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ANNOUNCEMENT

20 March 2012

Co-O Operations - Unscheduled Mill Maintenance

(ASX & LSE: MML)

Medusa Mining Limited (“Medusa” or the “Company”), through its Philippines operating company Philsaga Mining Corporation, advises that:

- (i) **Co-O MILL:** partly due to the tremors triggered by the magnitude 6.9 earthquake centred near eastern Negros Island on 6 February 2012 in which more than 100 people lost their lives, in combination with saturated ground conditions due to incessant rain since December 2011, four large leach tanks constructed in the last two years have been taken off-line due to subsidence of their footings. The subsidence has caused the tanks to tilt.

It had initially been planned to rectify this issue in late June 2012, upon completion of a new large leach tank currently under construction, however following routine inspection, it was evident that the tilting problem had worsened and in the interest of operational safety, the Company has decided to immediately take the tanks off-line until they have been repaired. Remedial work on the tanks, expected to take 4 to 5 months, will commence in April and will be at the contractor’s cost.

- (ii) **ELECTRICAL UPGRADES:** Following consultant’s inspections and receipt of their report recommendations for electrical upgrades for the new expanded mill and mine, and due to the advised early arrival of major new switch boards and transformers during the June 2012 quarter, the Company has decided that these components will be installed on arrival to increase the safety standards, operational efficiencies and the quality of power delivered to the operations. This will improve power usage as well as considerably reduce the maintenance of electrical motors, in particular pumps at the mine and in the mill.

It is expected that between 10 and 14 days of production will be lost between the mill and the mine during the June 2012 quarter while the electrical upgrades are undertaken.

The shut down of the four tanks will limit the throughput to approximately 700 tonnes per day for the quarter, and in combination with the electrical upgrades, the FY 2012 production has been revised to 60,000 to 65,000 ounces.

The Company advises that all expansion work including the Saga Shaft, underground development and new mill construction is on schedule.

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