any projections and forward-looking statements and the assumptions on which those assumptions are based.

You should not place undue reliance on forward-looking statements and neither Medusa nor any of its directors, employees, servants or agents assume any obligation to update such information.

The complete Half Year Report for December 2016 is available for viewing on our website
www.medusamining.com.au