



MEDUSA

QUARTERLY ACTIVITIES REPORT

PERIOD ENDED

31 MARCH 2013

Snapshot of Medusa:

- Un-hedged, low cost, gold producer focused on organic growth in the Philippines
- Growth path to annualised production of 400,000 ozs per year by early 2016 (subject to new legislation on mining taxes and royalties to be passed by Congress)
- Growth underpinned by strong cashflow from Co-O Mine (narrow vein underground)
 - FY 2012/13: revised production guidance of 70-80,000 ozs at cash costs circa US\$290/oz
- Current Mineral Resources:
 - **Co-O Mine:**
Indicated 715k ozs at 11.8 g/t gold, Inferred 1,304k ozs at 9.4 g/t gold
 - **Bananghilig:**
Indicated 608k ozs at 1.59 g/t gold, Inferred 472k ozs at 1.62 g/t gold
- Current Probable Reserves:
Co-O Mine: 568k ozs @ 9.7 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
- Bananghilig Scoping Study ** positive, Feasibility Study underway
- Bananghilig Resource base growing
- Excellent gold and copper exploration upside in 820 km² of tenements. Revised Exploration budget for FY 2012/13 of US\$25M

Board of Directors:

Geoffrey Davis (Non-executive Chairman)
Peter Hepburn-Brown (Managing Director)
Raul Villanueva (Executive Director)
Ciceron Angeles (Non-executive Director)
Robert Weinberg (Non-executive Director)
Andrew Teo (Non-executive Director)
Gary Powell (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

- New legislation on mining taxes and royalties is yet to be finalised by Congress.
- DENR Secretary on 7 March 2013 approves lifting of moratorium on the acceptance and processing of new mining applications by all Regional Offices of the Mines and Geosciences Bureau.

Co-O MINE PRODUCTION & DEVELOPMENT

- **New Mill:** crusher and SAG mill commissioning in June.
- **Production:** 14,021 ounces at a recovered grade 6.76 g/t gold and cash costs of US\$296 per ounce.
- **Revised production guidance:** now 70-80,000 ozs for FY2013 due to on-going un-planned old mill maintenance and upgrading for the new mill tie-in.
- **Saga Shaft:** operating, 200 metres of driving completed. One Alimak ore pass commenced from Level 8 to Level 6.

Co-O MINE EXPLORATION

- Drilling has been reduced to two surface and two underground rigs.

TAMBIS AREA - BANANGHILIG GOLD DEPOSIT

- Scoping Study ** at ± 25% accuracy returns positive result indicating cash costs of US\$565/oz gold. Feasibility Study completion in Sept Qtr 2013.
- Additional 14 infill holes completed to increase the Indicated Resources category.
- Sterilisation drilling results include 12.40 metres at 7.69 g/t gold, 12.70 metres at 7.00 g/t gold, 31.60 metres at 7.33 g/t gold, 43.70 metres at 2.48 g/t gold and 12 metres at 5.47 g/t gold.
- Two rigs to re-commence sterilisation drilling to delineate areas for plant site, tailings and waste storage facilities.

CORPORATE & FINANCIALS (unaudited)

- Total cash, cash equivalent in gold on metal account and bullion at site at end of quarter of approximately US\$8.91 million.

* 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.

** The Scoping Study referred to in this report is based on low-level technical and economic assessments of Indicated and Inferred Mineral Resources, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.

PROJECT OVERVIEW

The locations of the Company's projects are shown on Figures 1 and 2.

