

Medusa Mining Limited: Quarterly Activities Report Period Ended 30 June 2013

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COMO, WESTERN AUSTRALIA--(Marketwired - Jul 31, 2013) - [Medusa Mining Ltd.](#) (ASX:MML)(LSE:MML)

Snapshot of Medusa:

- Un-hedged, low cost, gold producer focused on organic growth in the Philippines
- Commissioning of new mill in August 2013
- Current production reduced due to narrow veins on 8L near the L8 shaft
- Bananghilig Scoping Study being reviewed
- Safety FY2013 - LTIFR = 0.10

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

Listings:

ASX and LSE (Code: MML)

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OVERVIEW:

- CPC Engineering ("CPC") appointed as the new Co-O Mill expansion managers following the appointment of External Administrators to Arcccon (WA) Pty Ltd (announcement 8th July 2013).
- Commissioning of the Co-O Mill delayed by approximately four to five weeks and will be completed in early August 2013. Arcccon's administration has had no other effect on the Company's operations.
- Due to the current subdued gold price and the delay to the commissioning of the new Co-O Mill, operations efficiency and costs are continually being reviewed.
- Bananghilig feasibility study status being reviewed in light of lower gold price and recent discovery of the new higher grade B2 zone.

EXECUTIVE ORDER ON MINING IN THE PHILIPPINES

- New legislation on mining taxes and royalties is yet to be finalised for consideration by Congress.

Co-O MINE PRODUCTION & DEVELOPMENT

- **New Mill: Crusher and SAG mill commissioning in August.**
- **Production:** 15,642 ounces at a recovered grade 5.97 g/t gold and cash costs of US\$355 per ounce. Production reduced during June quarter as a result of narrower veins than expected near the L8 shaft.
- **Production guidance:** 17,000 ozs for September 2013 Quarter and 35,000 ozs for December 2013 Quarter.
- **L8 Shaft** (formerly Saga shaft): operating, 350 metres of driving completed. One Alimak ore pass completed from Level 8 to Level 6.

EXPLORATION

- Exploration drilling now reduced to 2 surface and 2 underground drill rigs, decreasing exploration expenditure from approximately US\$25 million in FY2013 to approximately US\$12 million in FY2014.

TAMBIS AREA - BANANGHILIG GOLD DEPOSIT

- One rig completing sterilisation drilling to delineate areas for plant site, tailings and waste storage facilities. Geotechnical drilling for tailings dam, waste and mill plant areas will be completed in September Quarter.
- Two rigs drilling the new B2 area

CORPORATE & FINANCIALS (unaudited)

- Total cash and cash equivalent in gold on metal account at end of quarter of approximately US\$7.45 million.
- Overdraft facilities arranged with two Philippine banks totalling US\$14 million.

PROJECT OVERVIEW

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

To view Figure 1. Location diagram showing the Company's tenement areas and prominent East-West structures, please visit the following link:

<http://media3.marketwire.com/docs/889472FIG1.jpg>

To view Figure 2. Regional tenement map showing mines and prospects, please visit the following link:

<http://media3.marketwire.com/docs/889472FIG2.jpg>

HEALTH, SAFETY and ENVIRONMENT

Lost time accident frequency rate (LTIFR) for the twelve months to 30 June 2013 is 0.10 including exploration.

There was one Lost Time Accident for the 2012/2013 year.

There were no breaches of any of the project's operating regulations during the quarter.

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 for submission to 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 2012/2013 resources (including the Saugon resource) and ore reserves are shown in Table I. The table does not include any mining depletion for the year.

The new resources and reserves for 2013/2014 will be announced in August 2013.

Table I. Mineral Resources and Ore Reserves 2012/2013

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

	Indicated	47,500	6.99	10,700
Saugon Resources	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

2012/2013 Financial Year quarters are summarised in Table II below.

Table II. Gold production statistics

	Unit	Qtr ended 30 Jun 2013	Qtr ended 31 Mar 2013	Qtr ended 31 Dec 2012	Qtr ended 30 Sep 2012	Year to date 30 Jun 2013
Tonnes mined	WMT	103,028	83,134	89,504	70,591	346,257
Ore milled	DMT	92,567	73,273	76,999	66,809	309,648
Head grade	g/t	5.97	6.76	8.16	7.50	7.02
Recovery	%	88%	89%	90%	90%	90%
Gold produced	ozs	15,642	14,021	18,177	14,403	62,243
Cash costs ⁽¹⁾	US\$/oz	\$355	\$296	\$279	\$328	\$313
Gold sold	ozs	16,236	17,760	18,492	25,000	77,488
Average gold price received	US\$	\$1,410	\$1,630	\$1,731	\$1,636	1,610

Note:

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

The Company produced 15,642 ounces of gold for the quarter, at an average head grade of 5.97 g/t gold and cash costs of US\$355 per ounce, inclusive of royalties and local business taxes.

