



**MEDUSA**

# QUARTERLY ACTIVITIES REPORT

## PERIOD ENDED

### 31 DECEMBER 2009

#### **SNAPSHOT OF MEDUSA:**

- Expanding gold producer operating solely in the Philippines
- Debt free and un-hedged
- Forecast production FY 2009/10 revised upwards to 89,000 ozs
- Long term cash costs at Co-O Mine circa US\$190 per oz
- Mineral Resources comprise
  - Co-O Mine: Indicated 580k ozs at 12.3 g/t gold; Inferred 660k ozs at 9.0 g/t gold
  - Bananghilig: Inferred 650k ozs at 1.3 g/t gold
- Probable Reserves : Co-O Mine 500k ozs @ 14.9 g/t gold
- Organic growth policy to potentially produce 300-400,000 ozs per year
- Excellent exploration upside: high grade vein and disseminated bulk gold targets, plus six porphyry copper targets

#### **Board of Directors**

**Geoffrey Davis**  
(Managing Director)

**Roy Daniel**  
(Finance Director)

**Robert Weinberg**  
(Non-executive Director)

**Peter Hepburn-Brown**  
(Non-executive Director)

#### **Capital Structure:**

Ordinary shares: 170,381,960  
Unlisted options: 1,340,000

#### **Listings:**

ASX & AIM (Code: MML), TSX (Code: MLL)

#### **Address and Contact Details:**

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#### **OVERVIEW:**

##### **Co-O MINE PRODUCTION**

- **Record gold production of 21,108 ozs** (compared to 18,054 ozs in the previous quarter) at an average grade of 18.68 g/t gold and average **cash cost of US\$184 per oz** (US\$136 per oz before taxes, royalties and local production taxes)

##### **Co-O PHASE II EXPANSION**

- Mine expansion to raise production to 100,000 ozs per annum in early 2010 is completed
- Mill construction completed and commissioning commenced
- New MPSA 299-2009-XIII with area of 2,200 hectares was granted abutting the east side of the Co-O Mine MPSA

##### **RE-INTERPRETED Co-O RESOURCE MODEL**

- **Re-interpreted resource model** (announced 18 January 2010), consistent with Agsao Shaft Level 5 development, now provides an accurate development based model for expanding the mine to the east

##### **CONCEPTUAL TARGET SIZE**

- **Conceptual target size** range from 3 million ozs in 9.3 million tonnes to 7 million ozs in 22 million tonnes using a grade range of 9 to 11 g/t gold with a preferred average grade of the current resources of 10 g/t gold

##### **BANANGHILIG DEPOSIT**

- Planning is underway to commence a pre-feasibility study drilling campaign in July 2010

##### **LINGIG COPPER**

- Drilling with three surface rigs is continuing

##### **EXPLORATION BUDGET**

- The exploration budget for the full year increased to US\$18M

##### **FINANCIALS**

- Consolidated cash balance of US\$35.5 million



PROJECT OVERVIEW

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

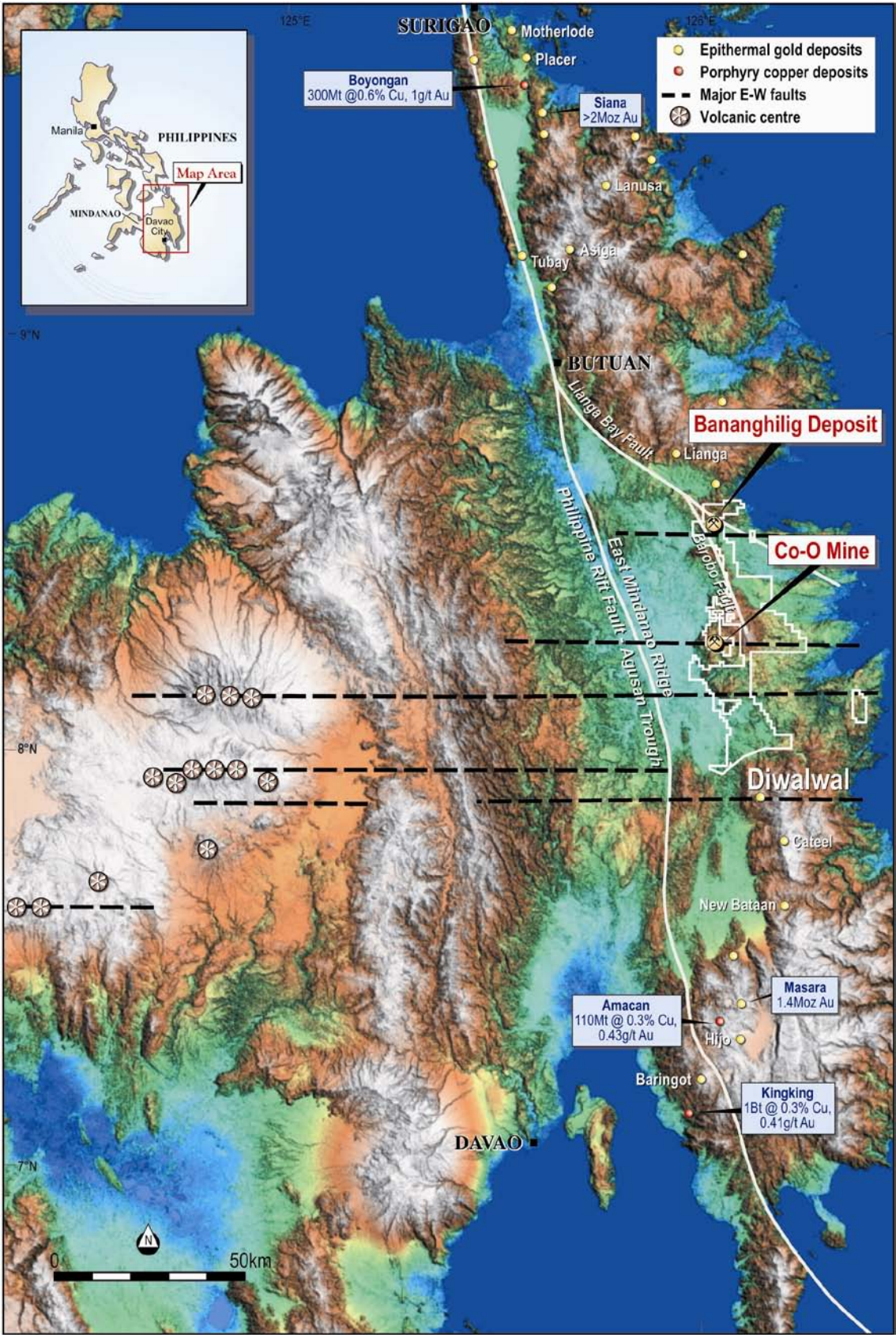


Figure 1. Location diagram showing the Company's tenement areas and prominent East-West structures.