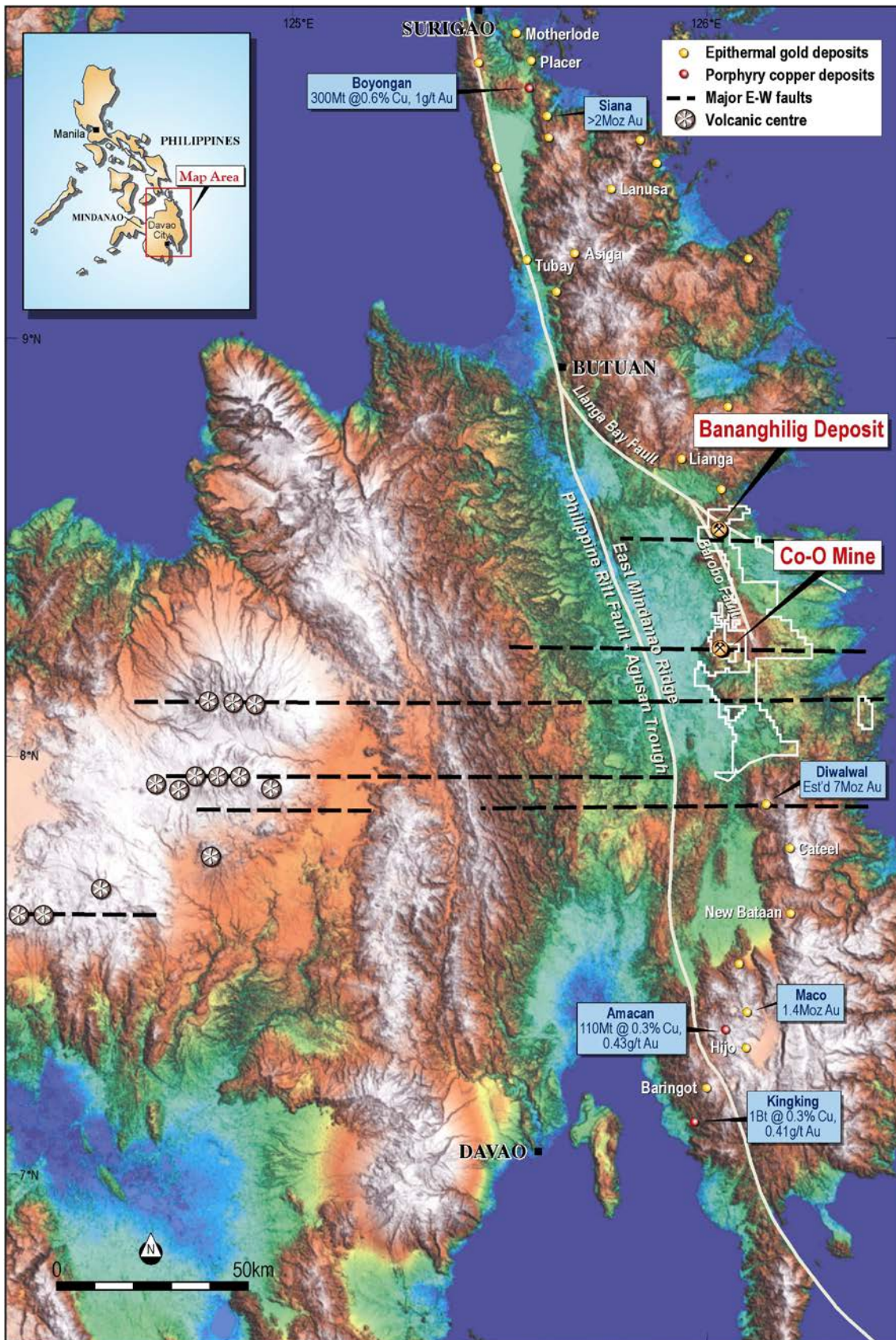


Figure 1. Location diagram showing the Company's tenement areas and prominent East-West structures.

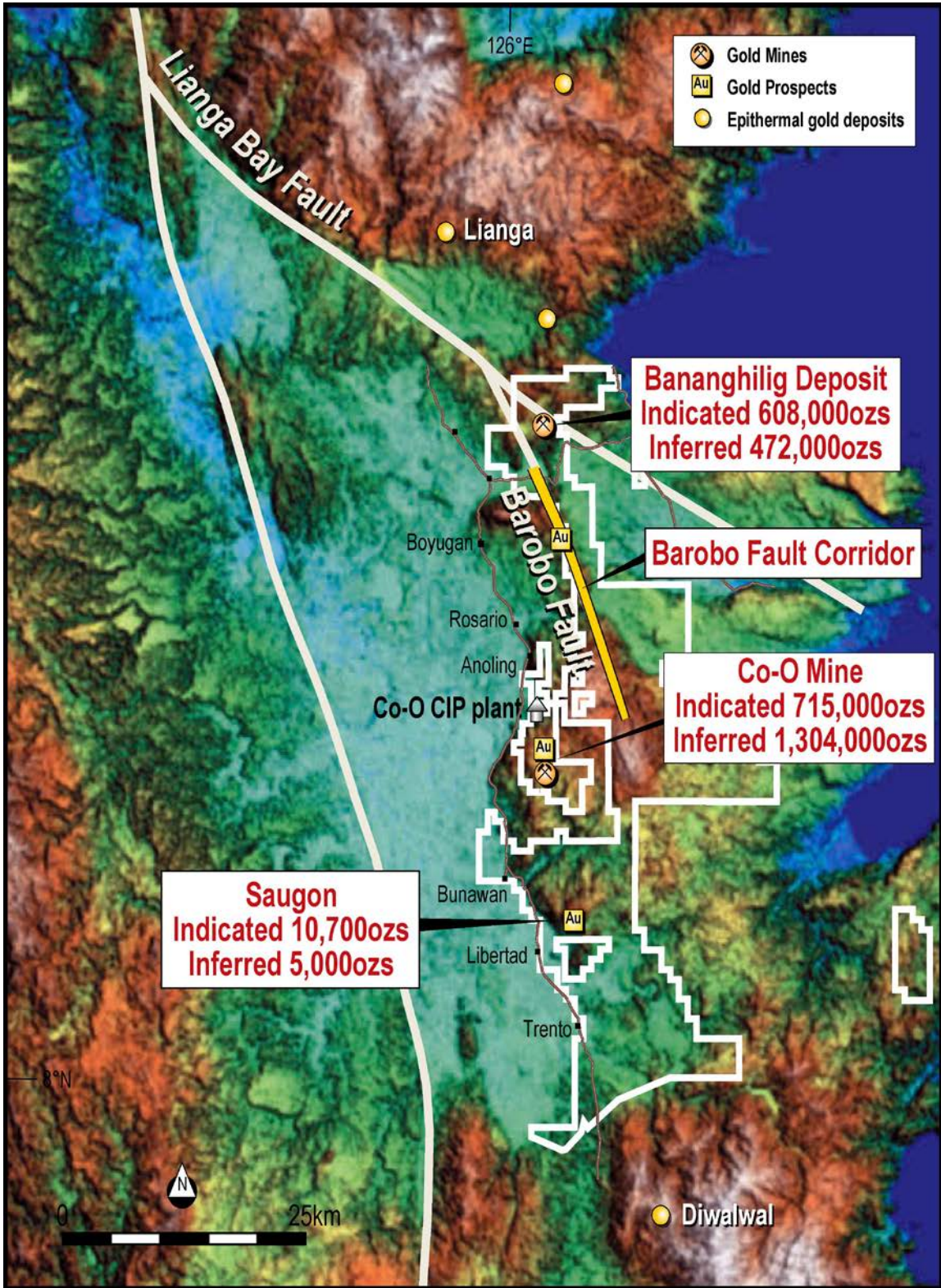


Figure 2. Regional tenement map showing mines and prospects.

EXECUTIVE ORDER ON MINING IN THE PHILIPPINES

On 06 July 2012, Philippine President Benigno Aquino III signed Executive Order No. 79 entitled “Institutionalizing and Implementing Reforms in the Philippine Mining Sector Providing Policies and Guidelines to Ensure Environmental Protection and Responsible Mining in the Utilization of Mineral Resources” (“EO 79”).

On 10 September 2012, the Department of Environment and Natural Resources (“DENR”) issued Administrative Order No. 2012-07 (“Rules and Regulations to Implement EO-79” or “EO-79 IRR”), and on 08 October 2012, issued Administrative Order No. 2012-07-A2 (“EO-79 Amended IRR”) to revise Sections 3, 7 and 9 of EO-79 IRR. EO-79 IRR and its amendments took effect on October 25, 2012.

The implications of the EO-79 with regards to the Company’s projects are discussed in the June 2012 and September 2012 quarterly reports to the ASX. There has been no change in the Company’s view since then.

The new legislation on mining taxes and royalties is yet to be finalised by Congress.