Medusa, an un-hedged gold producer, sold 16,236 ounces of gold at an average price of US\$1,410 per ounce during the quarter.

Gold production for the quarter underperformed due to narrower vein widths and lower grade in the immediate vicinity of the shaft on Level 8 compared to that predicted by the resource model.

Cash costs for the quarter increased as a consequence of the lower gold production (explained above) and higher power costs due to the recent unreliability of grid power and consequential frequent use of diesel gensets. In addition, the current mill (25 years old) requires increasingly regular on-going maintenance thus reducing operating efficiency.

With the underperformance of Level 8 and the delay in the commissioning of the new mill, the production forecasts for the September and December 2013 quarters are approximately 17,000 ounces and 35,000 ounces respectively. Full FY 2014 production guidance will be provided once the mill is fully commissioned and further development has been completed on Level 8.

Operations

Mine Development

The L8 Shaft is operating and hauling development waste and ore. Approximately 350 metres of Level 8 development has been completed. The first Alimak rise from Level 8 to Level 6 is completed and the second is being set up and will be completed in September. Ore from these passes will be fed directly to the ore bins

by conveyor. The winze ore pass is expected to be connected from Level 6 to Level 8 in August.

Lateral development is increasing up to the target minimum rate of 1,500 metres per month. Consequently a high proportion of development ore will continue to be supplied to the current mill and also ROM stockpiles.

Production

Production for Level 8 has so far underperformed due to narrower vein width and lower grade than that predicted by the resource model.

As frequently highlighted by the Company, drilling of narrow epithermal veins generally provides an indication of the presence of the gold mineralised vein but may not always provide good quantitative data with respect to accurate grade and volume estimations. Veins commonly pinch and swell and may be brecciated or displaced by faults.

To view Photo 1: Completed L8 Shaft headframe, please visit the following link:

<http://media3.marketwire.com/docs/889472PHOTO1.jpg>

The Company regards the initial drilling as indicative only and operates the policy of using drilling to locate the position and extent of the mineralised veins. This is then followed by on-vein development to support the drilling results, and to provide a more accurate estimate of vein grades which results in the upgrading of the resource category from Inferred to Indicated. The development supports the estimation of resources and facilitates the conversion of resources to reserves.

The veins on the Level 8 in the vicinity of the shaft, 100 metres below the current mining levels, were expected to be 1.4 metres to 5.5 metres wide according to the resource model, but on three veins developed to date in the immediate vicinity of the shaft, the widths have been less than 1 metre in conjunction with extensive faulting, thus reducing the Level 8 budgeted production during this June quarter. Priority headings are focusing on reaching more productive zones as soon as possible.

The poor performance of Level 8 in the immediate shaft area compared to the resource model to date has affected the production for the June quarter. Gold production for the June 2013 quarter was 15,642 ounces and 62,243 ounces of gold for FY2013.

Due to this underperformance of Level 8 and the delay in the new mill commissioning, the production forecast for September 2013 quarter is approximately 17,000 ounces and for December 2013 quarter is approximately 35,000 ounces. Full FY2014 forecast production will be estimated once the mill is fully commissioned and further development has been completed on Level 8.

Co-O Mill

Following the announcement of 21st June 2013 regarding the appointment of External Administrators to Arccon (WA) Pty Ltd, who were ECPM managers for the Co-O Mill expansion, the Company has since appointed new managers, CPC Engineering. CPC is an engineering design, construction and maintenance group of companies that has gained industry-wide recognition for providing professional services to the resources and infrastructure sectors over the past 30 years.

CPC has mobilised commissioning personnel to site and the current status of activities with respect to commissioning of the new mill which has commenced are:

- The SAG Mill is being lined with steel liners
- Process water is being pumped through the CIL tanks, cyanide detox plant and SAG mill

- High Voltage (HV) has been switched on to the new milling area
- Tailings Pumps have been switched on

Commissioning is expected to be completed in early August following which the first ore will be fed into the mill. This will commence the ramp up period.

To view Photo 2. Detoxification plant, please visit the following link:

<http://media3.marketwire.com/docs/889472PHOTO2.jpg>

To view Photo 3. Lining SAG mill, please visit the following link:

<http://media3.marketwire.com/docs/889472PHOTO3.jpg>

To view Photo 4. Primary crusher, please visit the following link:

<http://media3.marketwire.com/docs/889472PHOTO4.jpg>

Co-O Mine Drilling

Surface exploration drilling was carried out in the South Agsao area during the quarter with 2 diamond drillholes (EXP236 & EXP237) completed for a total advance of 1,048.8 metres.

Underground drilling was carried out during the quarter utilising 2 large and 2 smaller portable diamond rigs. A total of 9 holes were completed at Levels 2, 3 and 8 for an advance of 1,090.40 metres.