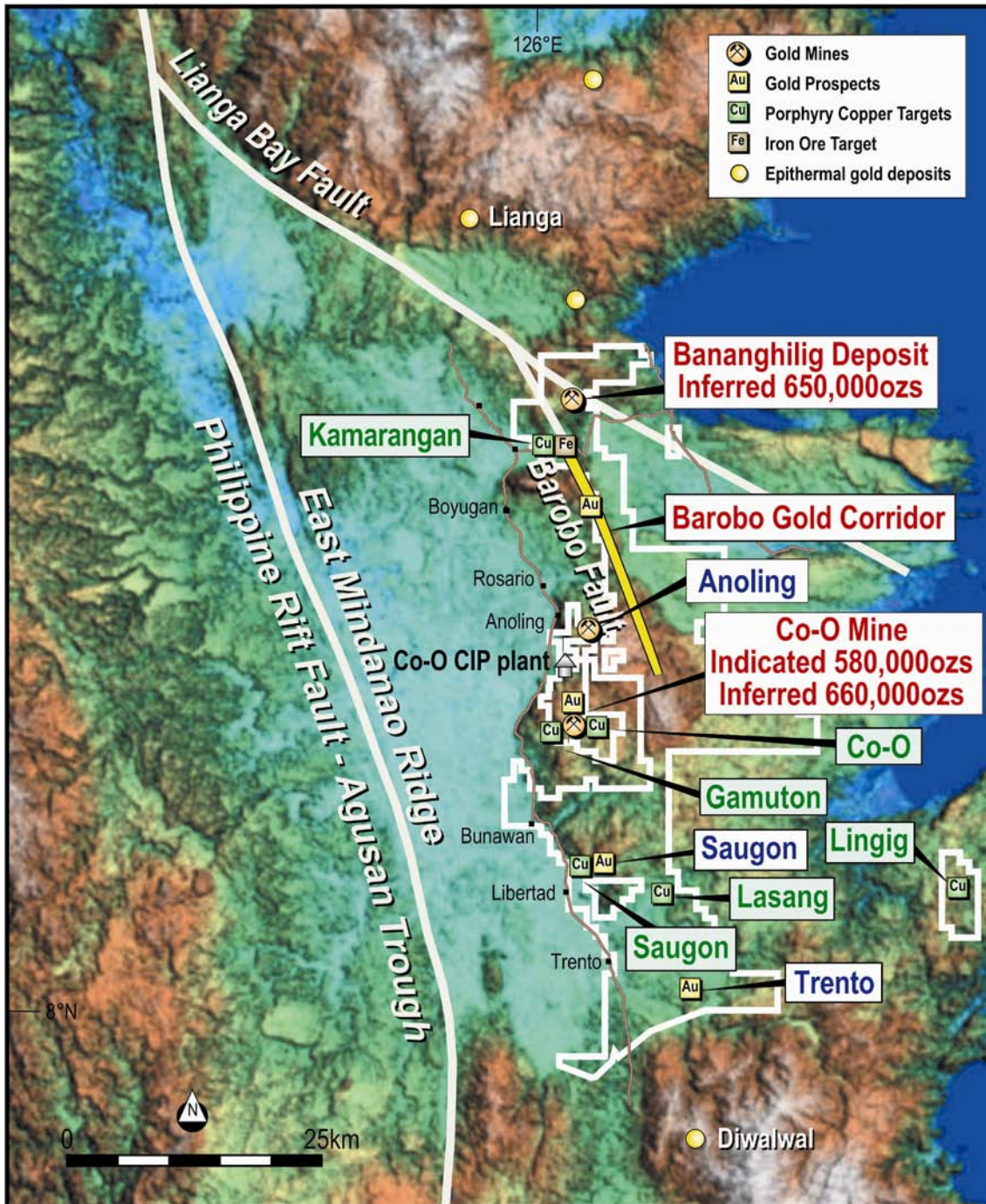


Figure 2. Regional tenement map showing mines and prospects.

## Co-O MINE

### GOLD PRODUCTION

The production statistics for the December 2009 quarter and half year with comparatives for the December 2008 quarter and half year periods are summarised in Table I.

**Table I.** Gold production statistics

Description	Unit	Quarter ended 31 Dec 2009	Quarter ended 31 Dec 2008	Half-year ended 31 Dec 2009	Half-year ended 31 Dec 2008
Tonnes mined	tonnes	53,064	25,575	93,498	49,534
Ore milled	tonnes	37,588	25,575	78,055	49,534
Head grade	gpt	18.68	15.84	16.65	12.71
Recovery	%	94%	93%	94%	92%
Gold produced (1)	ounces	21,108	12,158	39,162	19,144
Cash costs (2)	US\$	US\$184	US\$215	US\$189	US\$225
Gold sold	ounces	21,108	12,158	39,162	19,144
Average gold price received	US\$	US\$1,111	US\$800	US\$1,047	US\$812

Note:

- (1) Gold production is actual gold produced during the period and does not reflect changes in the balance of gold in circuit;
- (2) Cash costs refer to the cost of gold mined (net of mine development costs), produced and sold and includes taxes, royalties and local production taxes of US\$48 per ounce for the Dec 2009 qtr (Dec 2009 half-year of US\$46 per oz).