On March 07, 2013, the Secretary of the Department of Environment and Natural Resources (DENR) approved the lifting of the moratorium on acceptance of applications for Exploration Permits and Financial and Technical Assistance Agreements.

MINERAL RESOURCES and ORE RESERVES

The Company’s current resources (including the Saugon resource) and ore reserves are shown in Table I:

Table I. Mineral Resources and Ore Reserves

Deposit	Category	Tonnes	Grade g/t gold	Ounces gold
RESOURCES				
Co-O Resources	Indicated	1,890,000	11.8	715,000
	Inferred	4,325,000	9.4	1,304,000
Total Co-O Resources	Indicated & Inferred	6,215,000	10.1	2,019,000
Bananghilig Resources	Indicated	11,900,000	1.59	608,000
	Inferred	9,000,000	1.62	472,000
Total Bananghilig Resources	Indicated & Inferred	20,900,000	1.60	1,080,000
Saugon Resources	Indicated	47,500	6.99	10,700
	Inferred	34,000	4.55	5,000
Total Saugon Resources	Indicated & Inferred	81,500	5.97	15,700
TOTAL RESOURCES	Indicated & Inferred	27,196,500	3.56	3,114,700
Total Indicated Resources		13,837,500	3.00	1,333,000
Total Inferred Resources		13,359,000	4.15	1,781,000
RESERVES				
Co-O Reserves	Probable	1,820,000	9.7	568,000

Note: Resources include reserves

Co-O MINE

Gold Production

The production statistics for the March 2013 quarter with comparatives for the previous three quarters are summarised in Table II below.

Table II. Gold production statistics

	Unit	Qtr ended 31 Mar 2013	Qtr ended 31 Dec 2012	Qtr ended 30 Sep 2012	Qtr ended 30 Jun 2012	Year to date 31 Mar 2013
Tonnes mined	WMT	83,134	89,504	70,591	74,969	243,229
Ore milled	DMT	73,273	76,999	66,809	66,976	217,081
Recovered grade	g/t	6.76	8.16	7.50	8.10	7.42
Recovery	%	89%	90%	90%	92%	90%
Gold produced	ozs	14,021	18,177	14,403	15,557	46,601
Cash costs ⁽¹⁾	US\$/oz	\$296	\$279	\$328	\$283	\$299
Gold sold	ozs	17,760	18,492	25,000	20,000	61,252
Average gold price received	US\$	\$1,630	\$1,731	\$1,636	\$1,624	1,662

Note:

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

Gold production for the quarter was 14,021 ounces, at an average recovered grade of 6.76 g/t gold and cash costs of US\$296 per ounce, inclusive of royalties and local business taxes.

The mine continued to operate pre-dominantly in development mode to prepare for the now imminent production increase and all development ore mined to date has been treated through the mill. The lower than average grade this quarter was due to mine development going through lower grade areas in the mine.

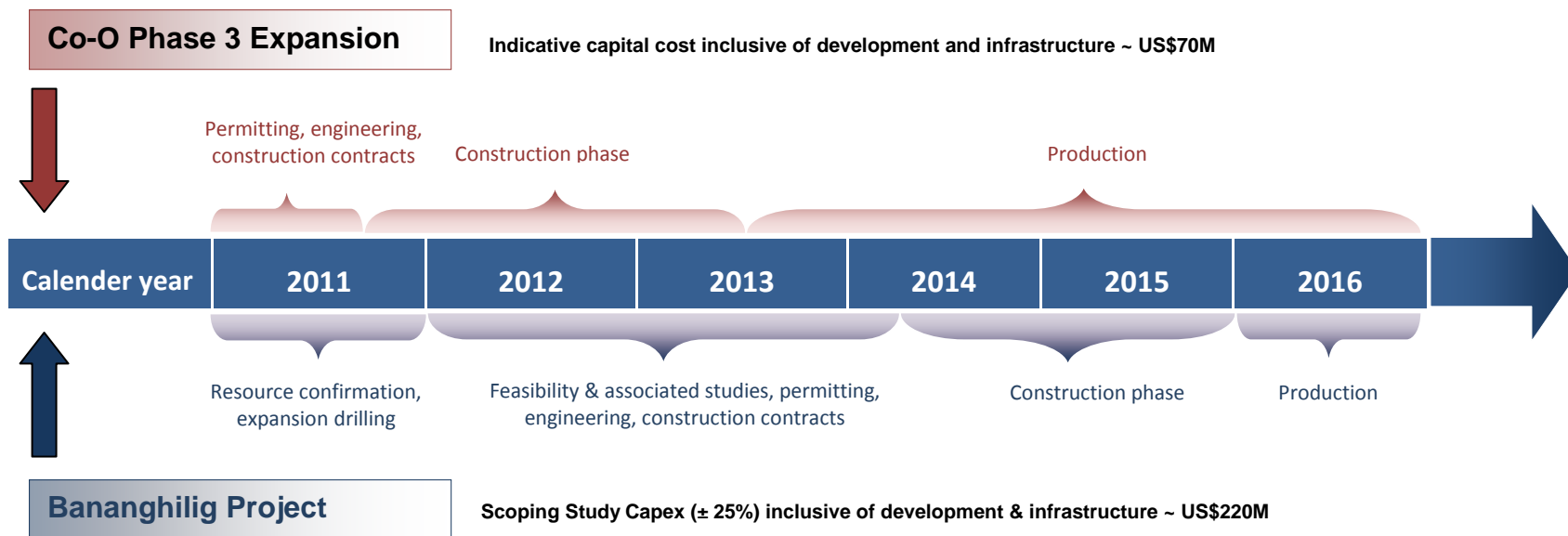
In addition to the heavy emphasis on development, the mine's production has been hampered by shaft haulage access. The recent completion of the Saga Shaft with additional haulage capacity of 1,500 tpd will overcome the shaft haulage issues as production builds from Level 8.

Mill availability for the quarter was reduced by 15 days due to unplanned mill maintenance and upgrading work on sections of the old mill to be incorporated into the new milling complex.

Medusa, an un-hedged gold producer, sold 17,760 ounces of gold at an average price of US\$1,630 per ounce during the quarter.

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.