Currently there are four diamond drill rigs operating two on contract, and two owned by the Company on Levels 3 and 8.

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

Hole Number	East ⁴	North ⁴	Depth (metres)	Dip (Degrees)	Azimuth (Degrees)	From (metres)	Width ² (metres)	Gold Grade ^{1,3} (uncut) (g/t gold)
SURFACE EXPLORATION DRILL HOLES								
EXP231	614194	913242	1034.10	-63	179	576.20	0.50	11.30
						620.15	0.70	6.32
						625.30	0.60	5.88
EXP233	614263	913312	1010.70	-61	181	678.40	1.00	20.7
						688.30	0.65	4.40
UNDERGROUND EXPLORATION DRILL HOLES - LEVEL 3								
L3-64W-001	613340	913026	296.80	3	204	217.65	0.85	6.46
L3-64W-002	613339	913027	291.10	3	215	176.10	2.60	8.98
L3-64W-003	613346	913028	205.50	3	116	156.00	1.00	3.40
UNDERGROUND EXPLORATION DRILL HOLES - LEVEL 5								
L5-42E-034	614380	912692	424.40	-53	343	40.85	0.65	17.83
						70.30	0.90	6.17
						213.5	0.60	7.32
						329.10	1.00	8.50
						351.60	1.00	8.91

							37.80	0.70	11.80
							64.75	2.15	6.66
							84.50	3.05	18.63
							159.80	1.00	5.92
							162.80	1.30	3.09
L5-42E-035	614381	912692	415.50	-53	341		205.75	1.00	3.43
							113.10	1.40	10.10
L5-42E-037	614383	912691	420.80	-53	325		330.90	3.25	16.41

Notes:

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

Co-O EXPLORATION**IP Survey**

A ground Induced Polarisation ("IP")/ Resistivity ("RES") survey continues within the Co-O tenements including the Co-O mine environs. Up to the end of the June quarter, approximately 25 line kilometres of IP survey was completed. It is anticipated that the balance of the IP survey (~230 line kilometres) will be completed during the March 2014 quarter, with interpretation being carried out during the March/June 2014 quarters.

Reconnaissance Programmes

Reconnaissance mapping and sampling programmes are ongoing.

TAMBIS REGION

The Tambis project comprising the Bananghilig Gold Deposit (Figure. 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, drilling updates on 17 January 2012, 8 August 2012, 21 November 2012 and 02 April 2013, and operations update on 08 July 2013.

Infill Resource Drilling

A 14 hole infill drilling programme (TDH287 to TDH300) was completed, during the previous quarter, within the Bananghilig resource area to provide additional data in two areas of the deposit (Figure 4). Assay results have now been received for all 14 holes and significant results reported in Table IV.

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.

The Bananghilig resource is currently undergoing resource estimation review to include the results of the recently completed infill drilling programme. The resource review is expected to include an estimate of the silver content of the deposit, and 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 Scoping Study parameters and discussion on other parameters, including metallurgy, mining and operations is included in the 09 and 11 April announcements.

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.

B2 Discovery Area

During the previous quarter, the Company announced the discovery of a new zone of gold mineralisation proximal to the current Bananghilig gold deposit (Figure 3). The results of recent drilling (refer table IV below and announcements on 08 July 2013) are believed by the Company to have implications for the development of the current Bananghilig resource. There is potential for increasing the resource base in both tonnes and gold grades, such that the currently ongoing feasibility study will be reviewed and possibly re-scoped.

During the June reporting period, two large capacity diamond drilling rigs completed 4 diamond drill holes (TDH303, TDH306, TDH308 & TDH310) for a total advance of 1,296.8 metres.

To view Figure3. Bananghilig area geology showing the position of the new B2 mineralisation discovery, relative to the Bananghilig resource, beneath the limestone cover, please visit the following link:

<http://media3.marketwire.com/docs/889472FIG3.jpg>

To view Figure 4. Plan showing recent infill drilling within the Bananghilig resource block model and drillholes completed at the recently discovered B2 gold mineralised zone, please visit the following link:

<http://media3.marketwire.com/docs/889472FIG4.jpg>

To view Figure 5. Bananghilig resource block model and B2 Discovery Area drill holes projected onto section 10710mN, please visit the following link:

<http://media3.marketwire.com/docs/889472FIG5.jpg>

B2 Drilling Results

Drilling at B2 is continuing with two diamond rigs drilling on a 150 metre x 150 metre grid pattern. Results of

the initial drilling at B2 were announced on 02 April 2012. Results from subsequent drilling have since been received and significant intercepts are included in Table IV below.