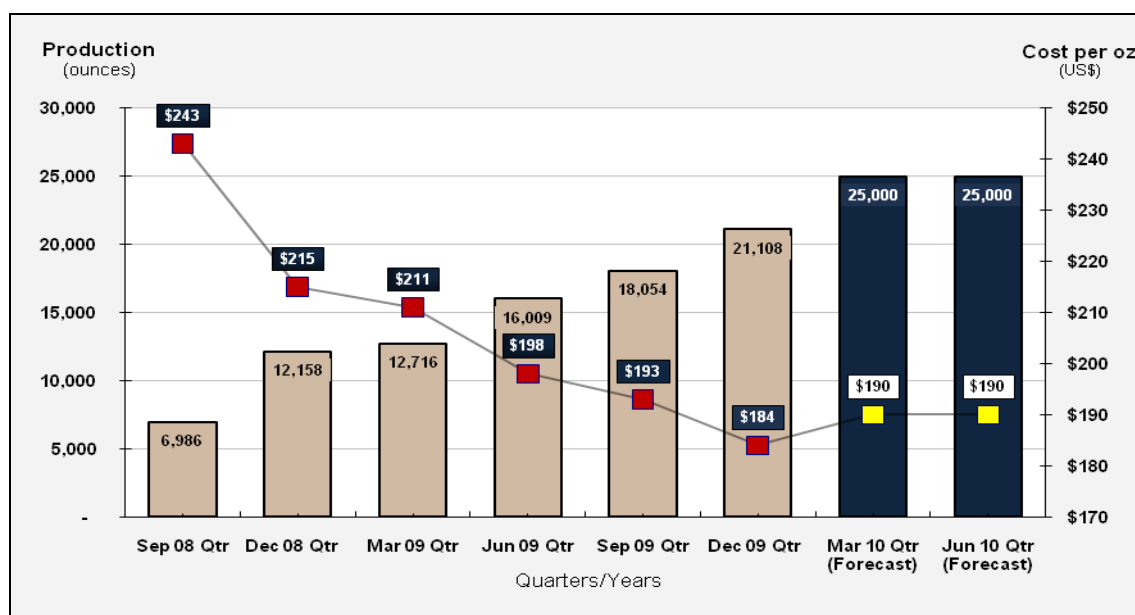
Gold production for the quarter increased to 21,108 ounces (a 17% increase from the previous quarter's production) at an average grade of 18.68 g/t gold and cash costs of US\$184 per ounce.

Medusa is an unhedged gold producer and received an average gold price of US\$1,111 per ounce from the sale of 21,108 ounces of gold for the quarter.

Phase II of the Company's expansion programme is on schedule, and the incremental benefits of that expansion are flowing through as evidenced by the record gold production of 39,162 ounces for the past six months. The forecast gold production for the fiscal year to 30 June 2010 has been revised upwards from 86,000 ounces to 89,000 ounces at an anticipated average cash cost of US\$190 per ounce.

As described in the announcement dated 16 May 2007 regarding the occurrence of "black leader" high grade mineralisation in some veins, there has been an unusual amount of black leader material in recent mine development activities which is responsible for the current high grades. The occurrence of black leader material rarely shows up in drilling and at this stage, its occurrence is not predictable.

A breakdown of actual and forecasted production ounces and cost per ounce by quarters for the last six quarters and the remaining two quarters of this fiscal year is highlighted in Graph 1.



Graph 1. Co-O quarterly production graph with unit costs (actual-fiscal year 2008/09, actual-Sep and Dec 2009 quarters and forecast-remainder fiscal year 2009/10).

## PHASE II EXPANSION

### (a) Mine Production

The mine can now produce at the required rate of approximately 750 tonnes per day to achieve a production rate of approximately 100,000 ounces annualised.

The vertical Ventilation Shaft near the Baguio Shaft is now being fitted with a skip and headframe to haul mineralised material as sufficient mineralised material has now been located above Level 1.

### (b) Mill Expansion

The new mill crushing, screening and washing circuits were completed on schedule. A new back-up genset due to arrive early December was delayed by the Christmas period until the second week of January. Commissioning of the mill expansion has commenced.

### (c) Tailings Dam

Construction of a new eight year life tailings dam is progressing and is due for completion mid-year 2010 subject to favourable weather conditions.

### (d) Power

The Company has been evaluating several options to replace the rural power line currently in use from San Francisco to the mill site with a dedicated power line, as the current rural line is becoming unreliable due to the increase in load. The favoured option (in agreement with the local power co-operative) will involve the installation of a new power line along the same route as the current power line and the cost of the capital outlay by the Company will be offset by a reduction in future power tariffs.

## RE-INTERPRETATION OF RESOURCE MODEL

The sole purpose of the re-interpretation was to correct inconsistencies to the east of the Oriental Fault between previous drillhole based interpretations and the on-going development on Level 5 from the Agsao Shaft. The revised resource is JORC and NI 43-101 compliant. A large number of drill hole intersections are yet to be included in the re-interpreted resource model (Fig.3).

**Table II.** Co-O Mine mineral resource estimates for the major veins.

Vein name	Category	> 0 g/t gold		
		tonnes	g/t gold	contained ounces
Central	Indicated	342,000	9.57	110,000
	Inferred	250,000	3.27	26,000
Jereme	Indicated	97,000	14.53	45,000
	Inferred	93,000	7.81	23,000
Jereme Footwall	Indicated	82,000	16.84	44,000
	Inferred	73,000	12.73	30,000
Great Hamish	Indicated	188,000	21.16	130,000
	Inferred	191,000	10.79	66,000
Great Hamish FW	Indicated	170,000	11.42	63,000
	Inferred	196,000	12.21	77,000
Roysan	Indicated	96,000	23.10	71,000
	Inferred	98,200	23.29	73,000
Catto 1	Indicated	56,000	18.28	30,000
	Inferred	54,000	18.99	33,000
East Agsao 4	Inferred	196,000	12.01	76,000
	Inferred			
Other veins	Indicated	420,000	6.50	90,000
	Inferred	1,140,000	7.10	260,000
Total Indicated		1,450,000	12.3	580,000
Total Inferred		2,290,000	9.0	660,000

The resource estimations have been undertaken by Cube Consulting Pty Ltd, 2010.

Note: Rounding may result in some slight discrepancies in totals

This re-interpretation has marginally decreased the Inferred Resources but maintained the Indicated Resources taking into account production of 39,162 ounces and stockpiles containing approximately 8,500 ounces. This now provides an accurate development based model for expanding the mine to the east. Thirty-five veins have now been modelled with resources and more are expected to be identified. Future resource updates will be done annually in June-July.

## **Discussion**

Diamond drilling has continued since the resource model update announced on 1 July 2009 and focused on extending the Co-O vein system. A total of 52 drill holes have been completed (as announced on 10 December 2009) since the previous resource estimation and considered for inclusion in the re-interpreted resource model in conjunction with available underground sampling data, and excluding mined material.

Thirty five veins now have resources allocated to them, with a number of the new veins, particularly the East Agsao series of veins, being open in almost all directions. The vein system is open at depth.