Production profile (ounces)

Calendar years:

CY (Jan - Dec)	CY 2011 (Actual)	CY 2012 (Actual)	CY 2013	CY 2014	CY 2015	CY 2016
Co-O Mill	77,127	66,395	140-150,000	200,000	200,000	200,000
Bananghilig Mill	-	-	-	-	-	200,000
Total	77,127	66,395	140-150,000	200,000	200,000	400,000

Financial years:

FY (Jul - Jun)	FY 2012 (Actual)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Co-O Mill	60,595	70-80,000	200,000	200,000	200,000	200,000
Bananghilig Mill	-	-	-	-	100,000	200,000
Total	60,595	70-80,000	200,000	200,000	300,000	400,000

Graph 1. Preliminary Development Timetable

Operations

Mine Development

The Saga Shaft is operating and hauling primarily waste and some development ore. Approximately 200 metres of Level 8 development has been completed with four veins intersected. The first Alimak rise from Level 8 to Level 6 is underway and the second is being set up and both should be operational in August. Ore from these passes will be fed directly to the ore bins by conveyor. The winze ore pass is expected to be connected to Level 8 in July.

An Alimak rise has progressed 70 metres to deepen the Baguio Shaft from Level 3 to Level 5 to provide access to additional ore, as well as to de-bottle neck shaft haulage in this area. It is also planned to deepen the Agsao Shaft to Level 8 for haulage and exhaust ventilation.

The lateral development is increasing to a minimum of 1,000 metres per month. Consequently a high proportion of development ore will continue to be supplied to the current mill and also stockpiled.

The development for the quarter was 2,317 metres and at the end of March 2013 there were 50 development headings on-vein, 20 vertical rises on ore and 15 on waste.



Photo 1: Completed Saga Shaft headframe

Mill Expansion

The current status of activities is:

- Construction is on schedule for production in June-July
- Main sub-station and mill and mine transformer stations completed and electrified
- Thickener upgrade completed and operating
- Leach tanks completed and converted to CIL
- Detoxification plant commissioning in April (Photo 2)
- SAG mill installation on schedule for commissioning in June (Photo 3)
- Crusher on schedule for commissioning in June (Photo 4)
- 42 kilometres of electrical cable installation completion in May
- Tie in of new crushing circuit to leach circuit: 4 weeks production loss

The tie-in of the new mill to the existing facilities in the June quarter indicates that the tie-in period will take 4 weeks and includes on-going additional upgrade work not identified in the original assessment of the old mill circuits which are to be incorporated into the new milling complex. This will result in reduced milling time due to interruptions and has been taken into account when re-estimating production guidance for the remainder of FY2013.



Photo 2. Detoxification plant



Photo 3. SAG mill



Photo 4. Primary crusher

Co-O Exploration Drilling

Currently there are two diamond drill rigs operating at surface and two diamond drill rigs operating underground (Levels 3 and 5).

Table III is a summary of significant assay results, ≥ 3 g/t gold over ≥ 0.5 metres received for completed holes from the 21 February 2013 announcement which contains further details.

Table III. Co-O surface and underground drill hole results of ≥ 0.5 metres at ≥ 3 g/t gold.

(Results not previously reported are marked †)

Hole Number	East ⁴	North ⁴	Depth (metres)	Dip (o)	Azimuth (o)	From (metres)	Width ² (metres)	Gold Grade ^{1,3} (uncut) (g/t gold)
SURFACE EXPLORATION DRILL HOLES								
EXP219	614840	913421	1066.10	-45	180	593.15	1.20	10.96 †
EXP222	613551	913307	908.10	-50	180	131.30	3.40	19.81 †
						149.95	1.00	27.02
						777.35	1.55	4.00
						803.65	0.6	19.60 †
						805.70	4.40	4.15 †
						814.45	1.00	3.41
						820.35	1.00	3.27
EXP224	614202	913180	908.10	-63	180	310.40	1.05	3.15
						397.00	0.75	9.27
						457.10	1.00	3.59
						573.60	1.00	3.44
						625.70	1.90	6.37
EXP225	614100	913255	800.10	-51	180	424.40	1.95	9.18
						746.85	1.65	4.95
EXP229	613608	913437	1001.10	-45	180	913.70	1.00	3.41
						917.50	1.60	3.67
EXP230	614107	913296	900.10	-63	180	648.55	1.35	6.60
UNDERGROUND EXPLORATION DRILL HOLES – LEVEL 2								
L2-64W-002	613358	912998	58.20	3	323	13.60	1.75	8.43
						35.50	0.60	3.61
L2-73W-002	613239	912890	110.30	3	309	0.00	1.00	4.24
UNDERGROUND EXPLORATION DRILL HOLES – LEVEL 5								
L5-42E-024	614379	912691	425.40	-43	316	143.95	0.70	3.36 †
						159.90	1.95	3.47
						403.80	1.00	4.67
						406.25	1.00	5.30
L5-42E-025	614381	912691	379.00	-43	329	75.35	0.75	12.56 †
						227.30	2.40	6.62
L5-42E-026	614381	912692	439.10	-43	346	128.95	1.50	4.46
						162.45	0.70	4.15
						215.90	1.15	3.28
L5-42E-027	614382	912691	411.80	-43	358	102.80	2.20	9.99
						105.60	0.70	3.58
						117.90	4.50	10.72
						131.35	6.05	15.25
						204.10	1.70	15.36
						210.55	0.85	22.17
						252.55	1.75	13.41
L5-42E-028	614383	912691	419.90	-43	19	119.60	2.20	31.63
						329.50	1.95	17.65

Hole Number	East ⁴	North ⁴	Depth (metres)	Dip (o)	Azimuth (o)	From (metres)	Width ² (metres)	Gold Grade ^{1,3} (uncut) (g/t gold)
UNDERGROUND EXPLORATION DRILL HOLES – LEVEL 5								
L5-42E-029	614384	912691	417.90	-43	34	225.90	0.70	3.11
						225.90	0.70	3.11
						271.35	0.55	6.17
L5-42E-030	614385	912691	426.30	-43	41	159.00	2.00	10.92
						314.85	0.90	4.28
L5-42E-031	614378	912690	396.40	-53	307	124.85	0.65	44.87
L5-42E-032	614379	912691	401.30	-53	320	123.15	1.50	77.97
						213.65	0.65	12.27

Notes:

- Composited intercepts 'weighted average grades' calculated by using the following parameters:
 - no upper gold grade cut-off applied,
 - lower cut-off grade of 3.0 g/t gold, and
 - ≥ 0.5 metres down hole intercept width at ≥ 3.0 g/t gold;
- Intersection widths are downhole drill widths not true widths;
- Assays are by Philsaga Mining Corporation's laboratory; and
- Grid coordinates based on the Philippine Reference System 92.