Table IV. Bananghilig Resource infill and B2 Discovery Area drill hole results ≥ 1 g/t gold.
(Results not previously reported are marked †)

Hole Number	East ⁴	North ⁴	Depth (metres)	Dip (Degrees)	Azimuth (Degrees)	From (metres)	Width ² (metres)	Gold Grade ^{1,3} (g/t gold)
BANANGHILIG RESOURCE - INFILL DRILLING								
TDH287 †	612444	945060	251.30	-60	130	186.10	3.30	1.64
TDH288 †	612409	945030	270.60	-60	130	62.25	3.00	2.08
						176.10	9.80	1.20
						190.70	5.15	1.27
						205.75	1.85	3.15
TDH289 †	612469	945085	258.90	-60	130	109.65	20.75	2.04
						162.05	4.00	2.14
TDH290 †	612505	945244	255.60	-60	130	199.85	20.60	1.04
TDH291 †	612824	945496	248.40	-60	130	100.00	5.45	0.75
						223.90	1.00	14.72
						241.30	6.05	1.36
TDH292 †	612824	945555	248.90	-60	130	84.00	6.35	3.93
						229.10	3.05	7.79
						238.20	4.05	1.77
TDH293 †	612551	945160	261.60	-70	130	57.35	4.65	1.16
						237.15	4.95	2.70
TDH294 †	612810	945577	234.70	-60	130	191.35	1.00	6.77
TDH295 †	612771	945493	229.80	-60	130	27.15	17.95	1.75
						90.10	9.55	1.00
TDH296 †	612807	945515	226.30	-60	130	45.10	2.00	3.72
TDH297 †	612713	945529	189.80	-60	130	36.75	1.00	5.72
						56.80	6.10	6.96
TDH298 †	612766	945565	194.20	-60	130	67.20	4.55	3.35
BANANGHILIG - B2 DISCOVERY AREA								
TDH303	613502	945189	321.60	-60	130	155.10	21.55	0.94
						190.85	7.45	1.51
						207.30	13.90	5.15
						229.90	10.70	19.28

Notes:

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

Geotechnical and Sterilisation Drilling Programmes

A geotechnical drilling programme is currently underway to investigate sites suitable for infrastructure associated with the development of the Bananghilig resource, including plant site, waste, tailings and process water storage facilities. A sterilisation drilling programme is also being conducted in the same area. To date no significant results have been received for these areas.

Both programmes are anticipated to be completed during the September 2013 quarter.

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, or HQ3 (hole diameter 96 mm, core diameter 61 mm). The holes are initially collared using PQ drillbits (hole diameter 122 mm) to recover PQ3 core (core diameter 83 mm) until the drillbit encounters competent ground, then the hole is cased, and the coring bit reduced to HQ3 for the remainder of the drill hole. If difficult conditions are encountered, then the drill bit is changed to NQ3 (hole diameter 75 mm, core diameter 45 mm) and the hole continued until the planned depth or bad ground conditions prevent further drilling, whichever occurs first.

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 Magnetics 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.

Geological mapping, test pitting and soil sampling 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.

Recently, Cube Consulting Pty Ltd completed a resource estimate for the Saugon Deposit (refer March 2013 quarterly report). 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.

Exploration

Geological mapping and sampling programmes are on-going.

FINANCIALS (unaudited)

As at 30 June 2013, the Company had total cash and cash equivalent in gold on metal account of approximately US\$7.45 million (31 Mar 2013: US\$8.91 million).

During the June 2013 quarter,

- the Company sold 16,236 ounces of gold at an average price of US\$1,410 per ounce (Mar 2013 qtr: sold 17,760 ounces at an average price of US\$1,630 per ounce). Year to date gold sales totalled US\$124.73 million from the sale of 77,488 ounces at an average price of US\$1,610 per ounce);
- incurred exploration expenditure of US\$3.6 million (Mar 2013 qtr: US\$5.9 million, YTD: US\$25 million);
- incurred US\$9.4 million on capital works, associated sustaining capital at the mine and mill and also costs for the new mill construction and infrastructure (Mar 2013 qtr: US\$4.5 million, YTD: US\$44.2 million); and
- incurred US\$10.3 million on general and accelerated mine development, inclusive of shaft sinking costs (Mar 2013 qtr: US\$8.4 million, YTD: US\$34.5 million).

CORPORATE

Dividend:

No dividends were paid during the June 2013 quarterly period.

Funding:

With the current subdued gold price and the delay to the commissioning of the new Co-O Mill caused by the situation with Arccon, Medusa has been reviewing the efficiency of its operations and also its costs. As a result of this review, the Company has deemed it prudent to arrange funding facilities with two Philippine banks. The overdraft facilities available to the Group total Php600 million (approximately US\$14 million) and to date the Company has drawn down Php120 million (approximately US\$3 million).

Management changes:

Mr Peter Alphonso was appointed Chief Financial Officer on 01 July 2013 following the retirement of Mr Roy Daniel.

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 Ltd.](#) 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.

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Such forward-looking statements are not guarantees of future performance and involve known and unknown

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