It should be noted that a large number of drill holes in a number of areas shown on Figure 4 are still to be included in resource estimates, and will be included as the confidence levels increase and demonstrated continuity improves through additional drilling and/or development.

As a result of extensive development from the bottom of the Agsao Shaft (Level 5) since the previous resource estimate, this new wireframe model has corrected previously noted (see announcement of 1 July 2009) inconsistent vein orientations on the east side of the Oriental Fault. It is now clear from the underground development that the vein system continues in an easterly direction, disrupted in places by north-trending step-faulting, which generally down-throws the veins on the east side of each fault. Re-interpretation as straight veins has resulted in some inferred resources loss compared to the previous interpretation of curved veins which was based solely on drillhole data.

Figure 5 shows all the current development in the mine.

Resource drilling is continuing with the aim of increasing confidence levels for interpretation in some areas which will result in the inclusion of more drill hole intersections as well as extensions to the vein system.

## **Stockwork/stringer mineralisation**

At the western end of the mine, preliminary work suggests the possible presence of a number of stockwork or stringer zones where narrow quartz veins over widths of 5 to 6 metres have been developed. One of these has been defined as approximately 40 metres long within the Great Hamish Vein. An Alimak rise within this zone has been completed between Levels 2 and 3 demonstrating continuity and that it is open above and below these levels. Two early bulk samples tested through the mill returned head grades of 14 and 17 g/t gold. Alimak long-hole stoping (much cheaper than shrink stoping) is about to commence in this zone and will be employed if other similar zones are defined.

Other potentially similar stockwork or stringer zones may be present in parts of other veins and a similar zone outcrops near the Tinago Shaft which will be subject to additional exploration. A drive to connect the Baguio Shaft and the Tinago Shaft on Level 3 is underway and expected to allow underground assessment of previous drill hole TIN 3 with a similar interpreted style adjacent to the Central Vein and between Levels 2 and 3. It returned two close spaced intersections of 3.80 metres at 21.15 g/t gold and 6.60 metres at 2.45 g/t gold (see announcement dated 28 February 2007).

## **Specific gravity**

A programme of specific gravity ("SG") measurements is underway for the lower levels of the mine. Initial results indicate that the currently used SG of 2.45 may be conservative. This programme should be completed before the next resource estimate.



## Vein modelling

Cube Consulting Pty Ltd of Perth, Western Australia was contracted to undertake the resource estimations. A wireframe model of the vein system and the mine depletions were based on all available information as at 7 December 2009. A 2D longitudinal modelling approach was used and is based on an accumulation variable incorporating mineralised vein horizontal width and intercept grade. Variography was used to analyse the spatial continuity of the horizontal width and accumulation variables within the mineralised veins and to determine appropriate estimation inputs to the interpolation process. The accumulation variables were interpolated into blocks using Ordinary Kriging. High grade limits were applied to gold prior to the calculation of the accumulation variable. Mineral resources have been reported in accordance with The 2004 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code) and Canadian National Instrument 43-101.

## RESOURCE DRILLING

On 10 December 2009 the drilling results for drill holes MD 165 to 216 were released. These results are summarised in Table III which should be read in conjunction with the 10 December 2009 announcement which contains more detail and intersections down to 0.2 metres downhole width.

**Table III.** Drill hole results >3 g/t gold and >0.5 metres downhole width for holes MD 165 to MD 216.

Hole	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
MD 166	613606	913221	-45	186	45.55	0.55	3.06
MD 168	613423	913169	-47	185	191.10	4.00	3.76
MD 170	613809	913202	-46	190	109.40	1.00	5.28
					137.45	0.50	8.27
					519.85	1.00	3.50
					636.25	2.15	18.43
MD 171	614677	912995	-57	166	413.80	3.10	3.67
					430.85	1.00	7.40
MD 172	613420	913124	-45	171	54.85	1.60	3.05
					114.20	1.00	7.41
					127.20	0.80	5.01
					243.45	0.85	83.47
MD 173	613411	913106	-47	185	76.30	0.50	13.21
					99.10	2.00	6.49
MD 175	613713	913335	-55	190	383.80	1.00	4.16
MD 178	614532	913023	-70	160	314.10	0.50	59.44
					334.55	0.65	18.71
					395.05	2.90	6.75
					459.80	1.55	9.73
MD 179	613351	912825	-68	217	65.65	2.80	7.43
					113.65	0.75	100.63
MD 180	613870	913302	-45	190	403.50	0.65	8.37
					427.50	3.01	3.06
MD 183	613352	912824	-63	171	65.30	0.85	13.73 (*)
					151.05	1.25	14.66 (*)
MD 187	614226	913131	-56	180	210.70	1.10	6.54
					421.50	1.10	4.32 (*)
					438.55	0.50	9.35 (*)
MD 188	613475	912843	-45	185	53.80	0.65	47.90
					127.95	1.00	3.89
					160.80	2.60	9.65
MD 189	614532	913021	-70	175	322.95	1.00	3.37
					394.00	2.95	5.74
					401.65	2.15	15.41
					436.40	2.40	18.89
					497.40	0.50	11.59
					671.00	0.90	32.29

<b>MD 190</b>	613342	912848	-71	196	29.80	1.00	3.67
					155.40	1.30	11.03
<b>MD 191</b>	613522	912806	-56	187	149.80	1.70	14.90
<b>MD 195</b>	613331	912882	-70	189	16.10	1.00	6.71 (*)
					211.00	0.50	13.55
<b>MD 196</b>	614163	913110	-50	175	99.20	0.90	4.03
					434.10	1.50	5.78
					485.10	3.20	11.37
					492.85	0.20	3.76
					520.00	0.20	3.62
					539.75	2.00	103.36
<b>MD 197</b>	614226	913107	-60	180	544.90	1.65	62.36
					98.60	3.05	6.04
					123.80	2.15	6.08
					408.50	1.00	3.29
					411.85	1.20	6.31
					438.00	0.90	4.17
<b>MD 199</b>	614567	913137	-58	158	463.25	1.35	6.34
					495.55	1.25	3.88
					401.40	1.55	8.27 (*)
					430.60	1.90	24.07 (*)
					551.05	0.50	26.54 (*)
					561.00	1.20	3.07 (*)
<b>MD 200</b>	614533	913020	-45	175	566.00	1.50	6.63 (*)
<b>MD 201</b>	613316	912930	-75	127	515.80	1.70	41.69 (*)
					43.35	2.10	5.15 (*)
<b>MD 202</b>	614157	913197	-52	175	128.90	0.50	4.77 (*)
<b>MD 204</b>	614294	913116	-45	180	255.30	0.50	64.93 (*)
<b>MD 205</b>	614536	913221	-64	158	91.20	2.10	3.47 (*)
					214.55	1.30	9.07 (*)
					474.85	0.60	4.66 (*)
<b>MD 210</b>	613478	912846	-85	185	515.45	0.55	4.47 (*)
					90.45	6.35	8.46 (*)
					234.55	0.85	18.90 (*)
					240.40	2.45	3.56 (*)
<b>MD 211</b>	614009	912469	-50	192	313.10	1.70	3.87 (*)
					134.25	1.25	8.90 (*)
					163.70	4.15	6.25 (*)
<b>MD 213</b>	613320	912924	-80	180	197.95	1.20	3.02 (*)
					58.80	2.25	3.06 (*)
					72.55	1.15	3.53 (*)