Co-O Drill Hole Sampling and Assaying Procedures

Samples are taken from mainly HQ sized (hole outside diameter 96 mm, hole inside diameter 63.5 mm) 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, Safety & Environment

Lost time accident frequency rate (LTIFR) for the nine months to 31 March 2013 is 0.15 including exploration.

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 (EO-79) signed on 6 July 2012, by the President of the Philippines, will have no immediate impact on the Bananghilig Project as the Company can continue to explore, conduct feasibility studies and planning.

BANANGHILIG GOLD DEPOSIT

The announcement of 12 September 2011 summarises the Tambis regional geological setting, local geological setting, deposit description and mineralisation. Additional information is contained in the September 2011 quarterly report dated 24 October 2011, resource estimation update on 29 January 2013, and in drilling updates on 17 January 2012, 8 August 2012, 21 November 2012 and 02 April 2013.

Indicated & Inferred Mineral Resource Estimation

On 29 January 2013, the Company announced the results of resource estimation undertaken by Cube Consulting Pty Ltd of Perth, Western Australia. The Indicated Mineral Resource estimate for the Bananghilig Deposit, comprises 608,000 ounces of gold at 1.59 g/t gold in 11,900,000 tonnes and an Inferred Mineral Resource of 472,000 ounces of gold at 1.62 g/t gold in 9,000,000 tonnes using a cut-off grade of 0.8 g/t gold. The 29 January 2013 announcement comprises a summary of the parameters utilised in the resource estimation.

Infill Resource Drilling

A 14 hole infill drilling programme (TDH287 to TDH300) has just been completed within the Bananghilig resource area for an advance of 3,361.6 metres, to provide additional data in two areas of the deposit. Assay results have been received for holes TDH287 to TDH295, with results pending for holes TDH295 to TDH300. Outstanding assay results should be received by end of May and an estimate of the silver content of the deposit will be included in the annual resource update in the September quarter 2013.

Bananghilig Scoping Study

On 09 April 2013, the Company published the results of a first pass Scoping Study¹ of the Bananghilig Gold Deposit. The Scoping Study was conducted to $\pm 25\%$ accuracy and the results considered positive, warranting the commencement of a Feasibility Study to be undertaken by external consultants. The Feasibility Study is anticipated to be completed in the September quarter 2013. The Scoping Study parameters and discussion on other parameters, including metallurgy, mining and operations is included in the 09 and 11 April announcements. The key components are summarised below:

- ❖ mill size approximately 5,000,000 tonnes per annum for 200,000 annualised ounces;
- ❖ CAPEX: US\$220M comprising:
 - mill US\$170M
 - associated infrastructure including tailings storage US\$50M
- ❖ mill OPEX US\$12 per tonne;
- ❖ indicative mining OPEX of US\$10.50 per tonne;
- ❖ indicative recovered head grade 1.3 g/t gold;
- ❖ indicative waste to ore strip ratio of 4:1 (after pre-strip);
- ❖ metallurgical recovery of 80% CIL with the potential to increase to 90% with flotation plus oxidation processing routes at a later stage;
- ❖ the cost of pre-strip is included in CAPEX costs of US\$220 million; and
- ❖ indicative cash costs: US\$565 per ounce and excludes royalties.

¹ The Scoping Study referred to in this report is based on low-level technical and economic assessments of Indicated and Inferred Mineral Resources, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.

Sterilisation Drilling – New Discovery

A six hole sterilisation drilling programme was completed for an advance of 2,214 metres in an area located to the southeast of the Bananghilig resource, to test potential for gold mineralisation and suitability for infrastructure requirements for further development of the deposit. All six holes (TDH279 to TDH286) encountered significant mineralisation and the potential for significantly increasing the resource base is highly probable given the number of gold mineralised zones encountered in each hole.

The tenor of the new discovery gold mineralisation is, to date, similar to, if not better than, the Bananghilig Deposit, which contains in excess of one million ounces.

Figure 3 shows the Bananghilig area geology showing the position of the new mineralisation discovery, beneath the limestone cover, relative to the Bananghilig resource.

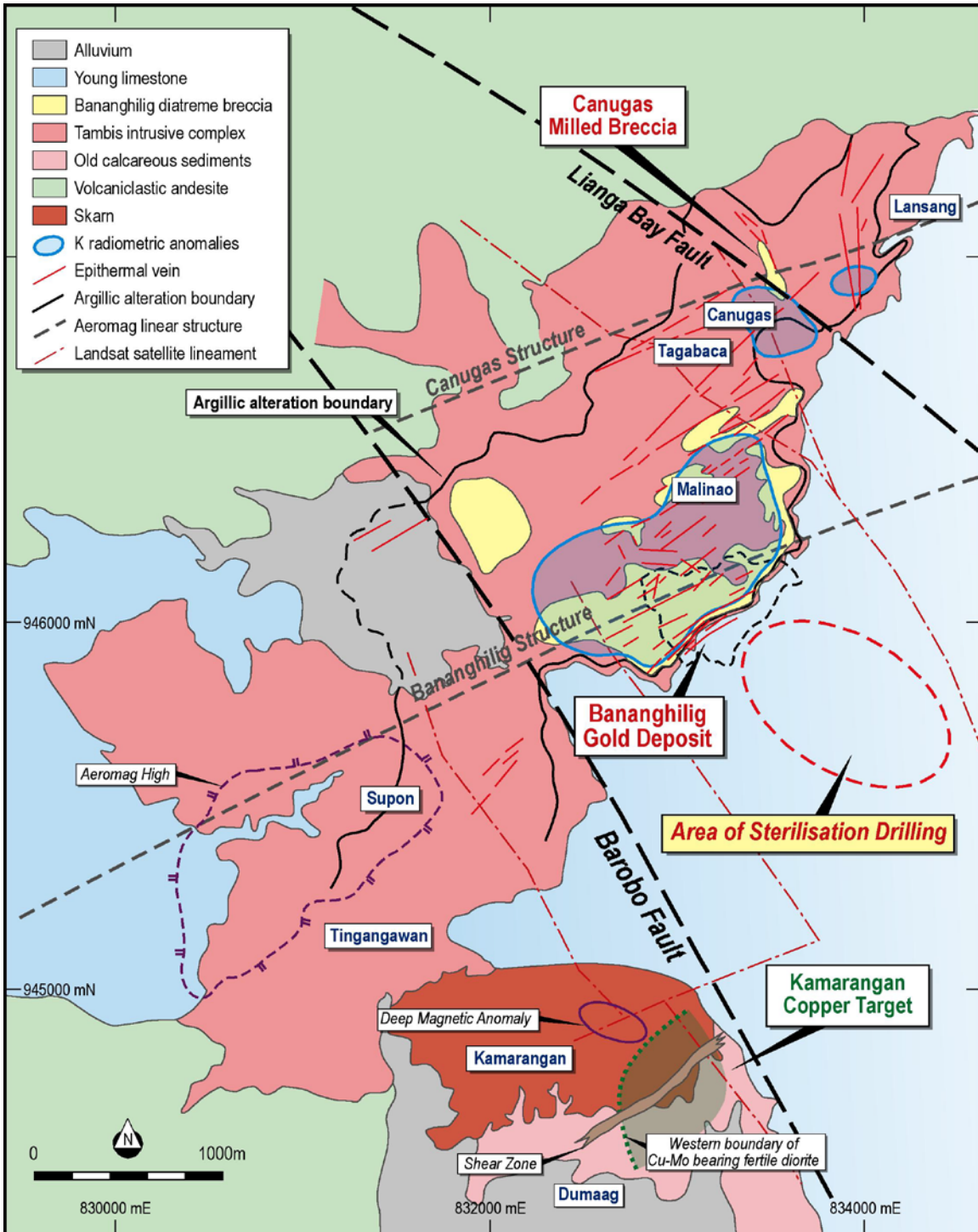


Fig 3. Tambis Project geology showing location of Bananghilig resource relative to new mineralisation discovery area & other prospect areas.

Figure 4 shows the Indicated and Inferred resource block model projected to surface and the location of newly discovered mineralisation. Figure 5 shows a cross-section, looking northeast, through the deposit with the resource zones and the sterilisation drillholes with the newly discovered mineralisation projected onto the cross-section.

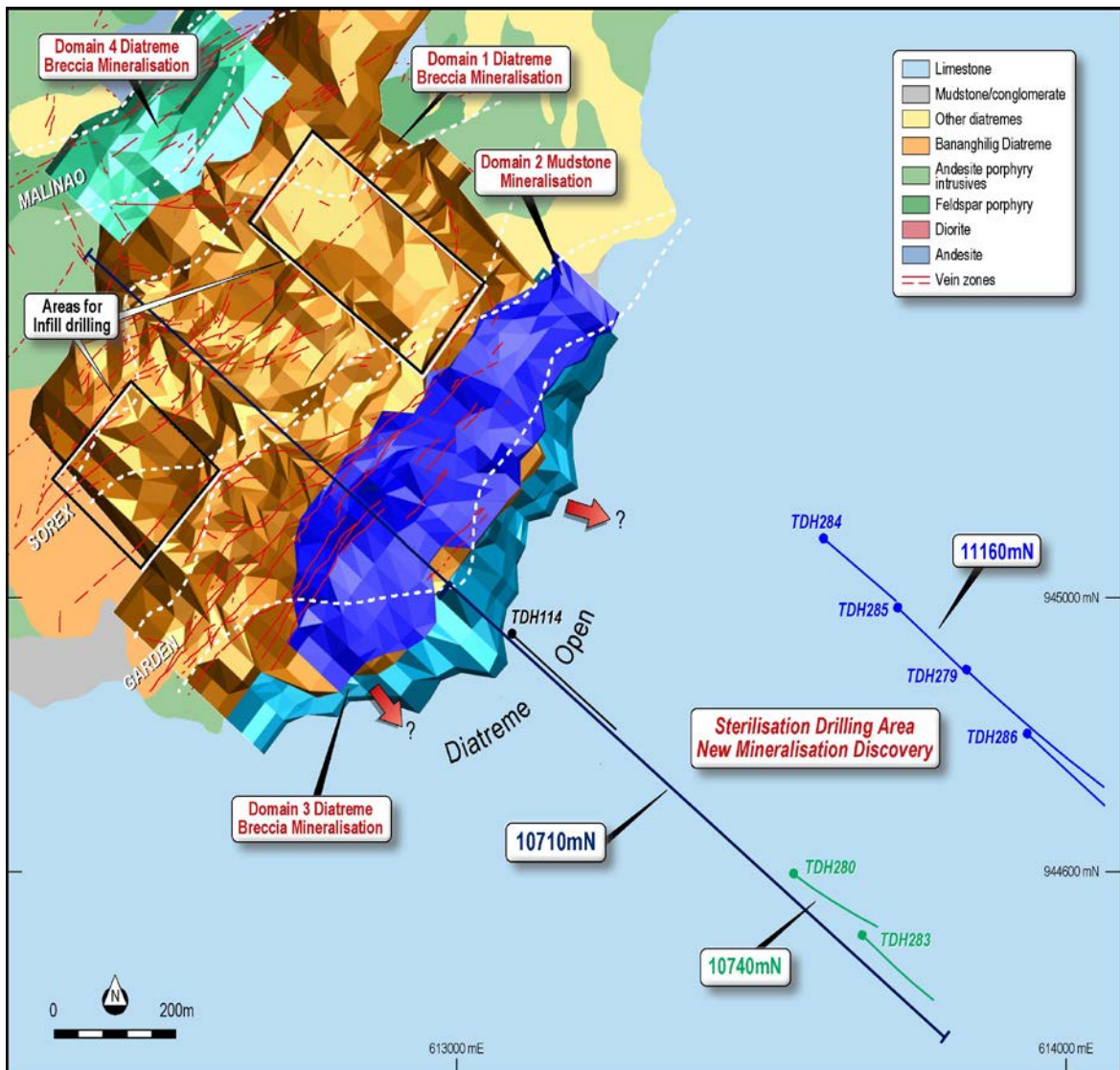


Figure 4. Plan of the Bananghilig resource block model and the sterilisation drill hole locations.