**Notes:**

- (i) Intersection widths are downhole drill widths not true widths;
- (ii) Assays denoted (\*) are Philsaga assays, all others are by McPhar Geoservices Inc in Manila; and
- (iii) Grid coordinates based on the Philippine Reference System 92.

Drilling is continuing along and across strike at the Co-O Mine using six surface diamond drill rigs with the aim of increasing confidence levels in some areas and identifying additional mineralisation that can be developed for production.



## Co-O MINE CONCEPTUAL TARGET SIZE \*\*

Estimates (Table IV) have been undertaken for the Co-O Mine conceptual target size\*\* based on a drill-defined strike length of approximately 1,500 metres and up to 2,000 metres based on potential extensions.

Aggregate across-strike widths of the veins of 5 and 8 metres (ie, adding the width of each individual vein across strike to give an aggregate vein width) are regarded as possibly conservative. Depths of between 500 and 750 metres below Level 1 (adit level) in the mine are regarded as geologically reasonable as a few deeper drill holes below 400 metres below Level 1 have intersected good grade mineralisation.

The estimate used a grade range of 9 to 11 g/t gold with a preferred average grade of the current resources of 10 g/t gold.

**Table IV.** Co-O Mine conceptual target parameters and estimates \*\*

Strike length (metres)	Depth below Level I (metres)	Aggregate Vein width (metres)	Conceptual tonnes	Gold grade (g/t)	Conceptual contained ounces
1,500	500	5	9,375,000	10	3,125,000
		8	14,700,000	10	4,725,000
		10	18,750,000	10	6,250,000
	750	5	15,000,000	10	5,000,000
		8	22,050,000	10	7,000,000
		10	30,000,000	10	10,000,000
	1000	5	18,750,000	10	6,250,000
		8	29,400,000	10	9,450,000
		10	37,500,000	10	12,500,000
	2,000	500	5	12,500,000	10
8			19,600,000	10	6,300,000
10			25,000,000	10	8,125,000
750		5	20,000,000	10	6,660,000
		8	29,400,000	10	9,450,000
		10	40,000,000	10	10,330,000
1,000		5	25,000,000	10	8,125,000
		8	39,200,000	10	10,200,000
		10	50,000,000	10	16,250,000

**Notes:**

- (i) SG of 2.45 used for all estimates;
- (ii) Estimates rounded to nearest 1000; and
- (iii) Highlighted cases indicate most geologically reasonable based on current knowledge.

\*\* 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.

## REGIONAL DRILLING

Up to three surface rigs are testing new veins around the Co-O Mine as shown on Figure 6. The aim of this drilling is to extend the vein system so that additional production scenarios can be considered through replicating mining infrastructure.

The Co-O vein system outcrops at surface on the western side of the Oriental Fault, where it was first discovered. The veins at surface rarely exceed 0.5 metres width and generally assay around 1 to 5 g/t gold (with possibly some supergene enrichment). Gold values started to increase significantly approximately 80 metres below surface.

Up to the announcement on 9 December 2009, 16 drill holes (EXP 1 to 16) had been completed. Results are available for EXP 1 to 12 (Table V) where strongly anomalous values have been obtained from a number of individual samples in excess of 0.5g/t gold and up to 5.13 g/t gold. These mineralised structures will be assessed for further follow-up either along strike or at depth.

**Table V.** Drill hole results >0.5 g/t gold for holes EXP 1 to 12.

Hole	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
EXP 2	613792	912724	-63	130  Incl.	24.50	2.00	1.39 (*)
					62.55	1.35	1.72 (*)
					63.55	0.35	5.13 (*)
					179.30	1.00	1.60 (*)
					185.30	1.00	0.65 (*)
					190.30	0.70	0.71 (*)
					416.60	1.00	0.58 (*)
					446.70	1.00	0.53 (*)
					452.00	1.00	0.79 (*)
EXP 3	615733	911967	-60	175	232.00	1.00	0.71 (*)
EXP 10	614880	913266	-70	158	583.30	1.00	0.55 (*)
					636.15	0.35	2.20 (*)
					659.60	1.00	0.65 (*)
					671.45	1.45	0.77 (*)
EXP 12	614961	913050	-47	162	782.90	0.70	0.76 (*)
					783.75	0.65	0.72 (*)
					785.35	0.55	0.85 (*)

**Notes:**

- (i) Assays denoted (\*) are Philsaga assays;
- (ii) Grid coordinates based on the Philippine Reference System 92;
- (iii) Assays awaited for EXP 13 to 16; and
- (iv) Intersections widths are downhole drill widths not true widths.

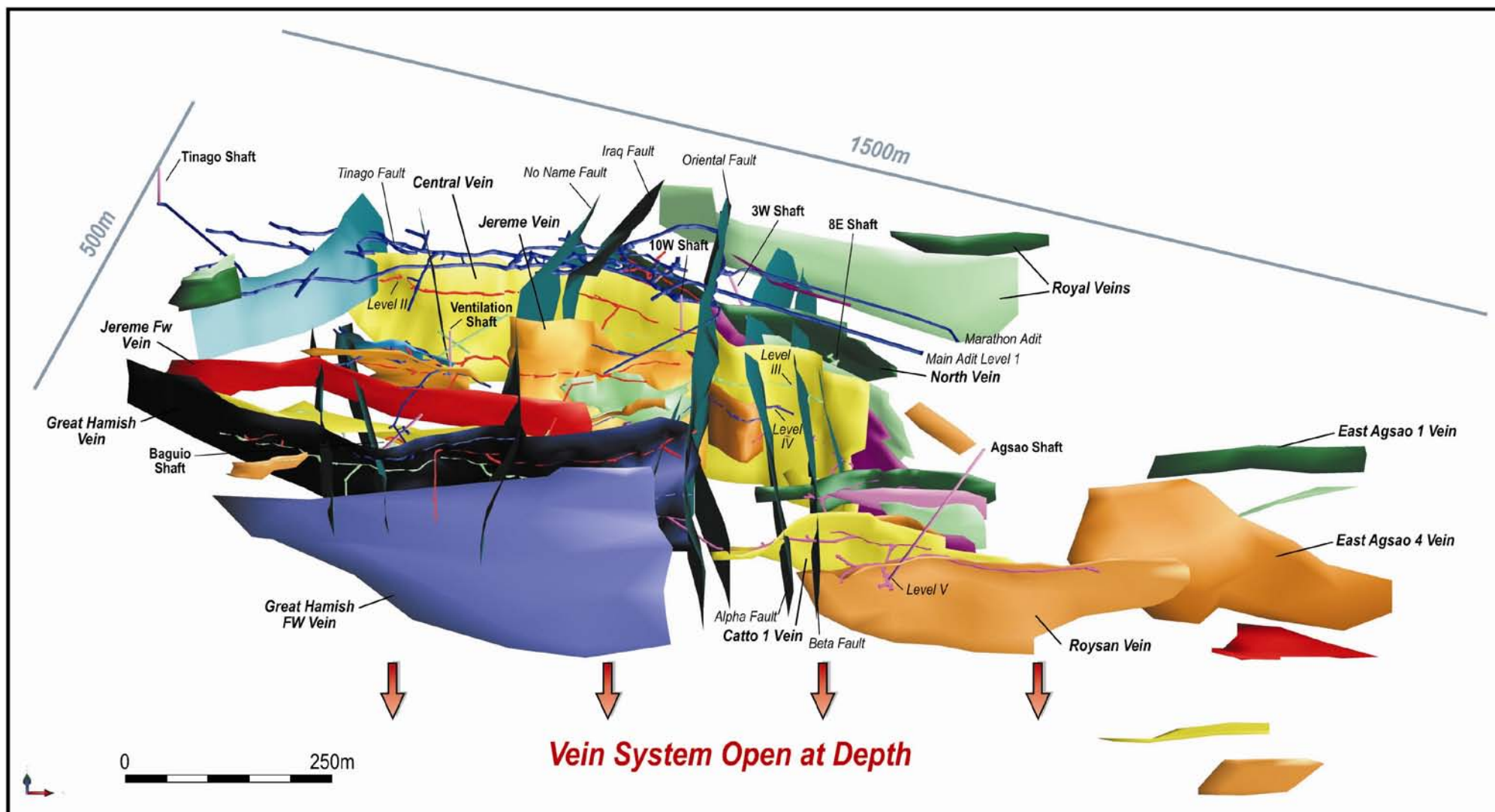


Figure 3. Co-O Mine 3D vein model.

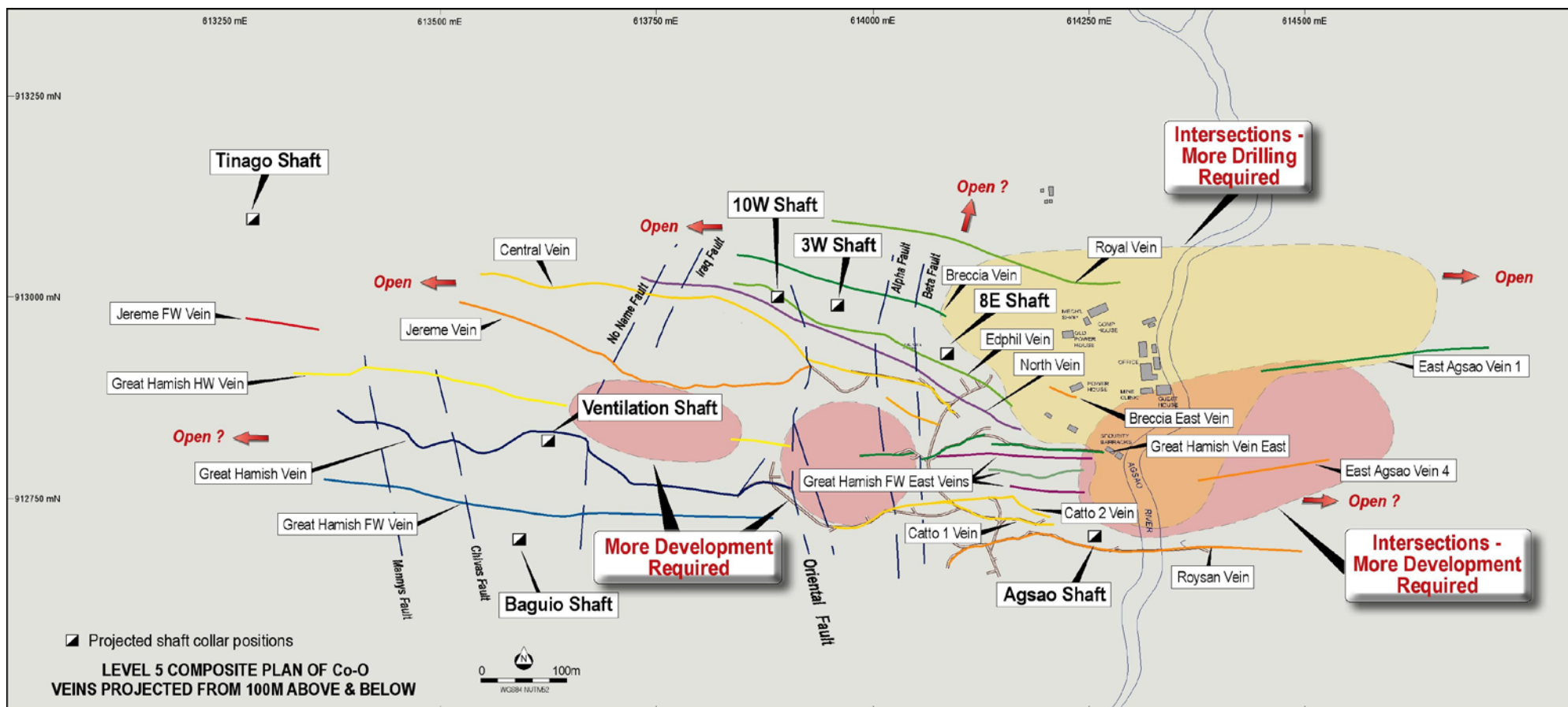


Figure 4. Co-O Mine plan view of the vein system projected to Level 5.