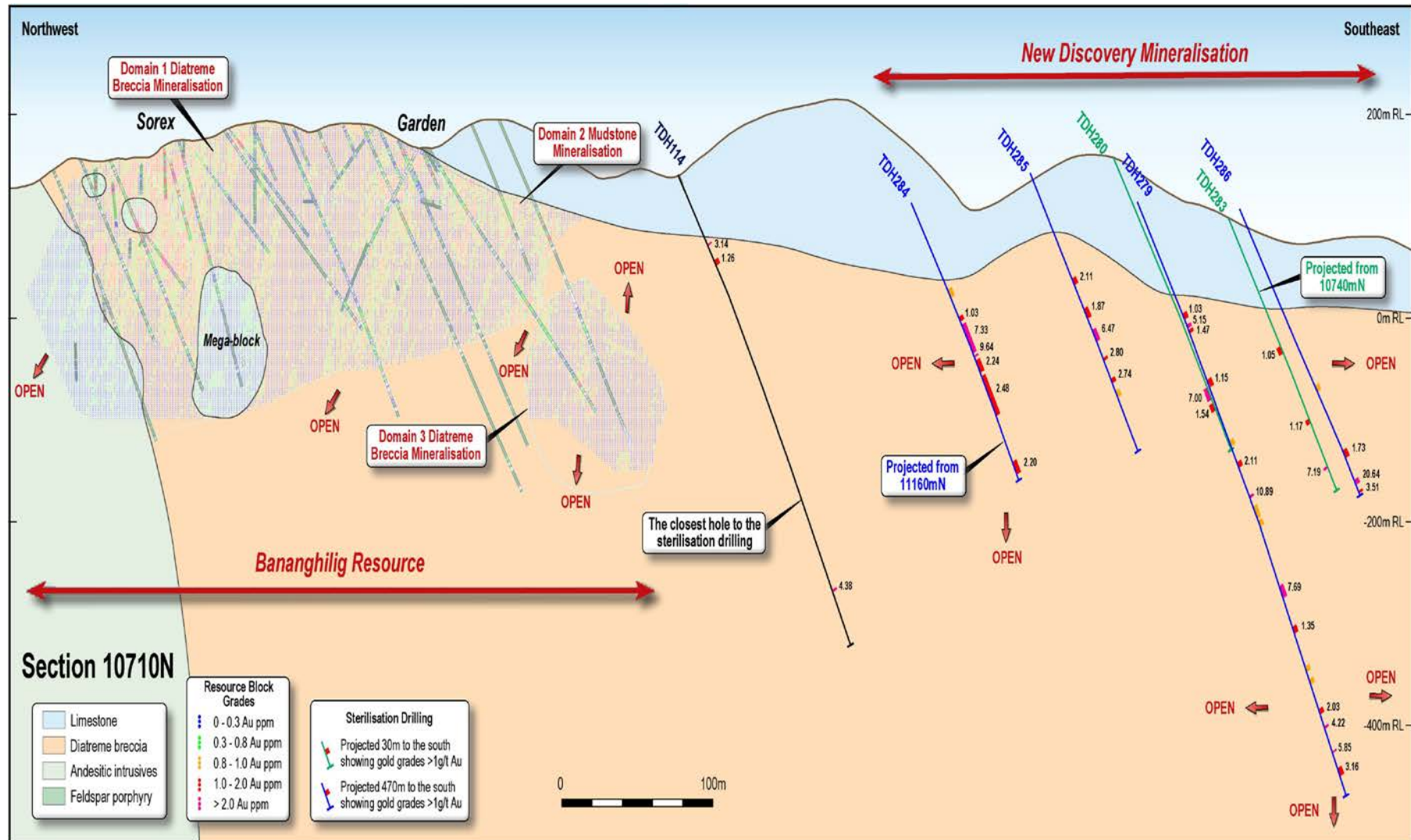


Figure 5. Bananghilig resource block model and sterilisation drill holes projected onto section 10710mN.

Sterilisation Drilling Results

Assay results have all been received for the sterilisation drilling. The majority of which were reported in the 02 April 2012 announcement. Additional results have since been received and significant intercepts are included in Table III.

Results from the infill drilling will be reported during the June quarter.

Table III. Bananghilig surface sterilisation drill hole results ≥ 1 g/t gold.

(Results not previously reported are marked †)

Hole Number	East ⁴	North ⁴	Depth (metres)	Dip (°)	Azimuth (°)	From (metres)	Width ² (metres)	Gold Grade ^{1,3} (uncut) (g/t gold)
STERILISATION DRILL HOLES								
TDH279	613838	944891	647.1	130	-60	125.40	6.05	1.03
						137.85	1.20	5.15
						143.05	4.00	1.47
						198.30	7.70	1.15
						288.55	5.60	2.11
						325.40	1.70	10.89
						422.70	12.40	7.69
						466.10	6.90	1.35
						554.10	6.00	2.03
						572.85	1.20	4.22
						599.70	1.00	5.85
617.60	8.00	3.16						
TDH280	613555	944594	317.6	130	-60	247.40	12.70	7.00
						251.40	1.30	25.84
						252.70	0.75	15.27
						253.45	1.00	23.40
						264.10	8.85	1.54
TDH283	613668	944503	308.6	130	-60	147.90	7.00	1.06
						229.10	5.00	1.17
						281.10	2.00	7.19
TDH284	613605	945083	309.3	130	-60	129.70	5.00	1.03
						138.75	31.60	7.33
						173.45	1.00	9.64
						178.45	13.05	2.24
						195.50	43.70	2.48
						289.50	13.30	2.20
TDH285	613727	944982	308.1	130	-60	117.65	6.45	2.11
						150.80	10.85	1.87
						175.10	12.00	5.47
						206.10	2.00	2.80
						228.60	4.00	2.74
						260.30	1.30	5.49 †
						298.20	6.40	1.18 †
TDH286 †	613939	944798	323.6	130	-60	273.80	8.10	1.73
						306.25	5.40	20.64
						318.70	2.00	3.51

Notes:

- Composited intercepts' 'weighted average grades' calculated by using the following parameters:
 - no upper gold grade cut-off applied,
 - lower cut-off grade of 0.5 g/t gold,
 - ≥ 5 metres down hole intercept width at ≥ 0.5 g/t gold, or
 - ≤ 5 metres down hole intercept width at ≥ 5 gram per metres, and
 - maximum of 3 metres of downhole internal dilution at ≤ 0.5 g/t gold;
- Intersection widths are downhole drill widths not true widths;
- Assays are by Intertek McPhar Mineral Services Inc. in Manila; and
- Grid coordinates based on the Philippine Reference System 92.

DRILL HOLE SAMPLING AND ASSAYING PROCEDURES

Drilling Procedures

Drilling, sampling and analytical methodologies are of internationally acceptable standards. Drilling and analyses are carried out by independent contractors, SBF Philippines Drilling Resources Corp. ("SBF") and Intertek McPhar Mineral Services Inc. ("Intertek") respectively.

Drilling is carried out by SBF using wireline diamond coring techniques, with the core being predominantly HQ triple-tube (HQ3) diameter (OD 61 mm). The holes are initially collared using PQ drillbits (OD 123 mm) to recover PQ3 core (OD 83 mm) until the drillbit encounters competent ground, then the coring bit is reduced to HQ3 for the remainder of the drill hole. If difficult conditions are encountered, then the drill bit is changed to NQ3 (core OD 45 mm) and the hole continued until the planned depth or bad ground conditions prevent further drilling, whichever occurs first. Core recovery is generally better than 95% and is considered to be good.

Drill Core Sampling

Drill core is recovered from the inner tube and handled carefully to preserve the integrity of the drill core. Structural measurements are taken including Rock Quality Determinations ("RQD") and Fracture Densities. The core is then placed in plastic core trays, aligned, photographed and marked up for sampling.

The drill core is then cut in half by diamond core saw and sampled at one metre intervals or at lithological boundaries. The samples are placed in individually labelled plastic sample bags, a sample number ticket included, and then sealed for despatch to Intertek's Sample Preparation laboratory in Surigao City. The integrity of the core samples is supervised at all times by the geologists until despatch to the laboratory where they are accompanied by company personnel until receipt by Intertek.

One Certified Reference Material ("CRM"), one Blank and if possible, one Duplicate is included within each successive group of twenty samples that are submitted to the laboratory. QA/QC monitoring of the drilling program and the results is on-going.

Analytical Procedure

Sample preparation is undertaken by Intertek at their Surigao City laboratory, where each sample is registered, dried at 105°C for 6 to 8 hours and crushed to 95% passing 2 mm by jaw crusher, before a 1kg split is taken for fine pulverising, using a riffle splitter or rotary sample divider. Pulverised sample is nominally pulverised to 95% passing 75µm (200 mesh).

Quality control procedures include a 1 in 15 resplit after crushing for partial preparation and after pulverising for total preparation. These resplits are also analysed and included in the analysis report. Four 250 gram splits are obtained, one for sample analyses and the remaining three for storage for future reference.

Pulverised samples are analysed by classical fire assay techniques on a 50 gram charge with Atomic Absorption Spectrometer ("AAS") finish.

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 Induced Polarisation, Resistivity and ground magnetic surveys have been completed. Data processing and interpretation have been completed by an independent geophysical consultant. A final report is awaited prior to defining targets for drilling.

Soil sampling and re-mapping are in progress.

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.

SAUGON DEPOSIT

First Hit Vein

Background

Figure 2 shows the Saugon Deposit 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-065 to SDDH-104.

Exploration

Regional mapping, trenching and sampling are continuing.

Resource Estimate

Cube Consulting Pty Ltd has completed a resource estimate for the Saugon Deposit. A cut-off of 2 g/t gold was used resulting in an Indicated Resource of 47,000 tonnes at 6.99 g/t gold containing 10,700 ounces and an Inferred Resource of 34,000 tonnes at 4.55 g/t gold containing 5,000 ounces.

FINANCIALS (unaudited)

As at 31 March 2013, the Company, which is debt free, had total cash, cash equivalent in gold on metal account and bullion at site of approximately US\$8.91 million (31 December 2012: US\$15.7 million).

During the March 2013 quarter,

- the Company sold 17,760 ounces of gold at an average price of US\$1,630 per ounce (Dec 2012 qtr: sold 18,492 ounces at an average price of US\$1,731 per ounce);
- incurred exploration expenditure of US\$5.9 million (Dec 2012 qtr: US\$6.1 million);
- spent US\$4.5 million on capital works, associated sustaining capital at the mine and mill and also costs for the new mill construction and infrastructure (Dec 2012 qtr: US\$23.9 million); and
- spent US\$8.4 million on general and accelerated mine development, inclusive of shaft sinking costs (Dec 2012 qtr: US\$8.4 million).

CORPORATE

No dividends were paid during the March 2013 quarterly period.

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

“ The Saga Shaft has facilitated aggressive development on Level 8 where we are driving south from the shaft to intersect 11 veins which will be progressively developed.

As we announced on 8 April, we are still on schedule to commission the new milling circuit in June 2013. We have encountered some previously un-recognised upgrade work required in some sections of the old mill which will increase the tie-in time, hence we have reduced the production guidance for fiscal year 2013 to between 70,000 to 80,000 ounces as a consequence of reduced mill availability. In addition there are unpredictable on-going maintenance issues with the 24 year old current mill.

The outcome of the Bananghilig Gold Deposit Scoping Study is very encouraging, especially with the discovery of another area of mineralisation proximal to the current resources. We are looking forward to the completion of a Feasibility Study and progressing the project. ”

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JORC COMPLIANCE - CONSENT OF COMPETENT PERSONS

Medusa Mining Limited

Information in this report relating to **Exploration Results** has been reviewed and is based on information compiled by Messrs Geoff Davis and Gary Powell who are members of The Australian Institute of Geoscientists. Mr Davis is the Non-Executive Chairman of Medusa Mining Limited and Mr Powell is a Non-Executive Director and both have sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they are 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". Messrs Davis and Powell consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Cube Consulting Pty Ltd

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". 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.

Carras Mining Pty Ltd

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 a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". 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.

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.