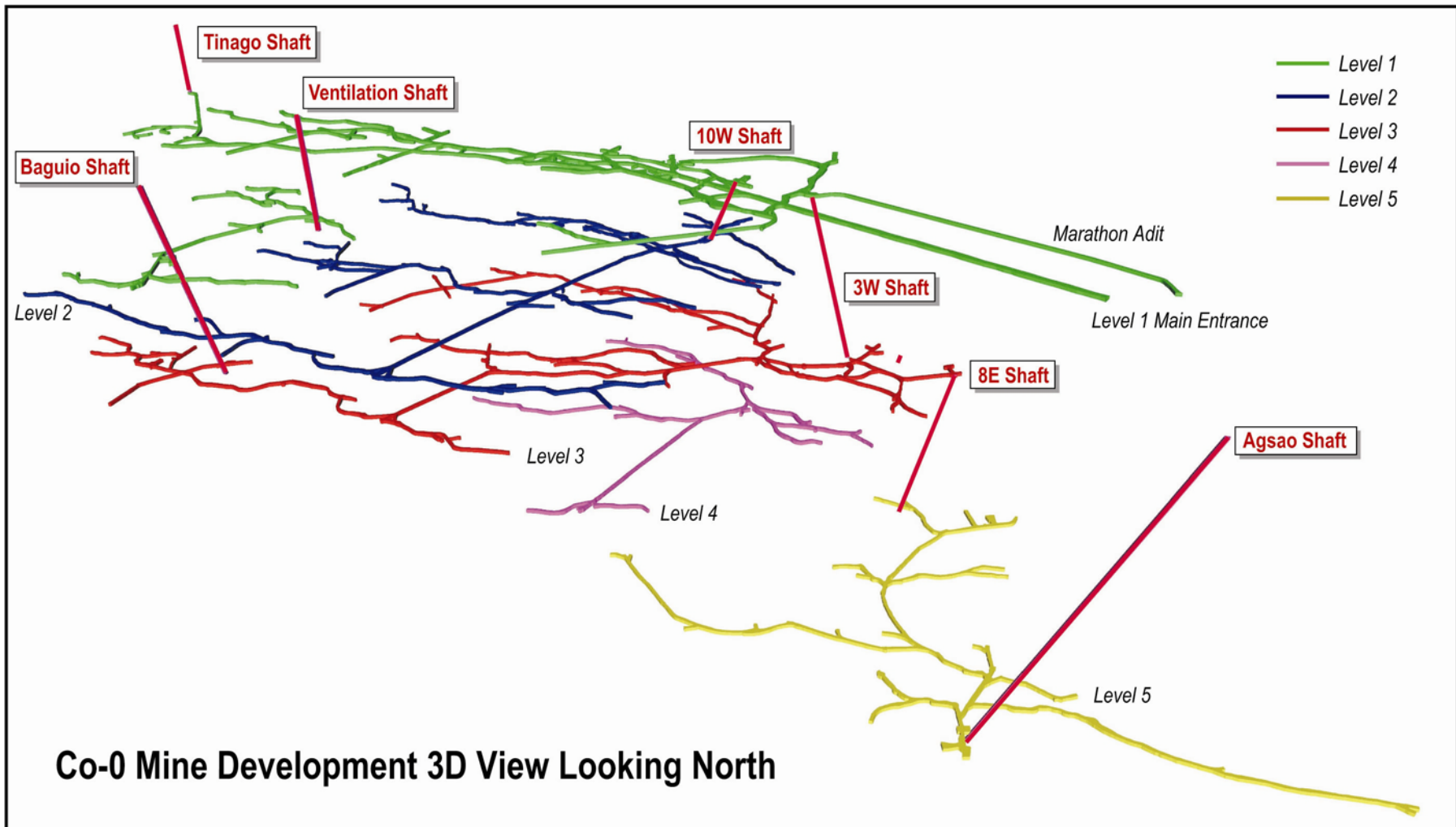


Fig. 5. 3D view of the Co-O underground development

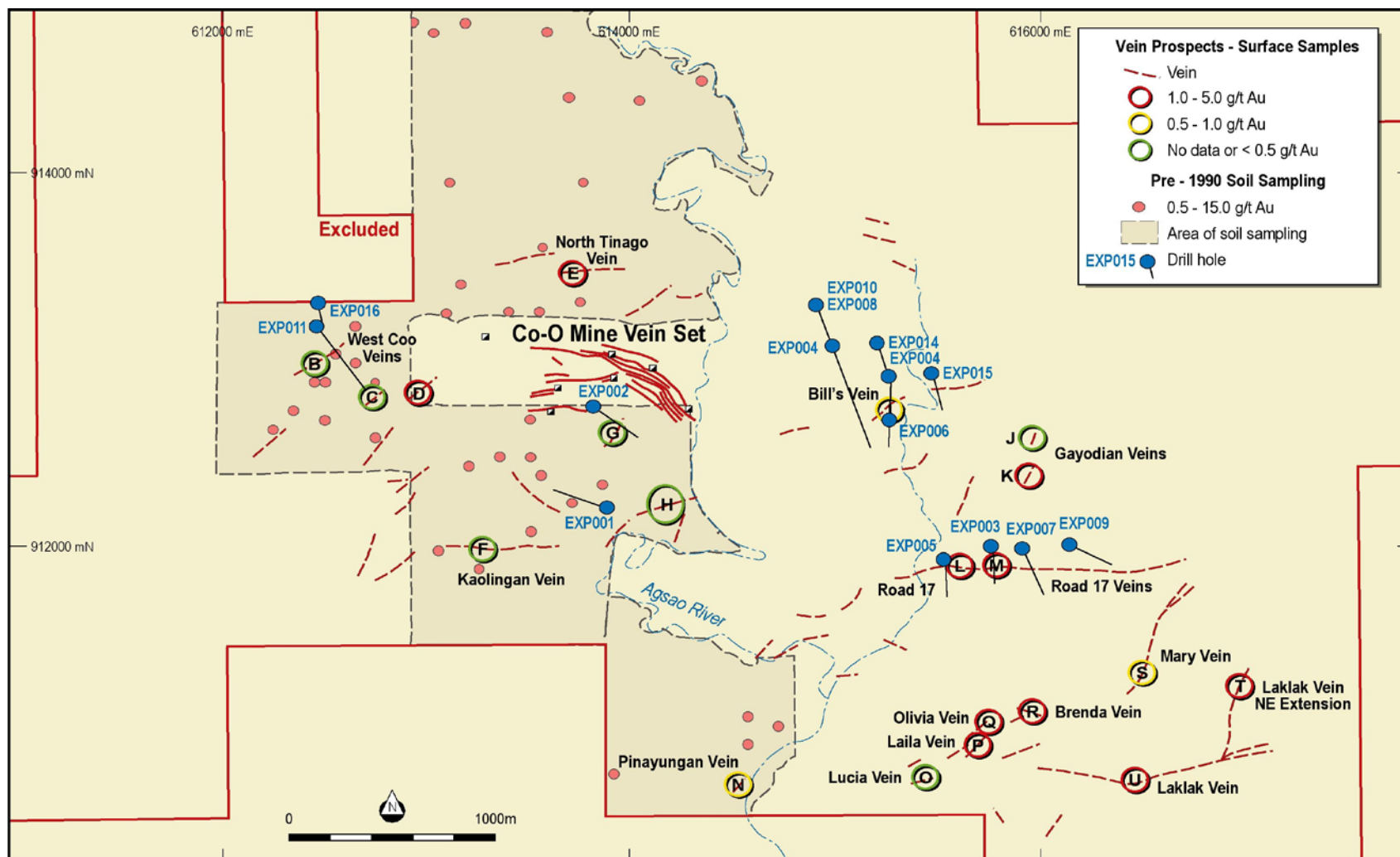


Figure 6. Co-O Mine area showing adjacent veins and regional exploration drill holes.

## LINGIG COPPER PROJECT

The Lingig prospect is covered by a Mines Operating Agreement ("MOA") over Mineral Production Sharing Agreement ("MPSA") application number APSA 024-XIII comprising two parcels situated to the north and to the east (the Lingig porphyry copper prospect) of the Co-O Mine and millsite as shown on Figure 2.

Drilling is continuing with three drilling rigs. The most recent results were announced on 12 October 2009.

## TAMBIS-BAROBO REGION

The Tambis project, currently comprising the Bananghilig Gold Deposit and the Kamarangan copper porphyry prospect (Fig. 2), is operated under a Mining Agreement with Philex Gold Philippines Inc. over Mineral Production Sharing Agreement ("MPSA") application APSA-000022-XIII which covers 6,262 hectares.

Figure 2 shows the location of the Bananghilig Deposit. Planning is underway for a major drilling campaign commencing around July 2010 as the basis for pre-feasibility studies. The aim of the work will be to increase the resources to a level which could provide a 5 year minimum mining life at a production rate of approximately 200,000 ounces per year.

## ANOLING

The Mines Operating Agreement ("MOA") with Alcorn Gold Resources Inc. covers MPSA application number 039-XIII situated approximately 8 kilometres north from the millsite as shown on Figure 2. Processing of the MPSA is progressing.

Mapping and sampling is continuing. Drilling will recommence when the MPSA is granted.

## OTHER PROJECTS

### ➤ Sur-sur Project.

The Company is advancing the tenement applications.

### ➤ Saugon Project

Re-mapping, re-logging of core and sampling are continuing in preparation for drilling in 2010.

## FINANCIALS

As at 31 December 2009, the Company which is debt free, had a consolidated cash balance of US\$35.5 million (Sep 2009: US\$25.2 million);

During the quarter,

- The Company received proceeds of US\$23.4 million from the sale of 21,108 ounces of gold at an average sale price of US\$1,111 per ounce;
- Incurred exploration expenditure of US\$5.8 million (Sep 2009 qtr: US\$3.4 million);
- Spent US\$1.7 million on capital works associated with the mine and mill expansion (Sep 2009 qtr: US\$2.3 million); and
- Expensed US\$1.8 million in mine development costs (Sep 2009 qtr: US\$2.4 million).

## CORPORATE

- Mr Kevin Tomlinson resigned as Non-Executive Chairman of the Company on 13 January 2010.

Information in this report relating to **Exploration Results** is based on information compiled by Mr Geoff Davis, who is a member of The Australian Institute of Geoscientists. Mr Davis is the Managing Director 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 "Australian 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 "Australian 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. Refer to the Technical Report which was filed on [www.sedar.com](http://www.sedar.com) in November 2009 for further discussion of the Co-O Deposit's geology, structural controls, drilling, sampling and assaying information, and any known material environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issue.

Information in this report relating to **Ore Reserves** is based on information compiled by Declan Franzmann, B Eng (Mining), MAusIMM. Mr Franzmann is a full-time employee of Crosscut Consulting. Mr Franzmann has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons 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 Franzmann consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Refer to the Technical Report which was filed on [www.sedar.com](http://www.sedar.com) in November 2009 for further discussion of the Co-O Deposit's geology, structural controls, drilling, sampling and assaying information, and any known material environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issue.

A revised Technical Report will be lodged with SEDAR within 45 days of this announcement.

## **ABOUT MEDUSA MINING LIMITED**

**Medusa Mining Limited** ("Medusa" or the "Company"), a public company listed on the ASX, AIM and the TSX, is an Australian based gold producer, focussed solely on the Philippines.

With current mineral resources comprising Indicated 580,000 ounces of gold and Inferred 1,310,000 ounces of gold, Medusa's corporate strategy is to become a mid tier 300,000 to 400,000 ounce per year, low cost gold producer.

The Company is currently expanding its high grade Co-O Mine operations (Indicated Resources 580,000 ounces of gold inclusive of a Probable Reserve of 500,000 ounces of gold, and Inferred Resources 660,000 ounces of gold) to increase its forecast production to 100,000 ounces per year in 2010, and is conducting near mine exploration to assess the possibilities of further expansion to 200,000 ounces per year. Current cash costs at the Co-O Mine are approximately US\$200 per ounce.

A pipe-line of deposits is now being established with the Bananghilig Deposit (Inferred Resource of 650,000 ounces of gold) recently added and which is expected to expand, potentially in conjunction with nearby discoveries.

Further potential upside exists in the discovery of substantial copper deposits within the tenement holding of > 800km<sup>2</sup>.



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